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**An Integrated Approach to Corporate Governance and Corporate
Social Responsibility: The Case of New Zealand**

A thesis
submitted in partial fulfilment
of the requirements for the Degree of
Doctor of Philosophy in Accounting

at
Lincoln University
by
Rashid Zaman

Lincoln University
2019

***I dedicate this work to my parents, my sisters and my brothers for all their
love, support and encouragement.***

Abstract of a thesis submitted in partial fulfilment of the
requirements for the Degree of Doctor of Philosophy in Accounting

**An Integrated Approach to Corporate Governance and Corporate Social
Responsibility: The Case of New Zealand**

by
Rashid Zaman

Since, Corporate Social Responsibility (CSR) is voluntary in most countries around the world, including New Zealand, therefore firms often engage in socially irresponsible practices. Punitive measures associated with irresponsible corporate behaviour e.g. WorldCom (2002), Air New Zealand (2007), British Petroleum (BP) (2010), Volkswagen (VW) (2015), and Wells Fargo (2016), coupled with global institutional pressure (UN peace compact), have driven CSR to a high enough profile that many (i.e. stakeholders) today now consider it a necessity for firms to define their roles in society and to adhere to social, ethical, legal and responsible standards. In terms of CSR adherence, firms use a variety of corporate governance (CG) arrangements, meaning that questions around CG-CSR interfaces are pertinent for further research. Despite the global importance and heightened awareness of CSR adaption, CG-CSR interfaces in the New Zealand context remained under researched. Therefore, exploring CG-CSR interfaces is of important, not only for advancing knowledge but also for policy development in New Zealand.

More specifically, this research answers the following two questions (i) what is the relationship between CG and CSR? and (ii) How are CG and CSR integrated in an organisational context? To do, this research employs mixed (qualitative and quantitative) methods, comprised of two phases. In the first phase, face-to-face interviews were conducted with managers from CSR champion New Zealand Stock Exchange (NZX) listed firms. The interviews were designed to test the CG-CSR relationship in actual company settings and to develop a CG-CSR integrated framework. In the second stage, this research empirically tested the proposed CG-CSR integrated framework obtained in the first phase through a survey conducted with senior

leadership of all NZX listed companies using the Multiple- Criteria Decision Analysis (MCDA) technique (i.e. Analytical Hierarchal Process).

Although this research identifies three potential conjectures relating to the CG-CSR relationship in New Zealand; (i) CSR as a pillar of CG, (ii) CSR as a dimension of CG and (iii) CG-CSR co-existence, but it is noted that 'CG as a pillar of CSR' was highlighted by respondents as having particular significance. This implies that effective CG promote firms CSR practices, supporting the stakeholder theory. In response to the second research question, this research draws a six-stage CG-CSR integrated framework based on stakeholder theory, that identifies, (i) key stakeholders who actively seek management attention for CSR, (ii) main CG actors who plan and develop CSR strategies, (iii) appropriate CG channels to implement CSR, (iv) principal CSR activities (v) existing benchmarks for CSR performance evaluation, (vi) preferred communication channels to report firms' commitment to CSR principals, and discusses the convergence between these stages. The research further empirically tests and validates the CG-CSR integrated framework using result from the quantitative survey collected from senior management from NZX listed firms. In addition, the Analytical Hierarchal Process (AHP) technique is used to prioritise the factors of each stage of the established CG-CSR integrated framework.

As a pioneer research in the New Zealand context, the findings are valuable for academics, regulators, practitioners and other stakeholders (i.e. investors, shareholders, customers, and community groups) interested in understanding the CG-CSR nexus and promoting responsible business practices. More specifically, the findings offer researchers a framework to analyse the CG-CSR relationship. For regulators, identification and reporting of the lived experiences of corporate managers provide insight into their understanding of the CG-CSR relationship and integration, thereby assisting them to develop policies which promote responsible business practices. For practitioners, the proposed framework provides systematic guidance for firms seeking to adopt formal CSR programmes. The findings of this research are also beneficial for stakeholders who not only influence but also drive CSR practices.

Key Words: Corporate governance, corporate social responsibility, stakeholder theory, mixed methodology, live interviews, survey questionnaires, Analytical Hierarchy Process (AHP), New Zealand Stock Exchange (NZX) Listing.

Acknowledgements

All the praises and thanks be to Allah, the Almighty and the most Merciful.

First of all, I would like to thank my supervisor *Dr Jamal Roudaki* for his continuous support, invaluable guidance and encouragement. He has always been source of motivation for me throughout my stay at Lincoln University. He not only helped me to improve my thesis with great patience, but has always encouraged me to set high standards, which will help me throughout my future career. My sincere gratitude also goes to my Associate Supervisors *Dr Tracy-Anne De Silva* and *Dr Baiding Hu*, and, who has been quite helpful and consistent in providing feedback on my work. I would also like to thank Professor Dima Jamali (American University of Beirut) and Dr Tanusree Jain (Trinity College Dublin, Ireland) for their research collaboration with me that have helped me a lot during my PhD research journey.

I also appreciate my mother, brothers Arshad Zaman, Sajjad Ahmed and my friends Asad Kiyani, Qadeer Zia who not only motivated me to do a PhD, but have offered me endless support and encouragement over the years.

My gratitude also goes to my friends whose support and assistance have been invaluable, during my time here. Special thanks to Khan Mir Khan, Lihong Sun, Muhammad Nadeem and Stephen Bahadur and who have shared all my happiness and sadness and always stood by me whenever there have been difficult times. Last but not least, I would like to thanks my colleagues Abrar Ilyas, Gursharan Singh , Haroon Mahmood, Jacob Kambuta, Muhammad Arslan, Naeem Rashid , Umar Iqbal and Umer Kiyani for all of your help and support in many ways during this journey.

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Chapter 1

Introduction

Current Chapter -1	Next Chapter-2
<div data-bbox="256 573 592 913">Introduction</div> <ul data-bbox="592 595 1129 887" style="list-style-type: none">• <i>Introduction</i>• <i>Problem Statement</i>• <i>Research Context</i>• <i>Research Objectives & Questions</i>• <i>Research Method</i>• <i>Research Limitations</i>• <i>Research Contributions</i>• <i>Thesis Structure</i>	<div data-bbox="1203 629 1410 846">Literature Review</div>

Whether it is the classic cases of Enron and WorldCom, or the more recent cases of Volkswagen (VW), British Petroleum (BP) and Wells Fargo, firms have long been criticised for their irresponsible behaviour and have attracted severe legislative penalties and/or fines as a result. Notably, VW was penalised USD 30 billion for its emission scheme ([Schwartz & Bryan, 2017](#)); BP was penalised USD 18.7 billion for its oil spill ([Robertson, Schwartz, & Pérez-Peña, 2015](#)); and Wells Fargo's was fined USD 1 billion by the federal government for mortgage and insurance abuses ([Borak, 2018](#)).

The punitive measures associated with irresponsible corporate behaviour, coupled with global institutional pressure (UN peace compact) have highlighted the importance of Corporate Social Responsibility (CSR) ([Voegtlin & Pless, 2014](#)), so much, that many now consider it a necessity for an organisation, to both define their role in society and to adhere to social, ethical, legal and responsible standards ([Schembera, 2018](#)).

To adhere to the requirements of corporate social responsibility, firms use various sets of governance arrangements, which bring corporate governance (CG) into the CSR equation. Concomitantly, extant research has established the pivotal role of CG, both in setting firm agenda and designing corporate strategies (including CSR strategies) on one hand ([Ormiston & Wong, 2013](#)), and the implementation of these CSR practices on the other ([Maon, Lindgreen, &](#)

[Swaen, 2009](#)). Following every high-profile corporate social irresponsibility i.e. VW emissions scandal 2015, BP oil spill 2010 and Wells Fargo cross selling 2016 among others, media headlines are accompanied by public outcries about CG failure, which inevitably assign responsibility for such actions to the firm's management. However, management face significant barriers in CSR implementation, because of the subjective nature of CSR and the absence of a robust governance framework for its implementation ([Klettner, Clarke, & Boersma, 2014](#)).

CSR implementation has been recognised as essential, not only for long-term business value ([Carroll & Shabana, 2010](#)), but also for encouraging responsible business practices. In this regard, academic research has so far made remarkable progress in understanding CG and CSR relationship ([Lin-Hi & Muller, 2013](#)). Several forays of investigations have progressed into understanding the role of governance as an antecedent and a consequence of CSR ([Johnson & Greening, 1999](#); [Mattingly, 2017](#); [Orlitzky, Siegel, & Waldman, 2011](#)), yet despite these efforts, the world has witnessed a significant rise in corporate scandals, especially during the last decade ([Nadeem, Zaman, & Saleem, 2017](#)).

CSR literature has identified two major factors behind the rise of corporate irresponsibility; (i) management perceptions, and (ii) a lack of understanding about CSR integration ([Lyon & Montgomery, 2015](#); [Wickert & de Bakker, 2015](#)). Firstly, management presumably portrays CSR as of symbolic importance rather than a strategic framework for acting responsibly while also generating a profit ([Wang, Tong, Takeuchi, & George, 2016](#)). For instance, management may embellish CSR initiatives to mislead consumers and build a good reputation and trust to increase profitability, rather than actually contributing to society and the environment ([Lyon & Montgomery, 2015](#)). These initiatives are possible because of wide variety of CSR implementation practices. Secondly, there is a notable lack of understanding about CSR integration. Much of the extant literature focuses only on why companies should adopt CSR, with very little attention paid to how this might be achieved ([Baumann-Pauly, Wickert, Spence, & Scherer, 2013](#); [Lindgreen, Swaen, & Maon, 2009](#); [Schembera, 2018](#); [Yuan, Bao, & Verbeke, 2011](#)).

Despite the limited literature, some excursions into CG-CSR research have been undertaken. In particular, there are studies which examine the inter-relationship between governance and CSR using managerial perspectives. For example, studies reveal that CG and CSR are activities that are closely manifested ([Jamali, Safieddine, & Rabbath, 2008](#)) or that CG-CSR interaction is

guided by institutional forces ([Young & Thyl, 2009](#)), with some explicitly linking CG and CSR ([Kolk & Pinkse, 2010](#)). However, more recently [Glavas \(2016\)](#) has identified that there is a disparity between abstract ideas and the execution of these CSR practices in real life. Likewise, much of the existing work in CG and CSR has been dominated by establishing a causal relationship between the two concepts and the findings remain largely inconclusive (one arguing that good CG leads to effective CSR, while the other finds no or a negative relationship between them) ([See, Jain & Jamali, 2016](#)). According to [Young and Thyl \(2014\)](#) and [Jain and Jamali \(2016\)](#), the underlying relationship between CG and CSR is centred on managerial thoughts, perceptions and contextual setting, and ignoring these characteristics lead to inconclusive results in the literature. Furthermore, despite the growing interest in CG and CSR research, the exact nature of this relationship has not yet been fully determined ([See, Jain & Jamali, 2016](#)). This highlights a gap in CSR implementation by corporate leaders.

Nevertheless, the relationship between CG and CSR and how these two practices are integrated into an organisational context is not yet understood in the socio-economic conditions of New Zealand. Motivated by this, this research adopts a governance perspective on CSR. To do, this research employs mixed (qualitative and quantitative) methods, comprising of two phases. In the first phase, face-to-face interviews were conducted with managers from CSR champion New Zealand Stock Exchange (NZX) listed firms. These interviews were undertaken with the aim of developing a clearer understanding of the CG-CSR relationship in actual company settings and ultimately to aid in the creation of an integrated framework. In the second stage, this research empirically tested the proposed CG-CSR integrated framework obtained during the first phase through a survey conducted with senior leaders of all NZX listed companies using the Multiple- Criteria Decision Analysis (MCDA) technique i.e. Analytical Hierarchal Process (AHP).

1.1 Problem Statement

The new millennium has witnessed a dramatic increase in social, environmental and governance related scandals. Whether it is the Volkswagen emissions scandal (2015), or the Deepwater BP oil spill (2010), a common thread across these incidents is the interplay between CG and CSR ([Goranova & Ryan, 2015](#)). Such scandals have stimulated academic interest, with scholars investigating the interdependencies, synergies and convergence between CG and CSR ([Goranova & Ryan, 2015](#); [Jain & Jamali, 2016](#); [Jamali et al., 2008](#)).

CG is a set of systems or processes used to control business activities and is subject to various laws around the globe ([Aguilera, Desender, Bednar, & Lee, 2015](#)). In contrast, CSR includes activities related to stakeholder satisfaction that go beyond legal and/or regulatory requirements ([El Ghoul, Guedhami, Nash, & Patel, 2016](#)). Due to its voluntary nature, CSR often remains under managerial discretion with varied thoughts around implementation ([Windsor, 2006](#)).

Some recent scholarship has suggested that firms can 'perform well by doing good' ([Godfrey, 2005](#); [Margolis, Elfenbein, & Walsh, 2007](#); [Porter & Kramer, 2011](#)) and has found that firms which implement CSR policies significantly outperform their counterparts in terms of financial performance ([Eccles, Ioannou, & Serafeim, 2012](#)). On the contrary, some scholars have suggested that CSR adoption significantly reduces shareholders' wealth ([Galaskiewicz, 1997](#)).

Despite these divergent arguments, CSR implement is on the rise, globally. The majority of Global 500 companies have spent an average of US \$ 20 billion per year on CSR activities over the period of 2011 to 2013 ([Dattani, Still, & Pota, 2015](#)). Along similar lines, the [KPMG \(2013a\)](#) survey indicates that the number of firms who implement CSR activities have dramatically increased from 52% in 2005 to 93% in 2013. However, despite the increasing trend in CSR, irresponsible incidents (for example, Apple's planned obsolescence, VW's deception about vehicle emissions, and Wells Fargo cross-selling, Air New Zealand price fixing cartel case), have continued to rise .

To cope with these incidents, legal authorities have mandated or introduced stakeholders' interests into the managerial decision-making process. For instance, New Zealand recently revised its CG principal (2017). Likewise the Australian Securities Exchange (ASX 2014) and Singapore Exchange Limited (SGX 2016) CG principles on sustainability reporting, mandatory ESG disclosure of listed firms on the Bombay Stock Exchange (BSE), and the USA Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010, all have created a new set of practices and requirements to manage risks¹. In addition, the revised Organisation for Economic Co-operation and Development (OECD) 2015 CG principles and the UK revised CG code 2018 have broadened directors' and senior officers' liabilities for responsible business practices.

¹ For more about CSR guidelines about Australian Securities Exchange (ASX), Bombay Stock Exchange (BSE), New Zealand Stock Exchange (NZX), Singapore Exchange Limited (SGX) please see, [ASX Corporate Governance Council \(2014\)](#), [Bombay Stock Exchange \(2013\)](#), [New Zealand Stock Exchange \(2017\)](#) and [Singapore Exchange Limited \(2016\)](#).

Such voluntary and mandatory developments have not only exposed the interface between CG and CSR but have also highlighted their underlying ambiguity and consequently, the need for more research to understand these complex interfaces at multiple levels. Notably, CG-CSR research has progressed along three directions: one strand adopts CG as a foundation for CSR (e.g. [Filatotchev & Stahl, 2015](#); [García-Sánchez, Aceituno, & Domínguez, 2015](#); [Husted, 2003](#); [Young & Thyl, 2014](#)); the second strand portrays CSR as an umbrella term that subsumes CG under its dimensions (e.g. [Frynas, 2010](#); [Jian & Lee, 2015](#); [Lund-Thomsen, 2005](#); [Stanwick & Stanwick, 2001](#)), and the third strand visualises CG and CSR as overlapping constructs (e.g. [Campbell, 2006](#); [Li, Fetscherin, Alon, Lattemann, & Yeh, 2010](#); [Ortas, Álvarez, Jaussaud, & Garayar, 2015](#); [Sacconi, 2006](#)). The emergence of these multiple interfaces in CG-CSR research needs a comprehensive and up to date research.

Similarly, apart from multiple CG-CSR interfaces, issues around CSR implementation also remained valid. CSR implementation has been recognised as essential to long-term business prosperity ([Carroll & Shabana, 2010](#)). It is no longer contested whether to make a substantial commitment to CSR, but rather how to implement, maintain and improve CSR practices while considering varied stakeholder objectives/interests ([Poplawska, Labib, & Reed, 2015](#)). The key challenge remains of how best to integrate CSR into firm structures due to the fact that firms will not act responsibly as long as CSR issues are not embedded in their decision making processes. The practical implementation of CSR has been limited to actions, schemes and standard guides ([Boesso & Kumar, 2016](#); [Castka & Prajogo, 2013](#); [O’Riordan & Fairbrass, 2014](#)) with scant focus on CG-CSR integration ([Kolk & Pinkse, 2010](#); [Mason & Simmons, 2014](#)). This has ultimately led to limited understanding among practitioners and provides justification for the present study ([Wickert & de Bakker, 2015](#)) and establishing current study research problem. Therefore, this research provides a comprehensive and up-to-date study of the multiple interfaces associated with CG-CSR research. More specifically, this research was undertaken with the aim of developing a clearer understanding of the CG-CSR relationship in actual company settings and ultimately to aid in the creation of an integrated CG-CSR framework in New Zealand context.

1.2 Research Context – Why New Zealand

New Zealand is a small, open economy, known for its business-friendly policies. The NZX and the Financial Market Authority (FMA) are responsible for promoting responsible business practices among listed firms. However, businesses in New Zealand enjoy a comparatively

flexible CG and CSR legislative structure compared to their Anglo-Saxon counterparts (i.e. Australia, the UK, the USA and Canada) ([Reddy, Locke, Scrimgeour, & Gunasekarage, 2008](#)). The CG structure in New Zealand is based on 'comply or explain' regime that are issued by the NZX in consultation with the FMA, while CSR in New Zealand largely remains a voluntary activity. However, considering the growing prevalence of CG and CSR around the world, the NZX revised its best practice CG code in 2017 and included a clause about environmental, social and governance (ESG) disclosure, thus encouraging firms to adopt responsible business practices.

Historically, CSR has not gained much management attention within New Zealand firms ([Wells, Ingley, & Mueller, 2014](#)). In contrast, the CG concept has remained dominant ([Fauzi & Locke, 2012](#); [Reddy, 2010](#)) due to its legal compliance requirements. Since New Zealand closely follows Australia when it comes to financial reporting, after the ASX revised its guidelines in 2014 to enforce sustainability reporting for ASX listed firms, the NZX also initiated² a CSR disclosure requirement for New Zealand listed firms.

More recently, examining the motivation for CSR among New Zealand businesses, [Dobbs and Van Staden \(2016\)](#), found the lack of a formalised system, meant that CSR implementation practices varied across local firms. Their results suggest that New Zealand companies are not currently fully committed to CSR and, in most cases, CSR reporting is used only to create the impression of being concerned about society and stakeholders, which raises significant questions about these firms' CG practices.

In addition, despite the growing importance of CG and CSR research at a global level, research in New Zealand remains very limited, with little focus on the CG-CSR relationship and the integration of these practices. Unfortunately, in New Zealand, the majority of studies have retained a focus on CSR and CG individually; almost no attempt has been made to understand CG-CSR interfaces and integration. The understanding of the CG-CSR relationship is even more important for the executives in firms in smaller markets, like New Zealand, where unique attributes of firms, such as smaller size, financial constraints, remote proximity, etc., worsen the problems concerning effective implementation of CG and CSR. To add, NZX 'comply and explain CG' and voluntary CSR practices, coupled with limited research, provide the necessary impetus for theory development/refinement and testing in the CG-CSR research arena.

² For details: <https://www.chapmantripp.com/publications/nzx-to-revise-corporate-governance-requirements>

1.3 Research Objectives and Research Questions

The primary objective of this research is to explore the relationship between, and integration of, CG and CSR practices among NZX listed firms. The nature of this relationship has attracted much debate in previous literature (See, [Jain & Jamali, 2016](#); [Jamali et al., 2008](#)). CG and CSR are multi-disciplinary constructs that create a uniformity of goals within, and across firms, especially with the shift from a shareholder-centric governance model to a stakeholder-centric governance ([Tricker & Tricker, 2015](#)). The underlying relationship between CG and CSR is centred on the thought that organisational activities can have a massive impact on stakeholders and the external environment. Therefore, it is important to understand the cross connection of CG-CSR and interdependencies. This is encapsulated in the following research question:

RQ1: What is the relationship between CG and CSR?

As far as the researcher is aware, there are only a few studies on CSR integration. However, these tend to focus on ethical standards, processes, and performance ([Cegarra-Navarro & Martínez-Martínez, 2009](#); [Svensson & Wood, 2011](#)), or cover business strategy perspectives ([Castka, Balzarova, Bamber, & Sharp, 2004](#); [Kleine & Von Hauff, 2009](#); [Vitolla, Rubino, & Garzoni, 2017](#); [Yuan et al., 2011](#)), with scant focus on CG - CSR integration ([Mason & Simmons, 2014](#)). Despite progress in empirical as well as conceptual literature on CSR integration, to date, no study has considered lived managerial experience in developing CG and CSR integrative frameworks.

Furthermore, a significant number of studies have highlighted the struggles firms face when trying to integrate CSR practices ([Adams & Frost, 2008](#); [Maon et al., 2009](#); [Wickert & de Bakker, 2015](#)) due to the complexity and lack of a useable CSR framework. As a result of the number of firms who struggle to integrate CSR practices, a number of academics have called for the development of a CG-CSR integration framework ([Glavas, 2016](#); [Jain & Jamali, 2016](#); [Rasche, 2010](#)). This research seeks to provide such a framework, by answering the following research question:

RQ2: How are CG and CSR integrated into an organisational context?

Due to the voluntary nature of CSR, and the lack of a formalised system for CSR across New Zealand listed firms ([Dobbs & Van Staden, 2016](#)), the first two research questions (RQ1 and RQ2) require purposeful sampling. However, in order to generalise the proposed framework,

obtained through RQ2, this needs to be tested over a larger population. Thus, this research includes a third research question:

RQ2a: Can the CG-CSR integration framework identified in RQ2 be sustained over a larger population?

1.4 Research Method

Most of the previous CG-CSR interface literature has used a quantitative research approach ([McNulty, Zattoni, & Douglas, 2013](#); [Praveen, Zillur, & Kazmi, 2013](#)). However, the relationship between CG and CSR is far more complex ([Jamali et al., 2008](#); [Kolk, 2008](#)) and requires in-depth analysis and techniques. Moreover, there are fundamental measurement concerns relating to the CG-CSR relationship because the information concerning both CG and CSR aspects is often time-dependent and non-financial in nature, with little standardisation ([Tschopp & Nastanski, 2014](#)). This issue has prompted academic calls for qualitative approaches to CG-CSR ([Aguilera et al., 2015](#); [Jain & Jamali, 2016](#)).

This thesis's first two RQs require managerial input to explore the nature of the CG- CSR relationship and to develop an integrated CG-CSR framework. Adopting a qualitative approach is appropriate because it provides a more complete picture of the situation ([Jamali et al., 2008](#); [Young & Thyil, 2014](#)). Not only does this method promise to offer deeper and richer insights into complex issues related to CG and CSR ([Tashakkori & Teddlie, 1998](#)), but it also adds rigour to the field ([Taneja, Taneja, & Gupta, 2011](#)). This is particularly relevant when exploring both “how” and “what” questions, like those posed in this thesis.

When a phenomenon is new and/or complex – such as CSR practices in New Zealand listed firms context, a combination of methods should be used, both for data gathering and analysis ([Creswell, 2015](#)). To obtain a holistic understanding of the CG-CSR relationship and CG-CSR integration, this research answers a series of what and how questions using a mixed method design. It uses both face-to-face interviews and survey questionnaires (see Chapter 3 for an exhaustive explanation of survey development).

1.5 Research Design

Initially, all of the firms listed on NZX main board on 2016 (154) were included in the sample. The 2016 year was chosen, because it was the most recent year, when research data collection

process commenced. As the first two RQs of this research deal with the exploration of the CG and CSR relationship and CG- CSR integration, this not only requires in-depth analysis and focus, but also depends upon managerial perception. The third objective relates to the testing of CG and CSR integration framework (i.e. based on the outcomes of the second research objective), and therefore requires two phases (see Figure 1.1). Each phase is discussed in detail in Chapter 3.

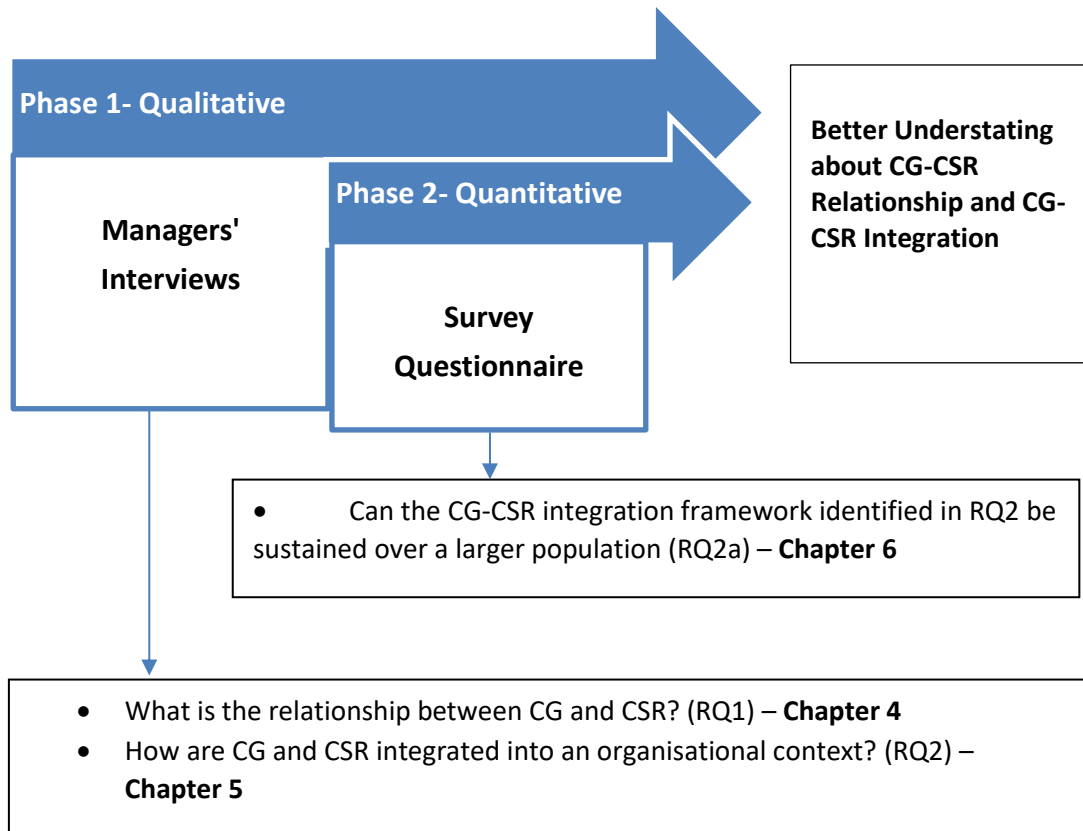


Figure 1.1: Research Design (Author's Compilation)

1.5.1 Phase 1: Qualitative: Managers' Interviews

Given the purpose of our research, which is to explore the nature of the CG-CSR relationship (RQ1) and CG-CSR integration (RQ2) in New Zealand, this thesis needs conduct in-depth interviews with NZX listed firms. Aligned with our research objective, we adopted 'purposive

sampling³ for sample selection ([Jason & Glenwick, 2016](#)). We employed two criteria⁴: firstly, firms needed to be listed on the NZX main board and secondly, firms had to be listed in the Global Reporting Initiative (GRI) database (see, <http://database.globalreporting.org/search/>). This process resulted in 18 companies meeting the pre-determined sampling criteria.

Given that this phase gathers senior managers' views about CG and CSR, a guide was designed to use during the interview process (see, appendix A4). The interview guide was first pre-tested with the five senior managers of unlisted organisations (i.e. outside the research population) that followed GRI based CSR practices. Online one-to-one pre-test interviews help the researcher to evaluate the validity and reliability of the interview questions ([Saunders, 2011](#)).

The researcher used face-to-face interviews, targeting senior managers at actual company settings. The researcher recorded and transcribed the interviews. This research used N-Vivo 11 software for coding and drawing out key information ([Bazeley & Jackson, 2013](#)).

1.5.2 Phase 2: Quantitative: Survey

As the aim of quantitative research (RQ2a) was to test the CG-CSR integrated framework obtained through interviews over a larger population. Thus, restrict this study to adopt purposive sampling for RQ2a. Therefore, this study considered all NZX listed firms, except for those which participated in the earlier phase of the research as sample participants.

The survey questionnaires were designed in relation to the interview findings. Before finalising the survey, a pilot study was conducted with two group of respondents i.e. CG-CSR practitioners and academic experts. For CG-CSR practitioners, this research selected all of the twelve interviewees who had participated in the first research phase. They were chosen for two reasons (i) they are experts in CG and CSR domain, as they engage in GRI based practices (ii) they had prior familiarity about the current research project. Apart from the CG-CSR

³ In purposive sampling, the participants and key informants are selected either by key characteristics, such as knowledge, skills and demographic ([Jason & Glenwick, 2016](#)) or other attributes that are best suited to the research questions for better understanding of the research phenomena ([Parker & Northcott, 2016](#)). We adopted purposive sampling as a limited number of NZX listed firms have a formal CSR program ([Dobbs & Van Staden, 2016](#)).

⁴ The core assumption with these two criteria was that listed firms have a better CG structure ([Loderer & Waelchli, 2010](#)) and appearing on the GRI database reflects a firm's commitment to CSR. The management in firms fulfilling both criteria is assumed to be more knowledgeable, skilful and well informed about practical aspects of CG and CSR.

practitioners, two academic experts were asked to review the questionnaires to ensure the readability and transparency of the questions and criteria. Finally, this research adopted a hybrid approach, using both paper-based and online surveys (Qualtrics) to collect the data from senior management of NZX listed firms and adopted the Analytical Hierarchy process (AHP) to analyse the responses. AHP was chosen because it is a proven method for bringing expert decisions together and providing reliable results ([Karaman & Akman, 2018](#)). See Chapter 3 for further details on AHP.

1.6 Research Limitations

As discussed, the first phase of the research follows qualitative data gathering and analysis approaches (i.e. interviews with senior managers). As with all qualitative research, there is always an element of subjectivity. The research adopted every possible means to minimise subjectivity biases, such as the development of interview protocol, pre-testing interview questions and the use of N-Vivo software for analysis. In addition, the research also acknowledges the limited sample size due to New Zealand's low population (there were only 155 listed companies in 2016) and CSR as emerging activity across NZX listed firms.

1.7 Research Contributions

This research contributes to both CG and CSR literature. This research not only extends CG-CSR research ([Jain & Jamali, 2016](#)), but also provides a more nuanced perspective by explaining how CG-CSR are integrated into an organisational context. While previous studies have examined the CG-CSR relationship, much of the extant literature focuses only on why companies should adopt CSR, and pay very little attention to how this might be achieved ([Jain & Jamali, 2016](#)). Hence, the results of the research not only contribute to the body of knowledge on CG, but also provide an opportunity to develop the CSR literature.

Current research focuses on NZX listed firms in an environment, where CG practices, follow a 'comply or explain' regime and CSR is considered to be a voluntary exercise. Earlier studies in New Zealand focus either on CG or CSR ([Dobbs & Van Staden, 2016](#)), and ignore CG and CSR interfaces in general, and more specifically, CG and CSR integration. This research is, therefore, a first attempt to uncover the nature of the CG and CSR relationship and explore CG and CSR integration. This research provides detailed advice for practitioners for CG-CSR integration, in

a setting where a significant number of firms lack formal CSR practices ([Dobbs & Van Staden, 2016](#)).

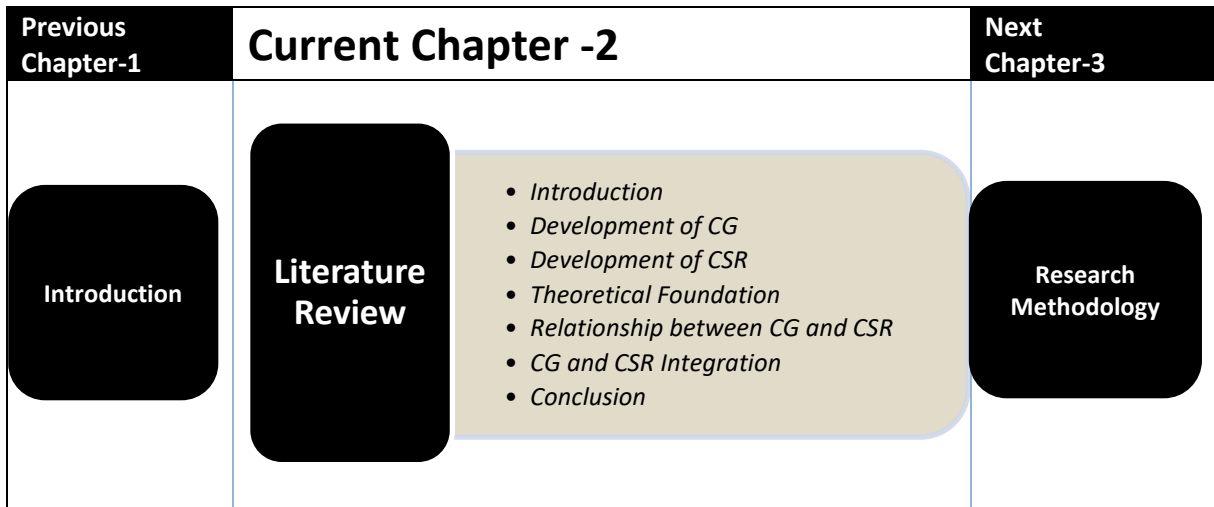
In addition, this research provides specific information about how to minimise reputational costs using the CG-CSR integrated lens. For instance, the majority of prior literature has observed that firms engage in CSR activities to build trust and reputational capital with stakeholders ([Fombrun, Gardberg, & Barnett, 2000](#); [Godfrey, 2005](#)). This reputational capital in turn acts as a form of ‘insurance’ or protection for firms (particularly in terms of sanctions), if the firm suffers an adverse event, such as regulatory violations or other crises. With this context, reputation cost is more pronounced in countries where CSR practices are voluntary, as in the case of New Zealand. Hence this research provides specific information about how to engage in CSR practices by integrating these practices into governance structures. Overall, the current research is important as it provides policymakers, practitioners, academics with an overview of New Zealand governance and CSR practices (See Chapter 7 for further details).

1.8 Structure of the Thesis

The remainder of the thesis is divided into six chapters. Chapter 2 provides a review of the literature, theories and approaches used in CG and CSR research, undertaken both at a global and a local (New Zealand) level. Chapter 3 describes the research methodology, and includes an overview of the research philosophies/approaches/methods outlined in the current literature before explaining the choice of methodology for this thesis. In addition, Chapter 3 also illustrates the research preparation phases, pilot study, data collection and analysis techniques adopted in the present research. Chapter 4, presents the results from the interviews. It answers the first research question (what is the relationship between CG and CSR?) using data from the managerial interviews. While Chapter 5 proposes a CG-CSR integrated framework based on the interviews results, Chapter 6 tests the proposed framework on a larger population and discusses the survey results. Finally, Chapter 7 summarises the key findings, highlights research contributions, implications and limitations, before concluding with recommendations related to future research.

Chapter 2

Literature Review and Theoretical Foundation



2.1 Introduction

Chapter 1 introduced CG and CSR, highlighted gaps in the literature and outlined the research questions before briefly reviewing the research design in terms of data gathering and analysis methods. This chapter reviews the literature on two distinct, but related areas; CG and CSR. To identify research gaps in the prior literature, the chapter discusses key concepts, theories and approaches adopted in both the CG and CSR literature. The remainder of the chapter is structured as follows. Sections 2.2 and 2.3 discuss the development of CG and CSR, while section 2.4 explains the theoretical perspectives of CG and CSR interfaces. The relationship between CG and CSR is presented in 2.5, followed by CG-CSR integration in Section 2.6. Section 2.7 summarises the chapter.

2.2 Development of CG

CG not only covers firm governance, but encompasses a much broader meaning ([Clarke, 2004](#)). While the concept of CG has been widely used, there is no single universally accepted definition. Therefore, this research adopts the historical perspective because it allows for in-depth analysis and a greater understanding of the meanings associated with term 'corporate governance'.

CG has a long history, which can be traced back to Adam Smith's work in 1776. In his famous book 'Wealth of Nation' he states: "The directors of such [Public] companies, however, being the managers of others people's money than their own, it can't well be expected that they should watch over it with the same anxious vigilance with which the partners in a private co-partnership frequently watch over their own [...] Negligence and profusion, therefore, must always prevail more or less in the management of the affairs of a [Joint Stock] company." ([Smith, 1937, pp. 264-265](#))

Following this definition, [Berle and Means \(1932\)](#) highlighted the issue of CG for ownership and control. They documented that managers and owners other than an ideal situation, cannot move in same directions due to manager's self-interest. However, after these historical initiatives, interest in CG research waned, until the series of corporate failures in the 1990 ([Diacon & O'Sullivan, 1995](#)). For instance, in the United States, the Exxon Valdez oil spill disaster [1989] became a symbol of managers' self-interest at the expense of the environment ([Bowen & Power, 1993](#)). Scandals such as this one have heightened the academics and legislators interest in CG and the initiatives have resulted in the development of CG policies and guidelines during the early 2000s from multiple sources such as the Organisation for Economic Co-operation and Development (OECD) and the Cadbury report by the Committee on the Financial Aspects of Corporate Governance (CFACG). CG was also defined during the same period. [Shleifer and Vishny \(1997\)](#) defined CG as "the way through which the supplier of finance to corporations assure themselves of getting a return on their investment" ([p. 137](#)). Likewise, in the Cadbury Report, Sir Adrian Cadbury defined CG as the "system through which companies are directed and controlled" ([Cadbury, 2000, p. 8](#)).

Prior to this, CG was typically defined using a shareholder approach. This model places shareholders wealth maximisation at the centre of management activities. During the early 2000s, CG research progressed under the influence of the shareholder-centric approach ([Tirole, 2001](#)). The majority of CG scholars consider CG as a set of mechanisms through which shareholders protect themselves against insider expropriation ([Oman, 2001](#); [Thorburn, 2004](#)).

However, during the mid-2000s, shareholder-centric governance approaches were transformed to include broader perspectives and multiple stakeholders. For instance, in their seminal paper, [Aguilera and Jackson \(2003\)](#), adopted a version of CG that goes beyond the shareholder-centric approach. They consider CG as the distribution of rights and

responsibilities among different stakeholders. Subsequently, the OECD CG principles issued in 2004 also adopted a broader definition of CG. The [OECD \(2004\)](#) defined CG as:“...a set of relationship between company’s management, its board, shareholders and other stakeholders, which provide the structure through which the objectives of the company are set and means for attaining those objectives and monitoring performance are determined” ([p. 11](#)).

The issuance of the OECD CG principles in 2004 nurtured the development of CG policies across the globe during the first decade of the twentieth century (e.g. [Brown, Beekes, & Verhoeven, 2011](#); [Jesover & Kirkpatrick, 2005](#)). In consideration of the OECD principles, many countries have revised their CG principles/policies ([Jesover & Kirkpatrick, 2005](#)). For instance, CG principles and guidelines published in 2004 in countries like New Zealand, the Czech Republic and Pakistan among others, were mainly based on the OECD CG principles ([Reddy, 2013](#); [Zaman, Bahadar, Kayani, & Arslan, 2018](#)).

Research in CG continued to progress using these guidelines and principles, until the Global Financial Crisis (GFC). An unprecedented number of firms collapsed or were bailed out⁵ by governments during the GFC of 2007-2008. Most of these failures were attributed to weak CG structures ([Berger, Imbierowicz, & Rauch, 2016](#); [Erkens, Hung, & Matos, 2012](#); [Kirkpatrick, 2009](#)). Legal reforms around countries have taken place in response to weak CG structures highlighted during the GFC. For instance, the USA Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010 have created a new set of practices and requirements to manage risks. Likewise, the UK Bradbury Act 2010 broadened directors’ and senior officers’ liabilities for responsible business practices. In addition, the OECD also revised its basic CG principles (2004) in 2015 with its revised [OECD Corporate Governance Principles \(2015\)](#). These focus more on the quality and consistency of rules and regulations, as shown in Table 2.1.

⁵ The list of casualties includes Bear Stearns, Citigroup, Lehman Brothers, Merrill Lynch (in the U.S.), HBOS and RBS (in the U.K.), and Dexia, Fortis, Hypo Real Estate and UBS (in continental Europe).

Table 2.1: Revised OECD Corporate Governance Principles of 2015

OECD Principles	Key Description
Ensuring the basis for an effective Corporate Governance Framework	Focuses on the quality and consistency of rules and regulations that influence CG practices and the division of responsibilities between the authorities and stakeholders. Need more supervision, enforcement, accountability and responsibility.
Rights and equitable treatment of shareholders and key ownership function.	Protection of shareholders' right that includes the right of information and their effective participation in decision making especially executive remuneration.
Institutional investors, stock markets and other intermediates.	Relates to sound economic incentives, focusing on institutional investors acting in fiduciary capacities. Highlights the need for more transparent disclosure practices and minimising conflicts of interest that occur due to the integrity of proxy advisors, analyst, brokers, rating agencies and any other analyst that provide guidance relevant to investors.
Stakeholder role in CG	Protect stakeholders' rights by encouraging active cooperation between firms and stakeholder and support stakeholder rights established by law or mutual agreement.
Disclosure and Transparency	Entails accurate and timely information disclosure, including financial and operating results, company objectives, major shareholders, remunerations, related party transactions, risk factors, board members. Furthermore, this principle also entails the disclosure of non-financial information, including on a voluntary basis.
Board Responsibilities	Entails the strategic guidelines of the company, effective monitoring of management by boards and board accountability to company and shareholders.

Source: Adapted from [OECD Corporate Governance Principles \(2015\)](#)

These revised CG principles were designed both to improve the legal, regulatory and institutional framework for CG and ensure economic efficiency, sustainable growth and financial stability ([OECD Corporate Governance Principles, 2015](#)). Consequently, more recently, CG has become concerned with achieving a balance between social and economic objectives, as well as between individual and company objectives, using a stakeholder-centric approach.

2.2.1 CG Practices

While the previous section has highlighted that CG is a socially constructed term that has evolved over the time, this section discusses the types of activities that are classified as CG practices. Literature suggests that CG practices can be bifurcated into internal and external CG practices ([Aguilera et al., 2015](#); [Jamali et al., 2008](#); [Walsh & Seward, 1990](#)). Internal CG practices

are related to a firm's internal control structures, such as ownership structures, board composition and managerial incentives. External CG practices are related to firm accountability and transparency. These are related to legal requirements, media and stakeholder pressure ([Aguilera et al., 2015](#); [MacMillan, Money, Downing, & Hillenbrand, 2005](#)).

These internal CG practices when actively practised, reduce agency conflict and improve stakeholder relationships in terms of achieving firm objectives ([Aguilera et al., 2015](#)). Due to their dual role, internal CG practices (i.e. agency conflict reduction roles and direct influence on firm strategic decision making) remain prominent in research.

Ownership structure is the foremost internal control CG. Ownership is usually the greatest source of conflict between owners and managers, and have occupied a greater portion in CG research ([Jensen & Meckling, 1976](#); [Young, Peng, Ahlstrom, Bruton, & Jiang, 2008](#)). Scholars have analysed the effect of ownership on an array of firm outcomes, such as firm performance ([Demsetz & Villalonga, 2001](#)), investment ([Chen, El Ghouli, Guedhami, & Wang, 2017](#)), resilience to the GFC ([Crespí & Martín-Oliver, 2015](#)) and documented that nature of ownership distinctively influences on these outcomes ([Aguilera & Crespi-Cladera, 2016](#)). However, despite variations, recommendations on effective CG practices remain similar across the globe. Some of them, such as the protection of shareholder rights, accountability and risk management have become governance hypernorms.

To control the misalignment of shareholders and management interests, regulators leave fiduciary duties to the board of directors to ensure the equal treatment of all shareholders. Thus, board composition (the second CG practices) which includes board subcommittees, board characteristics (i.e. board size, independence, diversity) not only becomes increasingly important in strategic decision making but also remains pivotal in implementing firm activities ([Elkington, 2006](#); [Ingleby, 2008](#); [Jamali et al., 2008](#)). The third CG practice, managerial incentives (comprised of equity, salaries and bonuses) are highly influential on firm decision making. Managerial incentives are the integral CG control and are a direct outcome of a firm's governance processes ([Aguilera et al., 2015](#); [Bebchuk & Fried, 2003](#)). Apart from these three internal CG controls, there are some other CG practices that firms adopted to fulfil responsibilities to their stakeholders, such as the development and implementation of organisational codes and high levels of information disclosure. These features have been associated with effective CG practices ([Cuomo, Mallin, & Zattoni, 2016](#)). However, despite

importance ascribed to CG practices in the literature, these practices varies across countries and firms ([Aguilera & Crespi-Cladera, 2016](#)) and hence require up-to-date assessment.

2.2.2 CG Development in New Zealand

As discussed, CG practices vary across countries and firms. Differences at firm levels often reflect variations in individual CG practices ([Aguilera & Crespi-Cladera, 2016](#)). In addition, CG practices also change over time ([Aguilera, 2005](#)). For instance, regulatory changes (such as the ASX and the UK board responsibility principles) and the emergence of new institutional investors, such as sovereign wealth funds during last decade ([Aguilera, Capapé, & Santiso, 2016](#)) and their mission-driven investments, have shown that CG might be more interlinked with stakeholder interests than previous considered ([Frederick, Post, & Davis, 1992](#)). Thus, there no specific company or country-specific CG model exists in the literature ([Humphries & Whelan, 2017](#); [Reddy, 2010](#)). Furthermore, one must understand the national context in order to fully appreciate CG practices.

To better understand New Zealand CG practices, this research provides a historical overview, beginning with the development of commercial law. In New Zealand, the development of CG structure is considered to be the role of national and international corporate event. For instance, prior to 1978 there was no specific securities rule in New Zealand. The collapse of several major companies in the mid-1970s ([Fitzsimons, 1994](#)), led to pressure on the New Zealand regulator to establish a mechanism to control the security market. The New Zealand government responded by creating the Securities Act 1978 which lead to the establishment of New Zealand Securities Commission (NZSC) in 1979 ([Fitzsimons, 1994](#)). However, the NZSC were more focused on controlling fund raising activities rather monitoring individual firms ([Reddy, 2010](#)). Despite the existence of the Companies Act of 1955, the government legislation remained silent about firms accountability and CG practices.

Weak legislative statutes remained prominent during the 1984 stock market crash ([Carslaw & Kaplan, 1991](#)). These legislative statutes were not of the same standard as many other developed nations, including the UK and US. In response to the stock market crash (1984), New Zealand established its first set of rules and guidelines around CG practices ([Hossain, Prevost, & Rao, 2001](#)) with the establishment of the Securities Act 1988. However, at this stage, there was still nothing to ensure the accountability of directors; This came much later, with the establishment of the Companies Act (1993).

The Companies Act (1993) defined the duties of the board of directors and outlined shareholder rights. However, despite this act, the collapse of several finance companies during the 1990s revealed the lack of investor protection around CG ([Reddy, 2010](#)). To cope with poor CG performance, in 2004 the NZSC issued nine CG principles which focused on auditor independence, ethical behaviour compliance, effective board compositions and function, remuneration policies, risk management processes, effective shareholder and stakeholder relations and integrity in reporting ([New Zealand Securities Commission, 2004](#)).

These CG principles were endorsed by the New Zealand Stock Exchange (NZX), which required all of the listed companies to cover all of these CG practices in their reports (see listing rule 10.5.3 (h)). However, unlike the US, New Zealand companies were only required to follow the principles-based on a 'comply or explain' method, rather than a rule-based approach. The main reason behind the principles-based approach was to reduce the associated compliance costs ([Gilbertson & Brown, 2002](#)).

Other significant developments in the CG structure originated during the passing of the Crown Entity Act in 2004, which allowed NZX to be demutualised as a publicly listed entity. After demutualisation, the NZX adopted the CG Practices Code in 2003. However, NZSC was allocated the responsibility of monitoring the performance of the NZX as an independent regulator ([Reddy, 2013](#)).

In 2011, the NZSC was replaced with the Financial Market Authority (FMA), under the Securities Act of 1978 ([Reddy, 2013](#)). The FMA is responsible for enforcing securities, financial reporting and company laws in both the financial sector and securities. In addition, the FMA also regulates the NZX, financial services, broker houses, trustees, issuers, financial advisors and auditors. However, the NZX imposes CG obligations on all equity issuers listed on its main board through NZX main board listing rules. These NZX obligation fall into two categories; mandatory requirements (which include director independence and director rotation), and reporting requirements included in CG best practices codes.

In 2016, FMA reviewed New Zealand companies' CG practices ([Financial Market Authority, 2016](#)). They found that New Zealand companies only disclose basic information (or the bare minimum). They also found that stakeholder engagement is at its lowest level. In response to the growing prevalence of CG around the world, the FMA and NZX revised it best practice CG code in 2017 and included a clause about environmental, social and governance (ESG)

disclosure, designed to encourage firms to adopt responsible business practices. The revision of these codes has harmonized the NZX CG structure so that it is more in line with regulatory standards which are designed to promote more responsible business practices and encourage stakeholder engagement.

2.3 Development of CSR

Like CG, CSR has continued to gain significant attention from all over the world for the past two decades. Following a series of big financial collapses and the revelation of unethical business practices, especially after the GFC, it was inevitable that CSR practices would come under the spotlight ([Nadeem et al., 2017](#)). Firms across the world have become more aware of CSR issues, particularly as they are seen as important non-financial ([Dhaliwal, Li, Tsang, & Yang, 2011](#); [Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012](#)) tools for competitive advantage.

The rapid developing interest in CSR has led to a variety of terms and a array of definitions in academic literature ([Ingleby, 2008](#)). Many of these definitions overlap in extant literature. While scholars perceive CSR as a source of competitive advantage ([Devinney, Schwalbach, & Williams, 2013](#)), others consider it as mechanism to engage diverse stakeholder such as employees, customers, suppliers, consumers and environmentalists ([Kakabadse, Rozuel, & Lee-Davies, 2005](#); [Kassinis & Vafeas, 2002](#)). In addition, It's definition also varies depending on the context or culture that it is applied in ([Kakabadse et al., 2005](#)). For instance, in the USA, CSR is widely recognised as philanthropy activities which provide tax incentives, while in Japanese firms CSR is all about employee welfare ([Deresky, 2013](#)). This chapter thus reviews the historical development of CSR, in order to provide an in-depth analysis and greater understanding of the concept.

Historically, CSR emerged from a philanthropic type tradition to an activity designed to achieve a competitive advantage and to create a good reputation. It is difficult to trace the exact roots of CSR. However, in 1951 Frank Abram presented the idea of social responsibility in an article published in the Harvard Business Review. In this article, Frank Abram noted that "management must understand that general public - men and women everywhere - have a very deep interest in, and are affected by, what is going on" ([p. 32](#)). A couple of years later in 1953, debate around CSR emerged due to the publication of Howard Bowen's book entitled *Social Responsibility of the Businessman* ([Bowen, 1953](#)).

During the early stages of CSR development, the notion was mainly limited to the responsibility of individuals or business people ([Davis, 1960](#)). However, some scholars in the early 1960s extended this definition to include corporate responsibility in considering the social effect of business decisions ([Frederick, 1960](#); [McGuire, 1963](#)). However, firms' responsibility to society was highlighted in the 1970s with the publication of Harold Johnson's book entitled *Business in Contemporary Society: Framework and Issues* in 1971. [Johnson \(1971\)](#) adopted a stakeholder approach to CSR literature, as evidence by his conventional wisdom definition: "...a socially responsible firm is one whose managerial staff balances the multicity of interests. Instead of striving only for larger profit for its stockholder's, a responsible enterprise also takes into account employees, suppliers, dealers, local communities and the nation ([p. 50](#))".

Another notable contribution on CSR literature can be found in publication of the [Committee for Economic Development \(1971\)](#) report. In this report, the [Committee for Economic Development \(1971\)](#) defined business social responsibility as "business functions by public consent and its basic purpose is to serve constructively the needs of society [...] to the satisfaction of society' ([p. 11](#))".

In the late 1970s, Archie B. Carroll purposed a four dimension definition of CSR, which was embedded into the conceptual model of corporate social performance (CSP). [Carroll \(1979\)](#) stated that, "social responsibility of business encompasses the economic, legal, ethical and discretionary expectation that society has of organisations at a given point in time" ([p. 500](#)). Later on, this seminal definition become the foundation of a well-known '*pyramid of CSR*' model, with economic responsibility acting as the base of the pyramid.

In the 1980s CSR development and research continued with the emergence of different concepts and definitions. These included corporate social responsiveness, CSP, business ethics, public policy, and stakeholder management ([Epstein, 1987](#); [Freeman, 1984](#)). The 1980s is known for the development of two important concepts related to CSR, (i) stakeholder theory, and (ii) the development of business ethics. Although the stakeholder theory was initially related to strategic management ([Freeman, 1984](#); [Weber, Diaz, & Schwegler, 2014](#)), researchers started applying it to CSR and the business ethics field ([Swanson, 1995](#); [Wood, 1991](#)). The focus on business ethics during this period was the result of widely reported ethical and

environmental scandals (i.e. Exxon Valdez oil spill 1989) that triggered public attention ([Gunthorpe, 1997](#)).

In the 1990s, CSR literature grew rapidly and many different concepts emerged as a result of this growth ([Coffey & Wang, 1998](#); [Keasey & Wright, 1997](#)). These included stakeholders engagement, business ethics, sustainability and corporate citizenship ([Griffin & Mahon, 1997](#)). The expansion of the CSR concept in the 1990s was due to several key events, that pushed organisation to improve the social and environmental consequences of their decision and practices. For example, Nike was criticised due to its practice of employing child labour in Asia ([Wokutch, 2001](#)). Likewise, Nestle was penalised for its unethical marketing of some products in Africa ([Zelman, 1990](#)). These unethical business practices and issues led to public concern over social and environmental practices.

Oil spill incidents in Nigeria River Delta have triggered the debate about environmental concerns in CSR literature ([Opukri & Ibaba, 2008](#)). These incidents have popularized the idea of corporate sustainability in the literature. The concept of corporate sustainability was derived from sustainable development and is concerned with 'the ability of the firm to engage in economic activities but not at the expense of natural environment or society' ([United Nations Brundtland Commission, 1987](#)). Nevertheless, the concept of corporate sustainability led to the triple bottom line concept, which includes planet, people and profits, for responsible businesses ([Elkington, 1998](#)).

All of these concepts were evident in the CSR literature, and have broadened the scope of CSR in later years ([Nadeem et al., 2017](#)). Nevertheless, the environmental issue, that was repressed during the 1990s in CSR, become the most significant in 2000s with the definition of the [European Commission \(2001\)](#) that defined CSR as, 'a voluntary concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders' ([p. 11](#)). More recently, CSR is often labelled as business ethics, corporate citizenship, corporate accountability and sustainability and these terms are often used interchangeably ([Ingley, 2008](#); [Klettner et al., 2014](#); [Van Velsor, Morgan, Ryu, & Mirvis, 2009](#)).

During the 2000s, CSR gained significant attention both from academics and legislative bodies ([Eteokleous, Katsikeas, & Leonidou, 2016](#)). The rise of multi-stakeholder initiatives include the UN Compact, and the Global Reporting Initiative (GRI) principle development, have increased interest in the CSR, globally. The GRI presented a matrix to measure firm responsibility across

six⁶ areas; human rights, social development, labour standards, product responsibility, environmental protection and ethical efficiency. This transformed CSR into a much wider concept. Moreover, researchers considering this broader perspective see CSR as comprised of factors that encapsulated firm attention towards social and environmental issues ([Pisani, Kourula, Kolk, & Meijer, 2017](#)).

[Dahlsrud \(2008\)](#) summary of CSR definitions highlights the different emphases pertaining to each of the concepts of corporate responsibility (i.e. society, environment and economic). However, these multi-concept interpretations not only push firms towards the common ground for practices that ensure profitable operations, but also emphasise social and environmentally responsible practices that can be used to achieve stakeholders satisfaction. More specifically, CSR operational and practical definition requires two things from businesses, (i) it demands firms to be accountable in their operations in respect to society, environment and economy, and (ii) it requires firms to act responsibility in fulfilling and balancing the needs of diverse stakeholders ([Tung, 2006](#)). These two concepts have broadened the scope of CSR, which continues to attract much interest, especially today ([Eteokleous et al., 2016](#)). Now this concept is widely used in managing organisational activities ([Bhimani & Soonawalla, 2005](#); [Eteokleous et al., 2016](#)) including marketing, Human Resource (HR) and governance.

2.3.1 CSR Practices

As discussed earlier, CSR is an evolving concept, which lacks a single definition. Thus, scholars develop different dimensions of CSR ([Bhimani & Soonawalla, 2005](#); [Carroll, 1991](#); [Conner & Prahalad, 1996](#)). For example, some scholars have classified CSR practices into four groups; political, ethical, instrumental and integrative CSR ([Garriga & Melé, 2004](#)). Others view CSR as firm practices in terms of environmental, community relations, diversity, employee relations and human rights ([Hawn & Ioannou, 2016](#); [Hou & Reber, 2011](#)). Generally, there is a broad consensus among scholars that CSR practices can be divided into two categories; implicit and explicit CSR practices ([Matten & Moon, 2008](#)). Implicit CSR practices include organisational policies, procedures, codes and practices deemed useful for the welfare of internal stakeholders that lie within the narrow boundaries of organisations, such as employees ([Brammer, Millington, & Rayton, 2007](#); [Shen & Jiu Hua Zhu, 2011](#); [Turker, 2009](#)). In contrast, explicit

⁶ <https://www.globalreporting.org/standards>

CSR practices are typically associated with volunteerism and philanthropy towards the environment and society, which help to strengthen a firm's legitimacy and reputation among external stakeholders ([Brammer et al., 2007](#); [Cornelius, Todres, Janjuha-Jivraj, Woods, & Wallace, 2008](#)). External stakeholders typically lie outside organisational boundaries and may include society at large, governments, customers, suppliers, creditors, and shareholders ([Hawn & Ioannou, 2016](#)).

CSR practices vary across institutional contexts contingent upon the prevalence of institutional voids, the nature of the governance system, the presence of regulations ([Delbard, 2008](#)), and employment and labour conditions ([Crossland & Hambrick, 2007](#)), among others. For instance, firms operating in non-Anglo Saxon countries, such as Japan and non-Anglo Saxon Europe, view CSR as an implicit element and focus on internal CSR practices (i.e. employee-centric CSR) ([Jackson & Apostolakou, 2010](#)). Such firms may not formally describe their activities as CSR policies and may view them instead as part of normative compliance ([Carroll, 1979](#)). In contrast, firms operating in Anglo Saxon countries, such as the US, and Australia emphasise external CSR practices ([Bennett, 1998](#); [Maignan & Ralston, 2002](#)). Therefore, CSR practices must be analysed in terms of their context.

2.3.2 CSR Practices in New Zealand

This section provides an overview of CSR development in New Zealand. CSR holds strategic importance for New Zealand's 'clean and green' image ([Collins, Lawrence, Pavlovich, & Ryan, 2007](#)). Therefore, the majority of firms in New Zealand voluntarily engage in CSR practices. Despite the voluntary nature of CSR in New Zealand, firms operating in New Zealand must comply with respect to some legal standards. For instance, compliance to Resource Management Act (RMA) 1991 promotes sustainable resource management and makes firms accountable for their environmental practices ([Robertson, 1993](#)). Similarly, the Fair Trading Act 1986 and the Employment Relationship Act 2000 ensure customer protection and employee rights respectively, in New Zealand. These legislative structures are evidence in that the New Zealand government encourages responsible business practices. Since New Zealand closely follows Australia when it comes to financial reporting, after the ASX revised its guidelines in

2014 to enforce sustainability reporting for ASX listed firms, the NZX also initiated⁷ CSR disclosure requirement for New Zealand listed firms.

In New Zealand, the New Zealand Business Council for Sustainable Development (NZBCSD) and Sustainable Business Network (SBN) are responsible for promoting sustainability (both the concept and practices) among business. SBN describe 'sustainability' as the integration of social equity, economic growth and environmental management across New Zealand firms. Most of the businesses which promote, CSR practices are members of these two organisation ([Eweje & Bentley, 2006](#); [Oram, 2011](#)), with SBN having a significant share (i.e. 470 members⁸ in 2018).

Despite these two organisations' efforts, the overall commitment of New Zealand firms in engaging in CSR are still lacking from counterparts ([Kloeten, 2014](#); [KPMG, 2013b](#)). For instance, [Lawrence, Collins, Roper, and Haar \(2010\)](#) survey found only 15% of New Zealand firms report their sustainability practices. [Wells et al. \(2014\)](#) also found limited reporting practices among sampled firms.

More recently, examining motivation for engaging in CSR practices in New Zealand, [Dobbs and Van Staden \(2016\)](#), found that the lack of a formalised system was reflected in varied CSR implementation practices across NZX listed firms. Their results suggest that New Zealand firms are not currently fully committed to CSR reporting. In most cases, CSR reporting is used only to create the impression of being concerned about society and stakeholders. This not only raises significant questions about these firms' management commitment to CSR adoption, but also requires managerial perspective for in-depth analysis.

2.4 Theoretical Foundation

The historical overview provided above, shows that CG and CSR are two independent constructs, with distinct characteristics. Both construct have evolved over time and lack a unanimous definition. Moreover, CG and CSR, have attracted wide scholarly attention across multiple disciplines. Its application in different disciplines has meant that there are multiple lens through which to analyse the concepts of CG and CSR. Equally, there is not a generally

⁷ For details see: <https://www.chapmantripp.com/publications/nzx-to-revise-corporate-governance-requirements>

⁸ To see SBN members please visit: <https://sustainable.org.nz/members/>

accepted theory on CG and CSR interfaces ([Jain & Jamali, 2016](#)). Prior studies have selected one, or different combinations of theoretical perspectives (agency theory, stakeholder theory, institutional theory legitimacy theory and resources dependence theory) ([Aguinis & Glavas, 2012](#); [Glavas, 2016](#); [Jain & Jamali, 2016](#); [Pisani et al., 2017](#); [Rezaee, 2016](#)) to explore CG and CSR interfaces. Of these approaches agency theory and stakeholder theory are the most dominant and widely adopted theoretical perceptives in the larger common law jurisdictions – United States, United Kingdom, Australia and Canada ([Jain & Jamali, 2016](#)) – from which New Zealand has adopted many ideas and principles including CG and CSR. This research also draws on the insights of both agency and stakeholder theories to explain CG-CSR interfaces in New Zealand. The following section explains these theories, their relevance to New Zealand and their application to CG and CSR relationship and integration.

2.4.1 Agency Theory

Agency theory contends that an organisation consists of a nexus of contracts between the owners of the economic resource (principals) and the manager (the agents), who are in charge of controlling and issuing these resources ([Jensen & Meckling, 1976](#)). According to agency concept, both of these groups (i.e. the owners and managers) have divergent interests. For instance, while owners aim to maximise their wealth and focus on firm profit, managers have opportunities to reward themselves.

Agency theory contends that in addition to divergent interests between shareholders and managers and their investment behaviours ([Shleifer & Vishny, 1989](#)), there is also information asymmetry between them, leading to agency problems; i.e. managerial opportunism ([Jensen & Meckling, 1976](#)), overinvestment ([D’Mello & Miranda, 2010](#)) and excessive risk-taking ([Chen & Steiner, 1999](#)). Shareholders can use multiple CG mechanisms to minimise these agency problems by monitoring managers, signalling contractual relationships between different stakeholders and providing manager incentives to minimise these conflicts ([Aguilera et al., 2015](#); [Shleifer & Vishny, 1997](#)). The dominance of agency theory logic in the CG literature is based on the principle of shareholder primacy, where the focus remains on economic efficiency ([Gill, 2008](#)). For instance, considering CSR engagement as principal – agent relation between managers and owners, [Barnea and Rubin \(2010\)](#) argue that managers have an interest in over-investing in CSR in order to build a reputation as good citizens, possibility at the cost of shareholders. Accordingly, CSR activities are considered to be a strain on firm resources

unless they create value for shareholders ([McWilliams & Siegel, 2001](#)). However, scholars also provide evidence that managers engage in CSR practices to resolve conflicts between shareholders and non-shareholders stakeholders ([Harjoto & Jo, 2011](#)). In return, conflict resolution generates a positive outcome for shareholders and guarantees superior firm performance ([Chintrakarn, Jiraporn, Kim, & Kim, 2016](#); [Harjoto & Jo, 2011](#)).

Despite ongoing debates among scholars and practitioners regarding these two conflicting views about agency theory, organisations engage in voluntary CSR practices, especially in the New Zealand context. Voluntary CSR engagement suggests that effective CG structures in place, such as well-structured board (i.e. board independence, gender diverse boards) promote CSR because it align managers interest with long-term goals for both shareholders and non-shareholding stakeholders ([Chang, Oh, Park, & Jang, 2017](#); [Jain & Jamali, 2016](#)). However, New Zealand provides a unique environment to explore CG and CSR relationship. This is because NZ listed companies are only require to disclose some of the CG characteristics. For instance, listed companies are only require to disclose equity interest of board members, ignoring the disclosure of CEO and other high-level executives' equity ownership. This non-disclosure of CEO and executives' remuneration trigger agency conflict between management and directors. Thus, CEO and executives with high equity interest, under the influence of agency might not be willing to undertake or effectively implement expensive CSR activities. This has been more recently captured by [Dobbs and Van Staden \(2016\)](#). Their results suggest that New Zealand firms are not currently fully committed to CSR reporting. In most cases, CSR reporting is used only to create the impression of being concerned about society and stakeholders. This not only raises significant questions about these firms' management commitment to CSR adoption, but also justifies the agency theory application in uncovering CG and CSR relationship in the New Zealand context.

2.4.2 Stakeholder Theory

Stakeholder theory is concerned with the relationship between a firm and its stakeholders. The roots of stakeholder theory can be traced back in the literature to Ansoff's work in 1965 ([cited in Roberts, 1992](#)). However, the theory remained waned until mid - the 1980s. Freeman was the first to use stakeholder theory in terms of management ([Freeman \(1984\)](#)).

Stakeholder theory states that firms have relationships with a broad set of stakeholders, including employees, consumers, environmental regulators, government agencies and other

shareholders ([Freeman, 1984](#)). [Freeman \(1984\)](#) argues that a firm should be characterised by its relationship with its stakeholders. He defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” ([p. 46](#)).

The stakeholder view of Freeman held significant implication in literature but the Freeman classification of stakeholders was too broad. However, later developments in stakeholder theory classified stakeholder as groups or individuals who have a legitimate interest in a firm ([Donaldson & Preston, 1995](#); [Mitchell, Agle, & Wood, 1997](#)). This classification serves the purpose of diverse stakeholder’s expectations and needs. A firm has to meet diverse stakeholder’s expectations rather than only relying on the fulfilment of shareholder needs.

There are two assumptions related to the fulfilment of diverse stakeholder needs; accountability and fairness. In terms of accountability, stakeholder theory argues that a firm is accountable to multiple stakeholders rather than merely to its shareholders ([Deegan, 2013](#)). In this view, firms need to perform activities that can be justified in front of diverse stakeholders ([Deegan, 2013](#)). The second assumption states that firm interactions with stakeholders should be based on principles of fairness ([Bridoux & Stoelhorst, 2014](#)). Fairness contributes to a firm in three ways. First, it establish the process to divide the value created by the nexus of stakeholders among different parties in accordance with their proportion of stake in the firm ([Cropanzano, Byrne, Bobocel, & Rupp, 2001](#)) - reflecting firm open and honest image to the stakeholder. Second, it reduce the contract cost to a certain extent as a firm commitment with stakeholders in fairness concept are derived through trust and self-enforcement rather than legal enforcement ([Deegan, 2013](#); [Richman, 2006](#)). Finally, firm relationships with stakeholder tend to last longer ([Dyer, 1996](#)), which can generate greater value.

Stakeholder theory has been widely applied to a diverse set of issues, including CSR, ethics, CG ([Carroll & Shabana, 2010](#)). This leads to multiple interpretations and classifications, as shown in Table 2.2. The most common classification includes descriptive stakeholder theory, instrumental stakeholder theory and normative stakeholder theory ([Hörisch, Freeman, & Schaltegger, 2014](#)). However, as the purpose of this research is to develop a better understanding of the relationship between CG and CSR, this study adopts a more recent approach, which is comprised of an integration of descriptive, instrumental and normative

ideas. This approach is often referred to as “integrative stakeholder theory” ([Hörisch et al., 2014](#)).

Table 2.2: Approaches to Stakeholder Theory

Stakeholder Theory Approach	Focus	Exemplary Literature
Descriptive	How firms are managed; identification of relevance	(Sangle & Ram Babu, 2007 ; Wallis, 2006)
Instrumental	Effect of stakeholder management on achievement of corporate objectives	(Campbell, 2007 ; Mathur, Price, & Austin, 2008)
Normative	Describing purpose of business; moral justification of stakeholder	(Hasnas, 1998 ; Jamali, 2008)
Integrative	The linkage of descriptive, normative and instrumental aspects	(Donaldson & Preston, 1995 ; Freeman, 2010 ; Mason & Simmons, 2014)

Source: Adapted and modified from [Hörisch et al. \(2014, p. 330\)](#)

Stakeholder theory provides a foundation for the argument that effective governance can be achieved by incorporating the interests of multiple stakeholders, including society and the environment, into the business decision-making process. In this respect, stakeholder theory creates a position for stakeholders in an organisation’s governance structure.

Viewing CG through a stakeholder lens broadens the traditional concept of shareholder-centric approaches to firm stakeholder relationships ([Jamali et al., 2008](#)). It helps firms to consider a wider range of CG issues, contributes to stakeholder management decisions on ‘who, and what really counts’ ([Mitchell et al., 1997](#)), and extends CG responsibilities to formally consider stakeholder claims and agendas ([Mason & Simmons, 2014](#)).

Stakeholder approaches also facilitate a heightened awareness of CSR, business ethics, and business practices that enable more informed decisions on stakeholder salience ([Fassin, 2010](#)) and more robust CSR evaluations ([Fassin & Buelens, 2011](#)). Greater recognition of stakeholder perceptions of CSR may also address issues identified in recent research: that stakeholder engagement in CG is largely characterised by low power and low influence ([Spitzeck & Hansen, 2010](#)); that the salience of a stakeholder group is a potential antecedent of an organisation’s

perceived social obligation to them ([Mishra & Suar, 2010](#)); and that governance processes generally fail to meet stakeholder expectations ([Aguilera, Williams, & Rupp, 2011](#)).

Stakeholder theory also highlights organisational justice, and a greater awareness of stakeholder perspectives on the equity of CG ([Hörisch et al., 2014](#)). It also challenges the primacy that CG traditionally accords shareholders, of being residual risk-takers. Consequently, this research synthesises a key rationale comprising of the need for CSR analyses to adopt a systematic approach to balance both shareholders' and stakeholders' interests and to incorporate methods of CG which correspond with CSR.

The relevance of stakeholder theory in New Zealand context, is established by the Companies Act 1993. It empowers companies to name any person as an "entitled person" for the purpose of invoking statutory remedy against operation and unfair prejudice or discrimination among other irresponsibilities. There are no apparent limitations on the constituencies that might be included in this category, allowing companies to include employees, suppliers or any stakeholder as entitled persons. This framework also offers interesting possibilities to institutionalise stakeholder principle in CG — shouldering more responsibilities on those charged with governance, to make companies responsible to all stakeholders. In addition, the revised CG code (i.e. the 2017 NZX CG code) also emphasises board of directors to respect shareholders' right and fosters constructive relationship and engagement with shareholders as well as stakeholders — justifying the relevance of stakeholders' theory in New Zealand socio-economic context.

2.5 Relationship between CG and CSR

Over the last decade, CG and CSR have both generated immense interest from academics, practitioners and legislatures. One of the main reasons behind this rising interest in these fields is the recent and ongoing social, environmental, and governance-related scandals and crises across the world, such as the Volkswagen emissions scandal (2008-2015), the global financial crisis (2008-2012), the Deepwater BP oil spill (2010) and the US Mortgage crisis (2007), among others ([Guenster, Bauer, Derwall, & Koedijk, 2011](#); [Molina-Azorin, Claver-Cortes, Lopez-Gamero, & Tari, 2009](#)).

Interestingly, there are signs of interdependence, overlaps, and convergence between CG and CSR, although the two have traditionally evolved in relatively independent and

compartmentalised streams of literature. Critical reviews in the field have captured how CG has the potential to play a vital role in the development of effective stakeholder management (See [Griffin, 2017](#); [Jain & Jamali, 2016](#)), with implications for a better corporate understanding of CSR. In a similar stance, CSR scholars emphasise the need to uphold higher standards of responsibility in terms of organizational management , which in turn has implications for CG ([Grosser & Moon, 2005](#); [Jamali et al., 2008](#)).

Beginning with the traditional CG approach, a firm's primary responsibility is understood as the prioritisation of shareholder wealth maximisation ([Daily, Dalton, & Cannella, 2003](#)). To achieve the accomplishment of this objective, much of the research emphasis has been on adopting effective internal control mechanisms from an agency perspective ([Shleifer & Vishny, 1997](#)). However, this notion has been increasingly challenged across the globe, as firms have been successful in creating long-term shareholder value through multi-stakeholder engagements ([Aguilera et al., 2015](#); [Bansal, King, & Seijts, 2015](#)) by looking beyond short-term profit maximisation and incorporating social and environmental aspects and concerns into their strategies ([Manner, 2010](#); [Slater & Dixon-Fowler, 2009](#)).

This shift from a shareholder primacy model to a stakeholder-oriented governance model has occurred due to a number of reasons. First, the landscape of global business has changed massively. The rise in institutional investors, the growth in responsible investments,⁹ acute media scrutiny, and the advancement of information technologies and communication practices have put pressure on firms to adopt and disclose risk management strategies, particularly those related to society and the environment. Second, reforms in legal structures across countries have mandated the inclusion of stakeholders' interests in managerial decision-making processes. For instance, the recent Australian Securities Exchange (ASX 2014) CG principles on sustainability reporting, mandatory ESG disclosure of listed firms on the Bombay Stock Exchange (BSE) and the USA Dodd-Frank Wall Street Reform and Consumer Protection Act (2010) have created a new set of practices and requirements to manage risks.

These voluntary and mandatory developments have not only exposed the interface between CG and CSR but have also sensitised to their underlying ambiguity and consequently, the need for more research to understand these complex interfaces at multiple levels. Theoretically,

⁹ Investors rely not only on profitability but also pay heed to responsible investment (KMPG, 2015). According to [USSIF \(2014\)](#) the United States' sustainable responsible investment has grown over the past two years with an increase of 76% from 3.37 Trillion USD at the 2012 start to 6.57 Trillion in the 2014 start.

there is some overlap between these two concepts ([Carr & Outhwaite, 2011](#); [Gali, Hajjar, & Jamali, 2016](#)). Stakeholder theory argues that both CG and CSR are pivotal in managing and protecting the interest of the multiple stakeholders ([Fernandez-Feijoo, Romero, & Ruiz-Blanco, 2014](#); [Hung, 2011](#)). The most important CG principle includes the accountability of firm operations towards the protection of multiple stakeholder interests ([Aras & Crowther, 2008a](#)), while CSR includes firm responsibility towards diverse stakeholders, such as the wider community and the environment, with special emphasis on accountability in decision-making processes ([Carroll & Buchholtz, 2014](#)). Based on these arguments, [Bhimani and Soonawalla \(2005\)](#) suggest that both CG and CSR are complementary pillars for organisational sustainability. Using agency theory [Aguilera, Williams, Conley, and Rupp \(2006\)](#) argue that CG can be conceptualised as relationship within and between the firm and its environment (i.e. society). Such theoretical overlaps set the stage for a re-definition of CG itself, which is now viewed 'as a structure of rights and responsibilities among parties with a stake in the firm' ([Aoki, 2010, p. 11](#)). Concomitantly, there has been a growing emphasis on accountability and transparency in business operations for both shareholder and stakeholder entities ([Jamali et al., 2008](#)). [Beltratti \(2005\)](#) notes that this is a complementary relationship, such that an effective CG framework, coupled with CSR, can result in improved firm performance.

Empirically, the nature of the relationship between CG and CSR has been a long-standing debate in the literature and is often considered to be a key factor behind the divergent results in CG and CSR research ([Jamali et al., 2008](#)). Attempts have been made in the literature to explore and synergise the interconnectedness between CG and CSR ([Jamali et al., 2008](#)). Some scholars such as [Gali et al. \(2016\)](#), [Fassin and Van Rossem \(2009\)](#), and [Jamali et al. \(2008\)](#) have studied managerial perceptions to uncover the nature of the CG-CSR relationship. However, these studies reveal divergent findings, with three discernible patterns of relationship between CG and CSR.

First, scholars argue that the implementation of an effective CSR agenda is impossible without having solid CG practices in place. In this regards, [Hancock \(2005\)](#) presents an excellent CSR framework by identifying the key pillars of CSR. Among other important pillars for CSR, CG remained pivotal. CG is considered as a building block of CSR under the notion that "CG is a pillar of CSR" ([Jamali et al., 2008](#)). Consistency, with the views of scholars, consider that effective CG firms are more likely to engage in CSR activities (e.g. [Elkington, 2006](#); [Filatotchev & Stahl, 2015](#); [García-Sánchez et al., 2015](#); [Husted, 2003](#); [Young & Thyil, 2014](#)).

The second strand portrays CSR as an umbrella term that subsumes CG under its dimension (e.g. [Frynas, 2010](#); [Jian & Lee, 2015](#); [Lund-Thomsen, 2005](#); [Stanwick & Stanwick, 2001](#)). [Ho \(2005\)](#) expands CG's scope and includes CSR as one agenda item in the CG framework. The rationale behind this, is that one of the core functions of effective CG is to minimise both financial and non-financial risk; effective CSR is one way of mitigating non-financial risk. [Ho \(2005\)](#) building on [Kendall \(1999\)](#) work, argued that effective CG also means that the firms are run in socially responsible ways. Moreover, firms must consider externalities (environment) while preparing CG frameworks ([Jamali et al., 2008](#)). In this view, CSR is considered to be one of the several important dimensions of CG.

The third strand visualises CG and CSR as coexisting constructs (e.g [Bhimani & Soonawalla, 2005](#); [Campbell, 2006](#); [Li et al., 2010](#); [Ortas et al., 2015](#); [Sacconi, 2006](#)). [Bhimani and Soonawalla \(2005\)](#) note that good corporate performance is not possible without corporate conformity. For example, they consider that poor CG and misleading financial statements are one side of the corporate coin – the other side [is] poor CSR' ([Bhimani & Soonawalla, 2005](#)). They further introduce a firm continuum where corporate performance is at one end and conformity on the other, meaning that firms should take an integrated approach towards reconciling conformity and performance reporting issues. [Jamali et al. \(2008\)](#) further elaborates on this continuum, noting that legally binding requirements are being increasingly embodied in governance mechanisms requiring compliance and conformity, and self-regulatory stakeholder and CSR initiatives, which are evidence of voluntary corporate social performance. This view of corporate continuum sees CG and CSR as part of the same continuum.

[Jamali et al. \(2008\)](#) were the first to test these interrelationships in their study of the Lebanese market. They found only limited support in favour of the aforementioned arguments. The main reason was that firms in a developing market such as Lebanon still conceive of CSR as optional, rather than an integrated part of CG. This research argues that the idea of CSR as interconnected to CG in executives in New Zealand firms could be different from their counterparts in Lebanese market because of distinctive CG (i.e. the 'comply or explain' CG regime) attributes in a developed, but smaller market, like New Zealand.

Moreover, despite the growing importance of CG and CSR research at a global level, the research in New Zealand remains very limited, with little focus on understanding the specific relationship between CG–CSR. Therefore, NZX 'comply and explain CG' regime and voluntary

CSR practices, coupled with limited research, provide the necessary impetus for exploring the nature of the CG and CSR relationship.

2.6 CG and CSR Integration

Existing research in CG and CSR is embedded in agency and stakeholder theories, dominated by establishing causal relationships between two concepts (one arguing that good CG leads to effective CSR, while the other finds no or a negative relationship between them) ([See, Jain & Jamali, 2016](#)). Research in this area can be divided into three levels: firm, group, and individual ([Jain, Aguilera, & Jamali, 2016](#)). Scholars who examine firm-level mechanisms argue that families, states, institutions and corporate identities are closely associated with the implementation and development of a firm's CSR practices ([Jo & Harjoto, 2011](#); [Rees & Rodionova, 2015](#)). The relationship between CG and CSR at a firm level focuses on the investment horizon, including investment in those practices ([Jain & Jamali, 2016](#)). The group-level approach considers the role of group dynamics, such as board structure and composition, social capital, and resource networks ([Hung, 2011](#)). At a group level, the relationship between CG and CSR is based on the assumption that corporate strategies and decision making is the outcome of these groups ([Hillman, Keim, & Luce, 2001](#)). In short, board actions ultimately influence firm performance. Finally, the CG–CSR relationship is established through multiple individual aspects that include a manager's age, education, experience, values, beliefs and norms ([Godos-Díez, Fernández-Gago, Cabeza-García, & Martínez-Campillo, 2014](#)). These aspects explain how management act, and what characteristics lead to what outcomes. Research from this perspective suggests a multifaceted and contingent relationship between CG and CSR and firm practices.

Although empirical research from the preceding perspectives enhance our understanding about CG and CSR, how these characteristics are linked together and shape CSR outcomes is rarely addressed ([Basu & Palazzo, 2008](#)). However, in regard to the conceptual literature, there are some studies that either focuses on ethical standards, processes, and performance ([Cegarra-Navarro & Martínez-Martínez, 2009](#); [Svensson & Wood, 2011](#)) or discuss CSR integration in core business strategies ([Castka et al., 2004](#); [Kleine & Von Hauff, 2009](#); [Vitolla et al., 2017](#); [Yuan et al., 2011](#)). There are very few studies which explore the conceptual framework of CG-CSR integration ([Mason & Simmons, 2014](#)). Despite progression in empirical as well as conceptual

literature on CSR integration, no study has yet considered the lived managerial experience of developing CG and CSR integrative frameworks.

In addition, a significant number of studies have highlighted how firms struggle to achieve CSR integration ([Wickert & de Bakker, 2015](#)) due to the complexity and lack of a CSR framework. Examining the motivation for CSR in New Zealand businesses, [Dobbs and Van Staden \(2016\)](#), found that the lack of a formalised CSR system was reflected in varied CSR implementation practices across New Zealand firms. Their results suggest that New Zealand companies are not currently fully committed to CSR reporting and in most cases, CSR reporting is used only to create the impression of being concerned about society and stakeholders, which raises significant questions about these firms' CG practices. Likewise, [Glavas \(2016\)](#) found that there is a disparity between the abstract idea of CSR and the execution of it in the real world, highlighting gaps in CSR implementation by corporate leaders.

Considering firm suffering to integrate CSR, a number of academic calls have been put forward to develop a framework for CG-CSR integration ([Glavas, 2016](#); [Jain & Jamali, 2016](#); [Rasche, 2010](#)). Responding to recent calls from academia, the business community, legislators and the general public for timelier, more comprehensive and rigorous frameworks for CG-CSR integration ([Glavas, 2016](#); [Huang & Watson, 2015](#); [Jain & Jamali, 2016](#); [Rasche, 2010](#); [Rezaee, 2016](#)), this research adopts a stakeholder view of CG and CSR and uses managerial lived practices to develop a CG-CSR integrated framework.

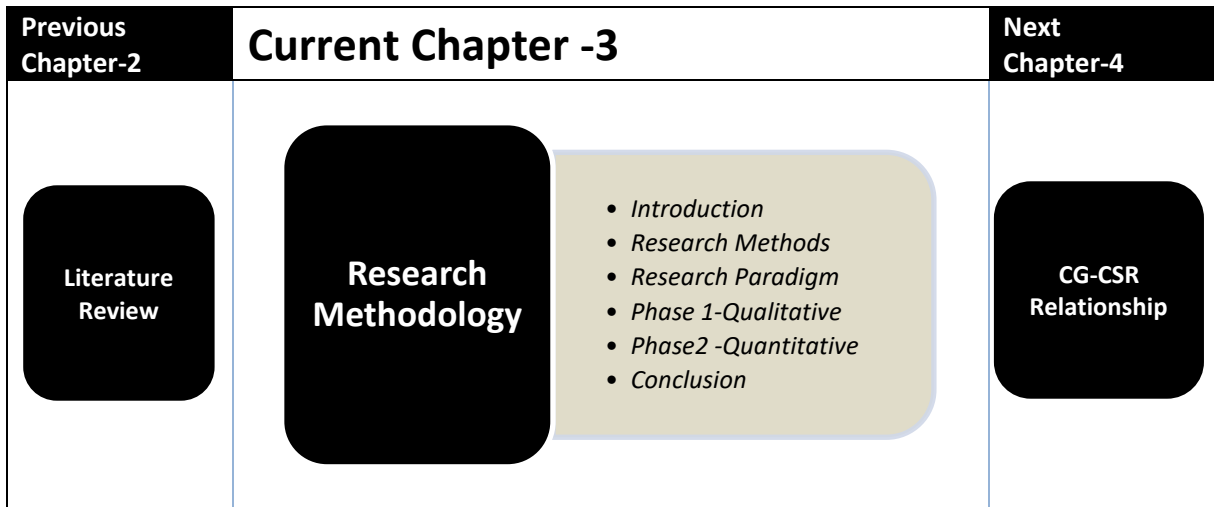
2.7 Chapter Summary

This chapter has explored the development of CG and CSR concepts over time. Under the traditional CG approach, the firm's primary responsibility is to protect shareholders wealth to maximise performance ([Carroll & Shabana, 2010](#)). To accomplish this objective, this chapter has found that most of the studies emphasise agency theory, which is based on effective placement and monitoring of internal control mechanisms ([Aguilera et al., 2015](#)). However, in recent years this notion has been transformed. Firms are now more likely to consider multiple stakeholder engagement and have begun to prioritise long-term economic, social and environmental factors into their strategies over short-term shareholders profit maximisation ([Bansal et al., 2015](#); [Manner, 2010](#); [Slater & Dixon-Fowler, 2009](#)). Although previous studies have addressed CG-CSR interfaces at multiple levels, little is known about these interfaces in the New Zealand context. This research fills these gaps by answering three research questions

(outlined in Chapter 1). The following chapter explains the research design and the data gathering and analysis methods.

Chapter 3

Research Design, Methodology and Methods



3.1 Introduction

The literature review conducted in Chapter 2 demonstrates that CG-CSR interfaces (the CG-CSR relationship and CG-CSR integration) research have received less attention, not only at a global level, but also in terms of the New Zealand context. This research explores the CG-CSR relationship and its integration in NZX listed firms by using a mixed method approach (i.e. qualitative and quantitative). This chapter provides an overview of various research methodologies/philosophies/approaches and their appropriateness for the current study. In addition, this chapter also explains the research preparation phases, the pilot study, and the data collection and analysis techniques adopted in current research.

This chapter is divided into six sections. Section 3.2 explains the research methodology, including the research paradigms used in literature. Section 3.3 explains the research methods and paradigm adopted in the current study. Section 3.4 discusses the phase-1 qualitative research process; the sample selection, survey instrument development, pilot testing, the interview process, data analysis and reliability and validity. Section 3.5 explains phase 2 - quantitative research process; sample selection, questionnaire design, data collection and analysis. Section 3.6 concludes the chapter.

3.2 Research Methodology

Research methodology is a philosophical stance of the research paradigm that inform research style ([Sapsford & Jupp, 2006](#)). Several scholars, such as [Collis and Hussey \(2003\)](#) and [Creswell \(2009\)](#), describe research methodology as an overall approach to research, which include all phases from the theoretical underpinning to data collection and analysis.

The research paradigm (often termed the research philosophy), defined as “a worldview, together with the various philosophical assumptions associated with the point of view,”([Teddle & Tashakkori, 2009, p. 84](#)), is pivotal for understanding the nuances associated with the research methodology. The research paradigm provides guidelines for researchers to understand the underlying phenomenon and to choose a suitable methodology ([Creswell, 2013](#)). Hence the selection of an appropriate research paradigm in social science research is important. [Easterby-Smith, Thorpe, and Jackson \(2015\)](#) highlighting three key advantages, argued that research paradigms, (i) assists researchers in refining and identifying suitable methods for investigating the research phenomena, (ii) allows the researcher to distinguish between multiple research methodologies, which reduces the chances of using an unsuitable methodology, and (iii) enhances a researchers’ understanding about methodological rigor.

The research paradigm consists of four components; ontology, epistemology, axiology, and methodology ([Creswell & Clark, 2007](#)). First, ontology refers to nature of reality and the associated characteristics. In simple terms, it relates to how the researcher sees reality; as subjective or objective, implicit and or explicit. In general, objectivism assumes that the truth and meaning of objects reside in the object itself, independent of any consciousness ([Scotland, 2012](#)) and beyond the influence of social actors ([Lichtman, 2012](#)). In contrast, subjectivism argues that the object is often influenced by the subject’s actions and without the subject, the object fails to express any meaning ([Golafshani, 2003](#)). Second, epistemology refers to the ways that reality is revealed. More simply, epistemology is the practical term for the theory of knowledge that guides the researcher in their exploration of the reality or phenomena ([Scotland, 2012](#)). For instance in qualitative research, the researcher might observe or interview the participant over a longer period to appraise reality as compared to quantitative research where the researcher distances him/herself from the phenomena under-investigation ([Creswell, 2009](#); [Saunders, 2011](#)). Third, axiology deals with judgments about values and belief. It requires an assessment of the researcher’s owns values at all stages of the research. For instance, in qualitative research, the researcher needs to accept the value-laden nature of the

study and should report personal values and prejudice along with knowledge provided by the participants ([Saunders, 2011](#)). In contrast, in quantitative research, the researcher's values should be kept out of the study ([Ihuah & Eaton, 2013](#)). Finally, methodology deals with techniques or procedures used to obtain the required knowledge and understanding ([Creswell, 2013](#)).

[Creswell and Clark \(2007\)](#) propose four types of research paradigms based on these dimensions. These research paradigms are known as 'worldviews' and include post-positivism, constructivism, transformation and pragmatism, explained further below.

3.2.1 Post Positivism

Post-positivism philosophy is based on cause and effect and how this guides researchers to identify and assess the causes that influence the outcome of the problem under investigation ([Creswell & Poth, 2017](#)). In this paradigm, the researcher first develops testable statements called hypotheses that are based on theory. Researcher then tests these statements using quantitative analysis methods ([Creswell & Poth, 2017](#)). However, this paradigm is limited when it comes assessing human actions or behaviour ([Denzin & Lincoln, 2011](#)).

The present research is an attempt to explore the relationship between CG-CSR and CG-CSR integration in a New Zealand context. Due to the voluntary nature of CSR in New Zealand, this will require in-depth analysis ([Jamali et al., 2008](#)). It is well established in the literature that voluntary CSR implementation is dependent upon managerial actions ([Jamali et al., 2008](#); [Young & Thyl, 2014](#)). This limits the current research to apply post-positivist approach.

3.2.2 Constructivism

Constructivism or social constructivism refers to the interpretive paradigm and is usually associated with qualitative research ([Creswell & Poth, 2017](#)). The constructivism paradigm argues that individuals seek an understanding of the world in which they live based on their subjective judgments ([Teddlie & Tashakkori, 2009](#)). These judgments vary among individuals and have multiple meanings. In this paradigm the researcher depends solely on participants' views about the phenomena under investigation.

A constructive researcher develops open-ended questions with broader meanings so that participants construct their own meanings about problem under investigation ([Creswell, 2013](#)).

The key focus area of this paradigm is the context in which individual lives and works. This allows them to develop a better understanding about the problem under investigation. However, the researcher's own cultural background influences the interpretation process in this paradigm and the researcher must acknowledge this fact ([Creswell, 2013](#)). This research paradigm follows the inductive approach which leads to theory building, unlike with post-positivist approach which begins with theory.

The interpretivist approach assumes that access to reality (given or socially constructed) is only possible through socially constructions such as language, consciousness, shared meaning and instruments and that it is subjective in nature ([Guba & Lincoln, 1994](#)). However, the consensus among researchers is that this variation can lead the researcher towards reality ([Denzin & Lincoln, 2011](#)). More specifically, the interpretive methodology tries to understand the phenomenon from an individual perspective and reaches reality through consensus among individual perspectives ([Creswell, 2009](#)).

The constructivist approach focuses primarily qualitative research methods and is associated with the social sciences and psychology. However, these methods are also gaining importance in modern accounting literature ([Parker & Northcott, 2016](#)). This approach commonly involves interviews or personal communications ([Easterby-Smith, Thorpe, & Lowe, 2002](#)). The core advantage of the qualitative approach, or interpretive design, is that it provides multiple views of social phenomena with thick descriptions ([Geertz, 1973](#)) and rich insights ([Ahrens & Dent, 1998](#)). The emphasis on the richness of social phenomena leads the researcher to holistically understand the meanings associated with the phenomenon under investigation ([Lukka & Modell, 2010](#)). However, the most controversial and challenging aspect of this approach, especially in accounting research (the current study included), is generalisability and validity ([Lukka & Modell, 2010](#); [Parker & Northcott, 2016](#)). The issues surrounding the interpretivist paradigm limit the present research to rely solely on this approach.

3.2.3 Transformative

The transformative paradigm is based on the argument that knowledge is not neutral and is often influenced by human interests. Moreover, this approach argues that knowledge demonstrates power and social relationships within a society ([Creswell & Poth, 2017](#)). This paradigm was established during the 1980s and 1990s and was developed by researchers who realised that the post-positivism paradigm imposed structural laws and theories that did not

fit marginalised individuals in society and more importantly, that it ignored issues of power, social justice, discrimination and oppression ([Creswell, 2013](#)).

This paradigm usually requires researchers to explore information alongside politics and political change agenda ([Mertens, 2010](#)). The research in transformative paradigm includes the action agenda for reforms that may change the lives of participants, institutions in which individual work and the researcher's own life ([Creswell & Poth, 2017](#)). In addition, this paradigm focuses on issues about empowerment, inequality, operation, domination, suppression and alienation ([Mertens, 2012](#)). In this paradigm there is no limitation on the choice of methodological approaches, it depends on the research problem or situation ([Mackenzie & Knipe, 2006](#)). Due to action-oriented nature and its association with social issues, this research cannot adopt the transformative paradigm.

3.2.4 Pragmatism

Debates over the significance and drawbacks associated with each of the worldviews documented above have been widespread ([Feilzer, 2010](#); [Morgan, 2007](#)). However, Peirce, James, Mead, and Dewey argue that it is possible to incorporate both views (both objective and subjective) in a single study to frame a pragmatic worldview ([Cited in, Scheffler, 2013](#)).

The pragmatism worldview is free from both mental and practical constraints and avoids the issue of truth and reality ([Creswell & Clark, 2007](#)). This paradigm focuses solely on understanding the research problem and allows researchers to use all available approaches ([Rossman & Wilson, 1985](#)). In line with this, [Patton \(1990\)](#), [Morgan \(2007\)](#) and [Teddlie and Tashakkori \(2009\)](#) argue that pragmatism is interested in solving problems rather than using pluralistic approaches to derive knowledge about the problem.

This approach is based on the view that the world is an experimental place with diverse elements; while some are objective, others are subjective and some are a mixture of the two ([Creswell, 2013](#); [Johnson & Onwuegbuzie, 2004](#)). This approach involves multiple analyses/processes to reach the truth (i.e. subjective, objective or multiple realities), and provides the researcher with flexibility to select appropriate methods, techniques and procedures ([Creswell & Poth, 2017](#)). However, these selections must fulfil the purpose and objective of the problem under investigation.

Pragmatic scholars argue that both quantitative and qualitative methods are appropriate and compatible. Pragmatism allows researchers to apply both methods for optimal results ([Creswell, 2013](#); [Feilzer, 2010](#); [Tashakkori & Teddlie, 1998](#)) and encourage for most appropriate methods that best suited to research questions and study purpose. The flexibility of the pragmatic paradigm allows researchers to use a combination of both qualitative and quantitative methods. This is often called a mixed method approach ([Creswell, 2013](#)) and enables the researcher to use the strengths of each method.

Mixed method research has gained increasing importance in recent accounting and management literature ([DeSilva, 2011](#)). It is recognised as a mixing of approaches or methods and includes combining “qualitative and quantitative viewpoints, data collection, analysis [and/or] inference techniques in a single study” ([Johnson, Onwuegbuzie, & Turner, 2007, p. 123](#)). The growth of mixed methods as third analysis technique is evident in studies such as [Steger, Ionescu-Somers, and Salzmänn \(2007\)](#), [Okpara \(2011\)](#), [Al-Khateeb, Epiphaniou, Alhaboby, Barnes, and Short \(2017\)](#) and [Lincoln \(2017\)](#).

The mixed method approach provides researchers with the flexibility to use both qualitative and quantitative approaches. According to [DeSilva \(2011\)](#), the mixed method approach allows researchers to extend their findings beyond that which a single method provides. This approach also overcomes methodological weaknesses associated with a single approach (either qualitative and quantitative), thus establishing a strong case for result generalisability ([Creswell, 2013](#); [DeSilva, 2011](#)).

To extend, the scholars such as [Lin \(1998\)](#), [Modell \(2010\)](#) and [Hamlin \(2015\)](#) suggest that bridging both positivism and constructivism paradigms (using mixed methods) supports researchers in analysing their findings. It allows researchers to overcome the subjective norms of the interpretive paradigm and also acknowledges both schools of thoughts (positivism and interpretivism) ([Modell, 2010](#)), thus offering least reasons to question research results.

The increasing use of mixed methodology leads to multiple designs. Their adaptability in research depends on the study’s purpose, the integration of methods, data collection and result analysis ([DeSilva, 2011](#)). [Morse and Niehaus \(2007\)](#) argue that mixed method research should have two components - a core component and a supplementary component. These two component lead to eight possible mixed method research designs that combine qualitative and quantitative research in either a concurrent or sequential design ([Creswell,](#)

[2013](#); [DeSilva, 2011](#)). [Creswell \(2015\)](#) argues that all mixed methodology design falls into three categories; convergent design, explanatory sequential design and exploratory sequential design.

Convergent Research Design

The convergent design combines both qualitative and quantitative data analysis to gain different insights. The core advantage is that it analyses the phenomenon from multiple angles and perspectives. Thus it can be used for validating one dataset with another ([Leech & Onwuegbuzie, 2009](#)). This research method requires the same measurement or assessment on both sides (i.e. qualitative and quantitative side) ([Creswell, 2013](#)). However, it can be challenging when merging the two datasets (i.e. numerical and textual).

Explanatory Sequential Research Design

This research design studies the research problem in two phases. The first begins with the quantitative strand for data collection and analysis. This is followed by qualitative research which is used to explain the quantitative results ([Creswell, 2013, 2015](#)). This research design provides a greater understanding of quantitative research. These two phases of research build upon each other, using distinct steps and are therefore more popular among mixed method researchers ([Creswell, 2013, 2015](#)). Nevertheless, this research is limited when the research problem is not well known, as it starts with quantitative analysis that is subject to an in-depth understanding about processes which are attached to a person's actions or behaviours ([Greene, 2007](#)).

Exploratory Sequential Research Design

Unlike explanatory sequential design, this research design first explores the research problem using qualitative data collection and analysis ([Creswell, 2015](#)). This process is followed by quantitative data analysis as shown in Figure 3.1. Exploratory research design is ideal for the development of new measurements or instruments based on qualitative results. [Creswell \(2015\)](#) documents the following procedures needed to conduct multiple research design:

- i. Qualitative data collection and analysis
- ii. Examining the results from qualitative analysis (e.g., thematic analysis) before using these results to design the quantitative component such as new measurements or

variables. This new quantitative component is more reliable, as it is grounded in the actual experiences of the participants

- iii. Testing this new quantitative component for validity and reliability
- iv. The final step involves reporting how the new quantitative component improves the existing set of variables and provides a better understanding in a new contextual setting. This step can also be applied to generalise the qualitative result findings – as qualitative research is drawn from a smaller sample and testing the new quantitative component on a larger sample can achieve generalisability.

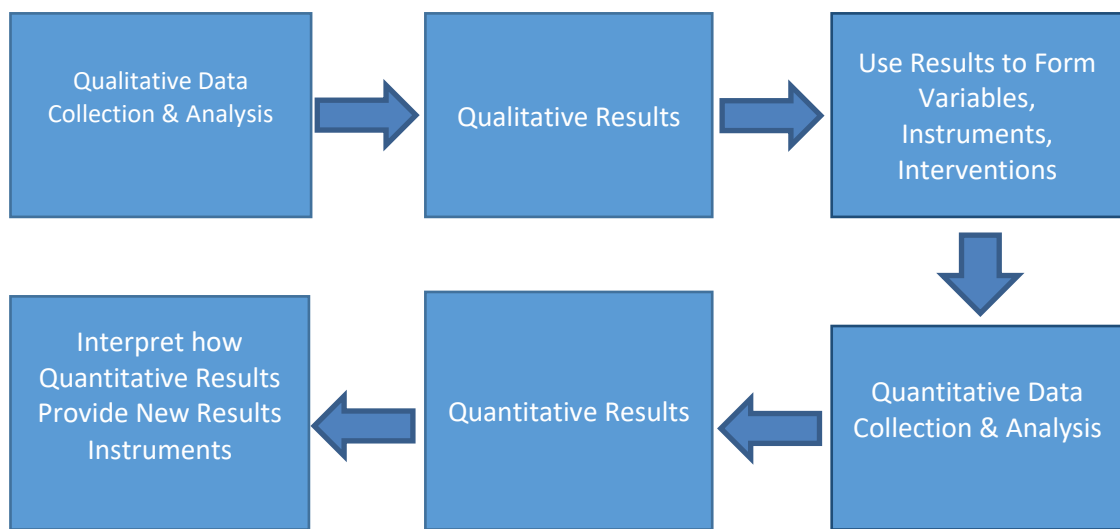


Figure 3.1: Exploratory Sequential Design ([Creswell, 2015, p. 56](#))

The current research summarises the above documented research paradigms in Table 3.1. Table 3.1 illustrates the broader view of approaches to most common research paradigms, based on their assumptions such as ontology, epistemology, axiology and research methods ([Creswell, 2013](#); [Johnson et al., 2007](#)). This assists scholars to follow appropriate research paradigms in developing their research methodology. The following section discusses research paradigms and methodology adopted in the present study.

Table 3.1: Paradigm Comparison

Research Paradigm	Ontology	Epistemology	Axiology	Research Approach
Post-Positivism	Reality is objective	Researcher distances him/herself from observed things	Research is taken as value-free.	Quantitative, highly structured, large sample
Constructivism	Reality is subjective	Researcher observed things as part of the phenomena (that is subjective).	Research is value bound, the researcher is part of what is being researched and cannot be separated.	Qualitative, small sample, in-depth investigation.
Transformative	Reality reflects power structures in society	Researcher needs interactive link with participants.	Research is value-laden; the researcher is biased by worldview, cultural experiences and upbringing.	Qualitative or quantitative However, method must recognise cultural complexity
Pragmatism	Reality can be objective and subjective or both depending upon the research problem.	Researcher interaction depends upon research problem. The researcher may be at a distance from reality or may be part of reality.	Values play a large role in interpreting the results, or the researcher may adopt both	Mixed methods (qualitative and quantitative).

Source: Based on [Creswell \(2013\)](#) and [Tashakkori and Teddlie \(2010\)](#).

3.3 Research paradigm and Methods adopted in Current Research

This research uses the limited but growing pragmatic approach ([Benomran, Che Haat, Binti Hashim, & Mohamad, 2015](#); [Chithambo & Tauringana, 2017](#); [Michaelson, 2010](#); [Yin, 2017](#)) to explore the CG-CSR relationship and integration.

The choice of the pragmatic approach in the current research is based on the study's objectives and depends on a number of reasons. First, CG and CSR are both objective and subjective constructs and often depend upon managerial actions and decisions ([Jamali et al., 2008](#)). In addition, due to the voluntary nature of CSR in New Zealand, it is expected that these practices depend on multiple firm characteristics that are unexplored and vary greatly among firms. Therefore, to explore the CG and CSR relationship and to develop a better understanding of their integration, it is necessary to use the pragmatic approach ([Michaelson, 2010](#)). More specifically, this research applies an exploratory sequential mixed methods design (as shown in Figure 3.1).

The purpose of this exploratory sequential design is to firstly, qualitatively explore the research problem using a small sample and then determine if the qualitative findings can be generalised in relation to a larger sample using the quantitative methods ([Creswell, 2015](#)). In the first phase, this research explores the research problem using qualitative data collection and analysis to investigate the CG-CSR relationship (RQ1) and develop a CG-CSR integrated framework (RQ2). The second phase, (i.e. the quantitative stage), uses a survey to identify and examine the CG-CSR integrative framework in a wider population (RQ2a). Notably, the majority of past CG and CSR studies have used single data analysis techniques, either quantitative data analysis techniques ([Deckop, Merriman, & Gupta, 2006](#); [Jo & Harjoto, 2011](#); [Jo & Harjoto, 2012](#)) or qualitative analysis techniques ([Jamali et al., 2008](#); [Young & Thyll, 2014](#)). The use of the single data analysis technique is often criticised for methodological weaknesses ([DeSilva, 2011](#); [Jain & Jamali, 2016](#)). Thus, the application of exploratory sequential mixed methods design contributes to greater methodological rigour. In sum, the current study includes both qualitative and quantitative approaches.

The results of each method (QUAL and Quant) are presented in Chapters 4, 5 and 6. Overall findings are discussed in Chapter 7. The following section provides a more detailed description of each research method used in this study.

3.4 Phase1- Qualitative Analysis

To answer RQ1 and RQ2, this research uses qualitative methods. However, there are various approaches that have been adopted in qualitative methods, such as ethnography, grounded theory, narrative/auto-biographic approaches, discourse analysis, and interviews ([Lichtman, 2012](#)).

The ethnography approach uses observational data to study human behaviour and culture over time ([Lichtman, 2012](#)). Discourse and narrative/auto-biographic analysis involve the use of written or oral documentation and stories, respectively ([Jason & Glenwick, 2016](#)). The current research does not apply observational techniques, as access to the CG and CSR process in an organisational setting is not possible. In addition, the use of documentation (i.e. discourse) which describes the code of conduct or CG and CSR processes is inadequate to explain the nature of relationship between CG and CSR and their integration. Documents that explain CG and CSR processes are often confidential. The most appropriate technique for the this research is the interview method ([Jamali et al., 2008](#)).

Interviews are one of the most commonly used methods in qualitative research. They can be conducted with individuals or groups, using a variety of methods (face-to-face, telephone, email or video) ([Jason & Glenwick, 2016](#)). Interviews enable researchers to gain insight into individual beliefs and perceptions on a specific subject. Face-to-face interviews have an advantage over other interviews techniques, as they often have a higher response rate and enable the interviewer to observe the surroundings, understand and use non- verbal forms of communication and also use visual aids during the process ([Jason & Glenwick, 2016](#)).

Interviews can be structured, unstructured or semi-structured. The choice largely depends upon the study's objectives. A structured interview is based on an inflexible set of questions and is often limited to specific questions. In contrast, unstructured interviews consist of broad and open questions and allows the interviewee to provide additional information ([Jason & Glenwick, 2016](#)). A semi-structured interview is a combination of both structured and unstructured interviews and is based on a list of questions on specific topics ([King & Horrocks, 2010](#)). This type of interview is commonly used in CG and CSR research ([Jamali et al., 2008](#); [Young & Thyil, 2014](#)). This approach is helpful because it allows the interviewer to maintain focus, but also allows the interviewee to freely express their personal views and opinions.

The current research adopts the semi-structured face-to-face interviews to answer RQ1 and RQ2. This method was chosen for two specific reasons. First, semi-structured interviews

provide flexibility, a characteristics that is important in elite interviews ([Gillham, 2005](#)). This is important because this study includes interviews with senior leaders, who are experienced in research problem being investigated ([Rubin & Rubin, 2011](#)). Second, semi-structured interviews also provide opportunities to probe answer, where the researcher wants interviewees to explain or build upon their responses ([Saunders, 2011](#)). Since, the ‘comply and explain CG’ regime and voluntary CSR practices among NZX listed firms, coupled with limited research requires in-depth and rich information about the problem under investigation, the semi-structured interview is the most suitable method.

The current research acknowledges the weaknesses associated with a semi-structured interviews; interviewee bias towards interviewers, interviewer’s appearance, tone of voice, question wording and cultural issues ([King & Horrocks, 2010](#); [Rubin & Rubin, 2011](#)). This research adopted a set of procedures, such as the development of interview protocol and a pilot study designed to minimise any bias associated. These procedures are discussed in the subsequent sections.

3.4.1 Sample Selection

The selection of the semi-structured interview allows the researcher to directly engage with managers involved in CG and CSR processes. However, this often depends on participation rates and sample selection ([DeSilva, 2011](#)). This research aims to explore the nature of CG and CSR and CG-CSR integration among New Zealand listed companies – where CG operates on a ‘comply or explain’ basis and where CSR is considered voluntary (i.e. only a few of the sampled firms follows CSR practices). Therefore, it requires appropriate sampling criteria to answer research questions.

There are two major sampling procedures in qualitative research. These are theoretical sampling and purposive sampling. First, theoretical sampling involves selecting the sample of cases, events, interviews or other sources based upon their optimal contribution to theory development ([Parker & Northcott, 2016](#)). Theoretical sampling is “inductive and contingent” ([Hood, 2007, p. 161](#)) and is based on initial analysis to recruit further participants. In theoretical sampling, the initial sample size is unknown, and data analysis starts with data collection ([Hood, 2007](#)). The unfamiliar sample size of theoretical sampling limits current research to apply this technique. Second, the most common sampling techniques in qualitative research involve purposive sampling ([Jason & Glenwick, 2016](#)). In purposive sampling, participants and key informants are selected either by key characteristics (like knowledge, skills and

demographic features) ([Jason & Glenwick, 2016](#)) or those who are best suited to the research ([Parker & Northcott, 2016](#)). This study employs purposive sampling using two criteria to answer the research questions. The first criteria involves firm listings on the NZX index. The purpose of this criteria is based on the notion that a listed firm is more likely to follow good CG practices compared to non-listed firms ([Loderer & Waelchli, 2010](#)). The second criteria requires a firm's inclusion in the Global Reporting Initiative (GRI) database, where all companies that use the guidelines are invited to register their reports. GRI guidelines are developed after consultation with multiple stakeholders. These include larger business networks, civil society, academia, labour and other professional institutes. This database provides principles and indicators that firms use to measure and report their non-financial performance; i.e. corporate social responsibility performance ([Skouloudis, Evangelinos, & Moraitis, 2012](#)). It is argued that firms who follow the GRI guidelines have better CSR practices than their counterparts. Therefore, firms which fulfil these two criteria are considered to be the most appropriate for a better understanding of the CG and CSR relationship.

3.4.2 Interview Instrument Development

In qualitative research, interview question design is an interactive process that involves considerable attention between each component of design to access the implications of purpose, conceptual context, research questions and validity threads from one component to another ([Wengraf, 2001](#)).

The interview questions were linked to the research questions, the study's purpose and relevance to past literature. Based on the review of the literature, this study identified three major topics of discussion:

1. Corporate Governance practices
2. Corporate Social Responsibility practices
3. The CG and CSR relationship
4. CG-CSR integration

The current study developed questions within these four themes with a degree of flexibility (i.e. allowing some variation in each topic and also the order of questions). The major purpose of allowing flexibility in terms of order and prompts was due to nature of CSR and CG as constructs. Both of these practices depend upon nature of the business and organisational structure ([Jain & Jamali, 2016](#)). While allowing for some flexibility, the researcher developed

interview protocol (See Appendix A4) in line with the research questions identified. The main purpose of the interview protocol was to assist in keeping the interview and subsequent data focused, structured, organised and to ensure that all of the relevant information was gathered ([Denzin & Lincoln, 2011](#)). Interview protocol is an important part in qualitative research ([Cooper & Schindler, 2011, p. 266](#)). This research used prompts and probing during interviews in order to gain more detailed information. After finalising the interview protocol, ethical approval was sought from the Lincoln University Human Ethical committee (HEC) (See Appendix C).

3.4.3 Pilot Study

After establishing the interview protocol, the researcher organised a pilot study. A pilot study is a mini version of the research or trial in preparation for the full-scale study and may be conducted to pre-test the research instrument in both qualitative and quantitative research ([Tashakkori & Teddlie, 2010](#); [Van Teijlingen, Rennie, Hundley, & Graham, 2001](#); [Watson, Atkinson, & Rose, 2007](#)). Pilot interviews enable a researcher to identify ambiguities, difficulties and unnecessary questions and subsequently to discard or modified them. It also increases the validity of the research instruments by determining that interview questions are appropriate ([Van Teijlingen et al., 2001](#)). It also reduces bias by providing the researcher with a chance to practice and perfect their interviewing technique ([Van Teijlingen et al., 2001](#)).

To perform the pilot study, four organisations outside¹⁰ the NZX listing requirement were identified. The CSR managers of these firms were contacted using their details, identified via organisational websites. The pilot study interviews revealed that the interview protocol proved that the information provided was clear and sufficient. Although the interview questions were well received, some suggestion were added to the interview guide as result of the pilot study. For example, the additional question of ‘what are the barriers in implementing CG and CSR practices?’ was included, as suggested by pilot study participants.

¹⁰ The current research used slightly different criteria for selecting the pilot study respondent as compared to main study sample criteria, due to a lower number of actual respondent companies. We selected four organisations based on the GRI criteria as mentioned in section 3.4.1, while relaxing the NZX listing requirement. These differences in the sampling procedure for pilot study had two benefits; first the study achieved the pilot study benefits without losing the actual sample. Second; this meant that the study was able to include unlisted firm feedback and gain industrial insight into CSR practices in New Zealand companies.

3.4.4 Sample Frame

After finalising the interview questions, the researcher turned his attention to the final sample using the criteria mentioned in section 3.4.1. The study searched¹¹ the publically available GRI database to find suitable New Zealand companies. The initial result revealed 38 New Zealand companies (these included both listed and non-listed companies) in the GRI database. However, the researcher manually filtered these results by matching GRI database firms with NZX listed firms, which resulted in 18 companies that fulfilled the pre-determined criteria (those which had a presence in both the GRI database and the NZX listing). The next sections explains the reliability and validity processes and procedures used to assess the selected companies' CSR managers

3.4.5 Research Reliability and Validity

In qualitative research, reliability and validity remain a key challenge ([Braun & Clarke, 2006](#); [Castro, Kellison, Boyd, & Kopak, 2010](#)). To achieve reliability, current research has adopted multiple methods, including the development of an interview guide, the pilot testing of interviews, the adoption of face-to-face semi-structured interviews, the audio recording of all interviews, the preference for self-interview transcription (rather than third party transcription) and the presentation of long raw data in the analysis. These steps are significantly correlated with high levels of reliability ([Silverman, 2015](#)). Validity in qualitative research refers to proper sampling, an effective environment for interviewing and sufficient interpretation and display ([Lewis & Ritchie, 2003](#)). To fulfil these criteria, the current research adopted purposive sampling to identify senior managers of NZX listed firms. These senior managers were in a position to best describe the research problem.

3.4.6 Interview Access

Contacting potential participants and gaining permission to conduct interviews with these individuals was the most challenging task of this research; this is similar to other qualitative studies ([Berg & Lune, 2012](#)). As the purpose of the sample criteria was based on information richness, it was necessary to find the right contact details of potential participants to ensure a high response rate. To fulfil this purpose, the researcher developed an excel-based personalised database, which included the participant's name, designation, email address,

¹¹ The study searched the global reporting website (<http://database.globalreporting.org/search/>) to find the names of New Zealand companies included in the GRI database as of the 30th of December 2016.

and phone number. This information was obtained through browsing company websites, the NZX webpage and GRI reports. In addition, each respondent's email was matched with their LinkedIn profile using the LinkedIn Professional suit. LinkedIn matching helped the researcher to find appropriate participants as it provides information about their professional experience. Using LinkedIn matching, the researcher was able to invite senior management to participate in the research instead of CSR managers.

An invitation email (See Appendix A2), along with a research information sheet (See Appendix A1), was sent to all of the 18 company managers. Only two CSR managers responded during the first attempt and agreed to participate in the research. After series of reminder emails and telephone conversations, the researcher was able to gain responses from all of those who had been contacted. Out of the 18 companies, six declined to participate. The reasons for this varied but included internal re-structuring and management re-shuffling. In total, the researcher was able to interview 12 company managers, which equates to a response rate of 67%. The sample and interviewee profile is presented in Table 3.2.

Table 3.2: Interviewees Profile

SN	Code	Industry	Location	Participant Designation	Participant Tenure (Current Company)	Qualifications
1	SM1	Banking	Auckland	Head of Government Relations & Corporate Responsibility	07 years	BSc (Hons)
2	SM2	Aviation	Auckland	Sustainability Manager	10 years	MBA
3	SM3	Energy	Wellington	Head of Sustainability	03 years	BSc (Hons)
4	SM4	Energy	Auckland	Executive General Manager Corporate Affairs	05 years	BSc (Hons)
5	SM5	Retail	Christchurch	Chief Operating Officer	07 years	BSc (Hons)
6	SM6	Energy	Auckland	Governance & Sustainability Manager	03 years	BSc/LLB (Hons)
7	SM7	Energy	Wellington	Chief Financial Officer	08 years	BSc (Hons)
8	SM8	Financial	Wellington	Sustainability Manager	03 years	BSc (Hons), PG Dip.
9	SM9	Manufacturing	Auckland	General Manager Sustainability	02 years	MSc
10	SM10	Telecommunication	Auckland	Company Secretary	06 years	LLB & BS Com
11	SM11	Retail	Auckland	Group Chief Financial Officer	03 years	BA, AMP
12	SM12	Petroleum	Wellington	Sustainability Manager	05 years	LLB and LLM

Source: Author's Compilation

3.4.7 Interview Session

Participants were asked to sign a consent form (See Appendix A3) which explained the processes regarding the recording and transcribing of interviews. All of the participants provided consent to audio record the interview.

The actual interview sessions lasted, on average, between 40 to 60 minutes. The researcher provided a brief study introduction to interviewees. During this introduction, the researcher emphasised that all of the information would be kept confidential. Since the interviews were audio recorded, the researcher could concentrate on the responses and probe further, as or when, required. In addition, the researcher also provided enough pauses so that respondents could think about the question before they answered. At the completion of each interview, participants were asked whether they would like to provide additional information which they thought might be useful. This question enabled the researcher to gain additional insight.

3.4.8 Interview Data Analysis

Qualitative data analysis deals with a systematic process to identify meanings, features and relationships ([Ritchie, Lewis, Nicholls, & Ormston, 2013](#)). According to [Marshall and Rossman \(2006\)](#), “qualitative data analysis is a search for general statements about the relationship and underlying themes” ([p. 154](#)).

There are various methods through which qualitative data can be analysed ([Ritchie et al., 2013](#)). These methods include discourse analysis, narrative analysis, semiotic analysis, ethnographic analysis, grounded theory and thematic analysis ([Silverman, 2006](#)). Among all, thematic analysis is considered the most appropriate method for interview material ([Braun & Clarke, 2006](#); [Meier, Boivin, & Meier, 2008](#)). This study thus adopted thematic analysis ([Braun & Clarke, 2006](#)).

There are number of approaches which elaborate the procedures related to thematic analysis in qualitative research ([Braun & Clarke, 2006](#); [Castro et al., 2010](#)). This research adopted [Braun and Clarke \(2006\)](#) six step procedure for thematic analysis.

Step 1: Data Familiarisation

All of the recorded interviews were transcribed by the researcher himself rather than using third party services. This method was chosen so that the researcher would become familiar with the material. The transcription process resulted in many pages of transcripts and reflects the richness of the data (see Table 3.3). After transcription, each interview was read several

times, along with the notes that were taken during the interview, to ensure enhanced data familiarisation.

Table 3.3: Interview Transcription Description

SN	Code	Interview Duration (h: mm: ss)	Number of Words in Transcription
1	SM1	0:54:57	5877
2	SM2	0: 42:01	4603
3	SM3	0:41:20	4003
4	SM4	0: 50:15	7127
5	SM5	0: 45:03	4199
6	SM6	0: 40:50	4629
7	SM7	0:44:31	5334
8	SM8	0: 41:05	5101
9	SM9	0:50:22	7874
10	SM10	0:38:52	3894
11	SM11	1:02:11	7706
12	SM12	0:52:42	7073
Average		0:47:01	5618

Source: Author's Compilation

Step 2: Initial Codes Generation

In the next step, the transcriptions were uploaded as a source documents to N-Vivo, a computer-assisted qualitative data analysis software (CAQDAS) for coding purpose. CAQDAS was used for analysis for three reasons (i) to increase the speed of analysis, (ii) it provides a more consistent and rigorous approach than using paper, and (iii) it provides flexibility in terms of identifying and linking concepts and themes ([Ritchie et al., 2013](#)). Although the current study opted to use CAQDAS for analysis, it used manual coding or reading each transcript word by word. This practice is called free coding. Free coding initially resulted in 267 nodes. Free coding at the initial stage has several benefits; it enables the researcher to understand what has been described as one of the key tasks in the synthesis of qualitative research ([Britten et al., 2002](#)). Secondly, as this coding is directly built on raw data, it is therefore enhances research validity ([Cooper, Schindler, & Sun, 2006](#)).

Step 3: Theme Searching

Theme searching includes the reduction of codes with similar meanings. Application are merged to ensure more meaningful and analytical coding. All of the nodes were reviewed to search for themes and nodes. Nodes that were similar were merged. N-Vivo aids node creation

by recording transcripts, creating and editing node names, maintaining a code database, retrieving codes from the database, tracing nodes to transcripts, collapsing multiple nodes into desired nodes and finally grouping the nodes into categories/themes and subthemes ([Bazeley & Jackson, 2013](#)). N-Vivo sorting yielded 128 nodes.

Step 4: Theme Reviewing

All of the 128 nodes were reviewed multiple times and repeated nodes were merged or removed. This resulted nodes were divided into nine major themes (See Chapters 4 and 5).

Step 5: Defining and Naming Themes

The resulting nine themes were named and defined. Nodes trees were reviewed and organised within given themes.

Step 6: Reporting the Result

After the completion of the nodding process, each node and text quoted within that node were reviewed. Annotations were linked with a particular node or text, to store arguments, ideas and comments using the N-vivo annotation function. These nodes were tracked back to review comments on individual nodes and text to generate meaning and reading or interpreting between the lines. These results for themes and sub themes are reported in Chapters 4 and 5.

3.5 Phase 2- Quantitative Analysis

To answer the third research question (RQ2a), this study adopted a set of processes or research methodology related to sample selection, survey design, data collection procedure and administration of the questionnaires, data cleaning and analysis. These processes are discussed in the subsequent sections.

3.5.1 Sample Selection

Sampling strategies depend upon the purpose of the research ([Cooper et al., 2006](#)). As discussed earlier (see section 3.4.1), interviews were conducted based on a purposive sample acquired using two criteria; i.e. that the company had a NZX listing and its name appears in the GRI database. However the aim of the quantitative study (RQ2a) is to test the framework obtained through interviews over a wider population – which restricted the phase 2 to adopt

purposive sampling. This phase of research considered all NZX listed firms as part of the sample, excluding those firms which participated in the earlier phase (the qualitative phase) of the study to avoid a double response bias.

3.5.2 Questionnaire Design

This phase of current research used the survey method to collect first-hand data. Surveys are commonly used to collect a large amount of information from a selected population to produce summaries and quantitative descriptors ([Saunders, 2011](#); [Van Teijlingen et al., 2001](#)). Generally, two options are considered when deciding what questions to use (i) to adapt an already developed survey to suit one's purpose, or (ii) to construct a new survey instrument. The latter was considered the most appropriate approach in current phase of this research for two reasons (i) there is limited published research in the area of CG and CSR integration, both globally and in the New Zealand context (See, Chapter 2) and (ii) the current research objective (RQ2a), which was to test the framework identified in Chapter 5. The research thus developed survey questions using six broad themes identified in the qualitative study (see section 5.1). The survey questions were constructed based on themes and sub-themes identified in Chapter 5 (i.e. stakeholder priorities for CSR, CG actors for CSR planning, CG mechanisms for CSR implementation, assessment of organisational CSR practices, identification of CSR benchmarks and identification of communication channels for CSR), and the prior literature. More specifically, the survey development literature includes studies from New Zealand as well as other similar contextual setting e.g. US, UK, Ireland among others (primarily [De Silva & Forbes, 2016](#); [Dobbs & Van Staden, 2016](#); [El Akremi, Gond, Swaen, De Roeck, & Igalens, 2018](#); [Klettner et al., 2014](#); [Morsing & Schultz, 2006](#)).

The initial survey comprised of six sections as follows: (i) stakeholder priorities for CSR, (ii) CG actors for CSR planning (iii) CG mechanisms for CSR implementation, (iv) assessment of organisational CSR practices (v) identification of CSR benchmarks and (vi) identification of communication channels for CSR. In addition to these question, this research also included some demographic questions to enable to researcher to classify the final results. These included the respondent's role, experience in the firm, firm size, and each participant's industry. Most of the survey questions required responses on a specific scale with the option of 'not applicable' or don't know also given. Survey responses were able to provide 'others' comments, if their intended response was not covered in scale options. More specifically, the current research applied rating/scaling type questions for sections 1 to 4. These questions

were based on a five-point Likert scale ([Salkind, 2010](#)). Sections 5 and 6 contained 'categorical questions' with some predefined categories. See appendix B2 for a copy of the survey questions. After the initial survey development based on the thematic analysis and literature, discussions were held with the academic (one) and industrial experts (two) involved in the first phase of current research. In addition, the survey was also pre-tested as documented in subsequent section.

3.5.3 Pilot Study

The current research also pre-tested (pilot study) the survey questions using two groups of respondents; CG-CSR practitioners and academic experts. For CG-CSR practitioners, the study used all twelve interviewees that participated in the first phase of the research project for two reasons: (i) they are experts in CG and CSR domain as they already use GRI based CSR practices (ii) they have prior familiarity about the current research project. Apart from the CG-CSR practitioners, two academic experts were asked to review the questionnaires to ensure the readability and transparency of the questions and criteria. Both groups suggested changes to some of the wording and the sequences of the questions. These were incorporated into the final survey.

3.5.4 Data Collection

Similar to other survey based studies in New Zealand, this study also faced significant barriers in relation to survey data collection, including access to information and a low response rate ([De Silva & Forbes, 2016](#); [Dobbs & Van Staden, 2016](#)). To access respondents' contact information, the researcher developed an excel-based personalised database. This included all publically available details of NZX listed firms' senior management staff (that is CEO/CFO/CSR head). These details included participants' names, designations, email addresses, phone numbers and company addresses.

Like the previous phase, each respondent's email was matched with their LinkedIn profile using the LinkedIn Professional Suite (LPS). LinkedIn matching enabled the researcher to find informed participants by looking at individuals' professional experience. This process yielded 104 respondents for data collection. Notably, in New Zealand, around 150-160 companies are listed on the NZX. This number excluded participants from the qualitative phase and

companies with same management teams¹². Considering the NZX market dynamics (i.e. small, open economy – for details see, section 1.2), one hundred and four targeted participants was considered reasonable for current research.

The choice of medium to collect information is another challenging task, due to its ability to affect response rates. Two mediums have been used in prior literature for survey data collection. These are (i) online information collection using computer assisted programmes such as Qualtrics, survey monkey and google and (ii) paper-based surveys. Both approaches have their own advantages and disadvantages ([Dodou & de Winter, 2014](#)). The online approach is known for its flexibility and efficiency (the avoidance of data entry), but tends to have lower response rates ([Wright, 2005](#)). While the paper-based approach is associated with a higher response rate ([Watt, Simpson, McKillop, & Nunn, 2002](#)) it has greater costs in terms of time and expense.

Initially the researcher used the paper based method for data collection. A personalised invitation letter, along with the printed survey questionnaire (See, Appendix B) and a prepaid return envelope, was posted to company addresses of all respondents, requesting that they return the survey within a two week period. However, this approach failed to meet the desired response rate (20 completed survey were received). As a result, an online survey using the same paper based survey information was developed using Qualtrics software.

Qualtrics provides flexibility for survey distribution. For instance, it allows the researcher to select from a variety of methods for survey distribution (i.e. using an anonymous link, email addresses, personal links, social media, offline apps and QR codes). A *personal link* was selected as it enables researchers to track respondents and to send them reminder emails. A personalised email invitation, containing a *personalised survey link* was sent to respondents who failed to complete the paper-based survey within the allocated time period. This process yielded an additional 12 responses. Following a reminder email, another 11 responses were generated, taking the total tally to 43 responses (20 from paper-based and 23 from online surveys). Notably, the study found a significance increase (8.15 %) of the response rate by using the online survey approach ($23/84 * 100 = 27.38\%$) compared with paper based survey

¹² During the process it was found that some NXZ listed companies have similar management structures, especially those in financial industry. For instance, the NZ Bond Fund (NS) and NZ Top 10 Fund (NS) follow the same management structure (See <https://www.nzx.com/markets/nzxx>)

($20 / 104 * 100 = 19.23 \%$). This will undoubtedly spur further debate about the merits of each approach ([Dodou & de Winter, 2014](#); [Watt et al., 2002](#)).

Data cleaning and removing missing responses, yielded a total of 41 responses (or a response rate of 39.42 %). This allowed to researcher to proceed with analysis, as it was higher than the 25% documented by [Dobbs and Van Staden \(2016\)](#) who used a sample of NZX listed companies. In consideration of debates about the hybrid approach (the use of paper based and online surveys in a single study), we ran the t-test to check for any dissimilarities between the two approaches (results available upon request). In line with previous literature, we found no difference in these two approaches ([Dodou & de Winter, 2014](#)).

3.5.5 Research Reliability and Validity

To maintain the reliability and validity of the survey, this thesis has adopted following measures (i) one academic and two industrial experts were consulted after initial draft of survey questionnaires as part of content validity test (ii) pilot study was undertaken before finalising the survey questionnaires (see section 3.5.3 for details), (iii) applied Crohn's back alpha test and results instruments reliability (i.e. values > 0.75), (iv) t-test to compare between online and postal survey responses (see section 3.5.4 for details) and (v) applied consistency ratio test by using AHP (see section 3.5.6 for details). The results for these measures show the validity and reliability of the survey instrument for present research. Of note, due to low sample size (i.e. 41 responses), it is not within the scope of this thesis to apply 'confirmatory factor analysis' to statistical test validity of analysis.

3.5.6 Survey Data Analysis

After the completion of data collection, this research merged and coded the two data sets (i.e. postal surveys and the Qualtrics online data) into a single excel document and proceeded with empirical analysis.

The choice of empirical analysis depends on the nature of data and research objectives ([Silverman, 2015](#)). In the current research, the assessment of the CG-CSR integrated framework involves multi-criteria perspectives and depends upon respondents' judgements which are often conflicting ([Karaman & Akman, 2018](#); [Triantaphyllou, 2000](#)). Therefore, this type of analysis requires Multi-Criteria Decision Analysis (MCDA) ([Ho, Xu, & Dey, 2010](#); [Karaman & Akman, 2018](#)).

MCDA is a methodology design for evaluating a set of competing options using multiple and often conflicting criteria ([Ho et al., 2010](#); [Karaman & Akman, 2018](#)). There is a large body of MCDA techniques, including the Analytical Hierarchy process (AHP), and Fuzzy AHP. This is primarily due to many different decision making situations, as well as time and data availability, analytical expertise and administration requirements. The current research is based on the opinions of senior executives on the proposed criteria, which may be naturally conflicting. In such cases, AHP is a proven method for bringing expert decisions together and providing reliable results ([Karaman & Akman, 2018](#)).

AHP enables a researcher to establish group consensus by weighting the criteria and sub-criteria (in this case, CG and CSR indicators) ([Akman & Dageviren, 2018](#)). Apart from these advantages, the limited number of respondents (41), means that the researcher was not able to use other statistical techniques such as regression analysis, factor analysis, and structural equation modelling. Therefore, the current research considered AHP as the most appropriate method for deciphering the importance of multiple criteria i.e. important stakeholders for CSR, CG actors for CSR planning, CG mechanisms for CSR implementation and the assessment of CSR practices.

Analytical Hierarchy Process (AHP)

AHP was originally developed by Saaty ([Saaty, 1980](#)). AHP attempts to derive criteria scores and weights based on pairwise comparisons between criteria and multiple output. Decision makers are required to make comparisons between of each criterion relative to the others using a nine point semantic scale ([Saaty, 1980](#)) (see Table 3.4). To apply AHP, a hierarchy or network structure that illustrates the problem is essential, as well as pairwise relative comparisons ([Saaty, 1987](#); [Saaty, 1980](#)) in a systematic manner. This processes is elaborated in subsequent sections.

Development of Hierarchy Structure for Decision Making

The first step in AHP analysis is to build a hierarchy for the decision. This is often known as decision modelling. It simply consists of building a hierarchy to analyse the decision. More specifically, AHP structures a situation into goals, decision criteria and alternatives; it assumes that all of them are independent. It synthesise group consensus, evaluating the criteria and sub criteria in order to select the leading suitable alternative. For example, Figure 3.2 shows

the sampled structural decision station, in which the top level shows the goal, while levels 2 and 3 reflects the criteria and sub criteria that need to be compared in order to achieve the goal. The structuring of problem into a hierarchy provides an advantage in understanding the decision, when set against alternatives (Satty, 1987).

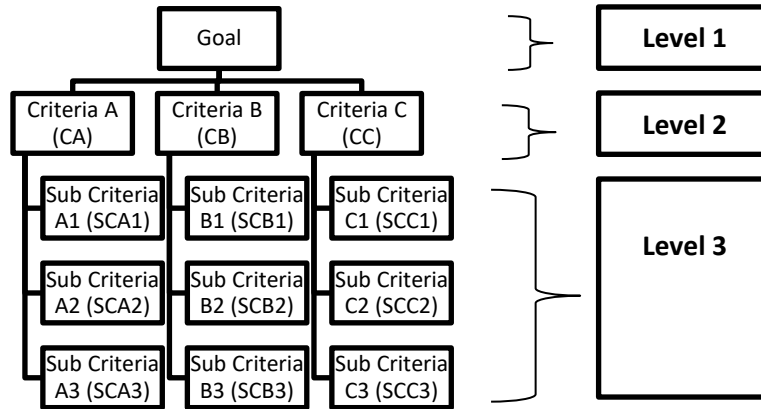


Figure 3.2: Sample AHP Hierarchy Structure (Source: Author's Compilation)

Pairwise Comparison and Scale Transformation

The next step in AHP involves pairwise comparison. For pairwise comparison, the researcher needs to carry out pairwise comparison for each criteria and sub criteria. For instance, as shown in Figure 3.2, the pairwise comparison is twofold: i) a pairwise comparison of the criteria (e.g. CA) and (ii) a pairwise comparison of the sub-criteria within the each criteria (e.g. SCA1 under each main criteria). The respondents have to indicate their preference for two elements using the 9 point AHP scale as shown in Table 3.4.

Table 3.4: AHP Pairwise Comparisons

CA_1									CA_n								
9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	
SCA_1									SCA_n								
9	8	7	6	5	4	3	2	1	2	3	4	5	6	7	8	9	

Source: Author's Compilation

The pairwise contrasting of n criteria is summarised a $n \times n$ pairwise assessment matrix. Following this study example (Figure 3.2), let us define $C = \{C_j / j = 1, 2, 2, \dots, n\}$ as the set of criteria of C_N . The $n \times n$ evaluation matrix, A includes a comparison of criteria from the set C . The matrix A is given in Equation (3.1)

$$\text{Matrix } A = \begin{bmatrix} a_{11} & a_{12} & \dots & a_{1n} \\ a_{21} & a_{22} & \dots & a_{2n} \\ \vdots & \vdots & \ddots & \vdots \\ a_{n1} & a_{n2} & \dots & a_{nn} \end{bmatrix} \quad \text{Equation (3.1)}$$

In this context, based on AHP hierarchy, given in Figure 3.2 a_{ij} represents the numerical assessment of pairwise comparison between criteria i and j for CA and CB respectively. For instance, if criteria i (CA) has absolute importance over criteria j (CB), then $a_{ij} = 9$; conversely $a_{ji} = 1/9$. The entries of matrix A follows the reciprocal property rule as shown in Equation 3.2.

$$a_{ij} \neq 0, a_{ii} = 1, a_{ji} = \frac{1}{a_{ij}} \quad \text{Equation (3.2)}$$

A key disadvantage of AHP pairwise comparison is that it requires a large amount of information, as for each hierarchy, $N * (N - 1)/2$ individual comparison are required (Hossain, Adnan, & Hasin, 2014; Kallas, 2011; Satty, 1987). It thus becomes a lengthy task for participants to fill in the information (Kallas, 2011). Due to the amount of time needed to complete this task, respondent usually ignore their past assigned values during the process of new information sharing and thus create inconsistencies (Kallas, 2011). To avoid these inconsistencies, the scholars have adopted Likert scale for data collection and developed a process to transformed Likert scale data into pairwise comparisons (Hossain et al., 2014; Kallas, 2011; Schühly & Tenzer, 2017). In line with previous literature, Kallas (2011), Hossain et al. (2014), and Schühly and Tenzer (2017), we also transformed the individual absolute Likert scale answers into pairwise comparisons. Initially following Schühly and Tenzer (2017), the Likert scale answers were transformed using a Saaty 9 point scale as shown in Table 3.5.

Table 3.5: Likert Scale and Saaty Scale Equivalence

Linguistic	Saaty	Likert Scale
Extremely Important	9	5
Very Strong (More Important)	7	4
Strong (More Important)	5	3
Moderately More Important	3	2
Equally Important	1	1

2, 4, 6, 8 can be used to express intermediate values for Saaty Scale

Source: Author's Compilation

Following [Kallas \(2011\)](#), [Hossain et al. \(2014\)](#), and [Schühly and Tenzer \(2017\)](#), we used Equation 3.3 to complete the transformation process and filled in the so called Saaty matrix as shown in Equation 3.1.

$$\hat{a}_{ij} = |SC_{ik} - SC_{jk}| + 1 \quad \text{Equation (3.3)}$$

Where, \hat{a}_{ij} is the estimated pairwise comparative score on Saaty scale, SC_{ik} is the Likert scale valuation score for individual criteria i – obtained using the 5 point Likert scale (1: non important/strongly disagree - 5 very important/strongly agree), where SC_{jk} is the Likert scale valuation score for other criteria j . For instance, in our case (Figure 3.2), the SC_{ik} of the criteria i (i.e. CA) for individual k is 5 on Likert scale and the SC_{jk} for criteria j (i.e. CB) for individual k is 4, then the transformation approach of the paired comparison between i and j is $\hat{a}_{ij} = |4-5| + 1 = 2$. This study uses the same approach to fill the Saaty matrix ([Saaty, 2003](#); [Satty, 1980](#)) for each criteria and sub criteria items.

Normalisation and Weights Calculations

The next step after completing the Saaty matrix in AHP is to normalise and obtain the respective weights of each matrix 'A' by dividing the column entries by the corresponding column geometric sum.¹³ The principal eigenvector 'w' concurrent to the largest eigenvector λ_{max} of matrix A determines the precedence of the element as shown in Equation 3.4.

$$Aw = \lambda_{max}w \quad \text{Equation (3.4)}$$

Consistency of Preferences

The final step in AHP involves the calculation of the consistency ratio, as the eminence of AHP results are highly dependent on the congruity of pairwise comparison judgements. For instance, in our case (Figure 3.2), if respondent rate CA as twice preferred to CB and subsequently rate CB as twice preferred to CC, then the respondent should rate CA as four times preferred to CC. When developing AHP, Saaty acknowledges the human decision maker's limitations in terms of absolute consistency and allowed for a certain degree of

¹³ [Saaty \(2008\)](#) argues that the arithmetic mean is not appropriate, whereas various researchers ([Aczél & Alsina, 1987](#); [Saaty & Vargas, 2012](#)) have proven that geometric means satisfies this condition.

flexibility during the elicitation of preferences as measured by the consistency ratio (CR). We accomplished CR using a two-step process. Initially, the consistency index (CI) was calculated using Equation 3.5:

$$CI = \frac{\lambda_{max} - n}{n - 1} \quad \text{Equation (3.5)}$$

Where, n is the size of original comparison matrix. The final consistency ratio (CR) is obtained from Equation 3.6.

$$CR = \frac{CI}{RI} \quad \text{Equation (3.6)}$$

The random index (RI) for a very large number (e.g. 500000) of randomly generated pairwise comparison matrices, as purposed by Saaty, are shown in Table 3.6.

Table 3.6: AHP Random Indices for use in Assessing the Consistency of Pairwise Comparison Matrices

N	1	2	3	4	5	6	7	8	9	10
Random Index	0	0	0.52	0.89	1.11	1.25	1.35	1.40	1.45	1.49

CR usage is imperative in AHP as it indicates the consistency of the pairwise assessments. In prior literature 0.1 is accepted as the upper bound ([Saaty & Vargas, 2012](#)). Analysis exceeding the upper limit needs to be repeated to improve the ratio ([Karaman & Akman, 2018](#); [Saaty & Vargas, 2012](#)). In current research, CR ratios are well below 0.1, suggesting the consistency of responses (results available upon request). The results for quantitative analysis are presented in Chapter 6.

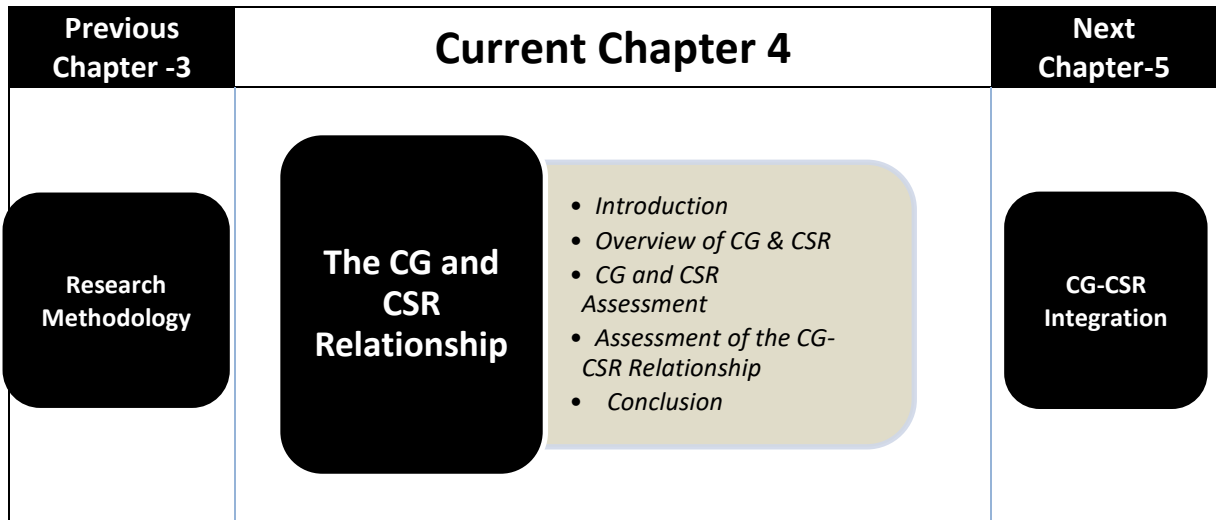
3.6 Chapter Summary

This chapter has explained the rationale for selecting a mixed method approach. It has also identified the two different phases of the research. In the first phase, a qualitative approach was applied in order to explore the relationship between CG and CSR (RQ1) and to develop an integrated CG-CSR framework (RQ2). Semi structured face-to-face interviews were used as the medium for gathering qualitative data. In second phase, the proposed CG-CSR integrated model was empirically tested using a quantitative approach for generalisability (RQ2a). A

hybrid survey approach (paper based and online survey) was used to collect data for the quantitative phase. Findings based on thematic analysis of the qualitative phase are discussed in Chapters 4 and 5, while findings from the quantitative phase are discussed in Chapter 6. Chapter 7, outlines the key findings for both phases and concludes the thesis.

Chapter 4

The CG and CSR Relationship



4.1 Introduction

Chapter 4 provides the answer to the study’s first research question (RQ1); what is the relationship between CG and CSR? To do, this chapter details the qualitative field work data gathered through face-to-face interviews with senior managers of NZX-listed companies. This chapter provides deeper insight into CG and CSR practices in New Zealand and outlines managerial perceptions about the nature of the CG- CSR relationship. The chapter’s findings provide the foundation for an integrated framework, which is necessary to answer the second research question (RQ2). The remainder of this chapter is structured as follows: Section 4.2 provides an overview of general trends in CG and CSR practices in New Zealand. While section 4.3 discusses the CG and CSR practices identified in the interviews, section 4.4 assesses the CG-CSR relationship. Section 4.5 summarises and concludes the chapter.

4.2 Overview of CG and CSR in NZX Listed Firms

CG and CSR trends in New Zealand are varied. For CG there is a principle-based CG with ‘comply or explain’ regime ([Reddy et al., 2008](#)). These principles have been revised over the period of 2004 and 2017. In contrast, CSR has been largely ignored. This was the case until the

addition of a section on environment, social and governance (ESG) disclosure¹⁴ in the revised CG code (i.e. the 2017 NZX CG code).

The Institute of Directors (IoD) recent assessment of CG and CSR issues (for example, director and CEO remuneration, and health and safety performance), for the top 20 NZX listed companies,¹⁵ shows significant variability in annual report disclosure. New Zealand firms are generally lagging behind when it comes to CSR implementation. This trend was evident in the present study assessment for the sample selection. For instance, during sample selection, the current study found that only 18 NZX listed companies followed GRI based report requirements. This number is significant lower than other developed countries, like Australia, the UK and Ireland. These findings are not surprising, as a recent [KPMG \(2017\) survey](#) confirms the slow adoption of CSR procedures and found that only 69% of New Zealand top 100 companies' (by revenue) published CSR information as compared with 72% (the global average).

However, NZX has taken substantial steps towards improving its CG and CSR practices for NZX listed companies, with the revision of CG codes that now require enhanced reporting for CSR related issues. After the implementation of the NZX CG revised principles, it is expected that CG-CSR standards among NZX listed firms will gradually improve. This view was reflected in some of study respondent's statements:

"...some changes in terms of CG disclosure and reporting. Actually, they will make it tough for people on board accountable as there will be more accountability in terms of health and safety for things... [SM1]"

Concurrently, in terms of CSR implementation, we find similar views. As one of the interviewees noted:

"...it is becoming increasingly important, every year it sort of becomes important...aspects like integrative reporting are becoming more important, it's not an easy thing to do, doing an integrative report but again that's going back into the interdependence of corporate social

¹⁴ See NZX CG code 2017: <https://www.nzx.com/files/attachments/257864.pdf>

¹⁵ See, IoD responses to NZX: <https://www.iod.org.nz/Portals/0/Governance%20resources/IoD%20submission%20to%20NZX%20Feb%202016.pdf>

responsibilities, sustainability angle and financial success, so I see the level of understanding is increasing...[SM9]”.

Our results are in line with the global push for Environment, Social and Governance (ESG) promotions. For instance, a mandatory requirement of ESG in Europe ([Camilleri, 2015](#)) and USA Securities Exchange Commission (SEC) material environment risk requirement for listed companies has pushed firms to raise standards for CG and CSR ([DiSalvio & Dorata, 2014](#)). Likewise, NZX initiatives to revise CG best practices codes in 2017 has set the tone for NZX listed firms to move towards grander implementation. In addition, the management of NZX listed firms are fully aware of the increasing global demand for CG and CSR and are subsequently incorporating CG-CSR practices into their organisational structures.

4.3 Assessment of CG and CSR Practices

CG and CSR are multi-disciplinary constructs that create a uniformity of goals within, and across firms, especially with the shift from a shareholder-centric governance model to a stakeholder-centric one ([Tricker & Tricker, 2015](#)). The underlying relationship between CG and CSR is centred on the thought that organisational activities can have a massive impact on stakeholders and the external environment. Therefore, it is important to understand the connection and interdependencies between CG-CSR. Despite growing interest in CG and CSR research, the exact nature of this relationship has not yet been determined ([See, Jain & Jamali, 2016](#)). To develop a better understanding of the CG-CSR relationship, the current study asked respondents about their organisational views on CG and CSR. For example, respondents were asked, how they perceive CG and CSR, Is there any difficulties in implementing these CG and CSR? Is there is any relationship between CG-CSR? If so then what is the nature of this relationship? Respondent responses are provided in the succeeding sections.

4.3.1 Assessment of CG Practice

Respondents responses indicate that NZX listed companies generally had a good awareness and engagement with CG issues. The interviewees discussed various CG practices that are commonly integrated in their firms' activities. The most frequently discussed issues were transparency, disclosure, and compliance. As highlighted by one of the interviewee:

“...Good CG is about saying decisions, transparency, the way you govern these businesses and execute your duties so as to achieve certain standards [...] best CG includes recognising and managing a broader stakeholder groups than just investors. [SM11]”

Another manager defined CG as:

“...managing the company well and having the right structure in place..... [SM12]”

These notions are similar with companies operating in other developed economies, such as Australia and the UK ([Christensen, Kent, & Stewart, 2010](#); [Shrives & Brennan, 2015](#)) and shows that NZX listed firms top leadership are fully aware of CG issues. Further inquiry about their firm CG practices shows that firms in the current study exhibited mixed ownership structures (i.e. institutional, family, government and individuals). However, the majority of our sampled firms possess block-holding (an excess of 5% of shares belong to single shareholders), contrary to US and the UK where corporate ownership is more diverse ([Fox, Walker, & Pekmezovic, 2012](#)). Similar, to our finding, [Hossain et al. \(2001\)](#) reported that the top 20 shareholders in New Zealand own 73% of the stock compared with US average of 39 % ([Chung, Elder, & Kim, 2010](#); [Holderness, 2007](#)). Majority of scholars argue that large block holding being the central to firms might have different interest from those minority shareholding ([Edmans, 2009](#)). Large shareholding (block holding) thus may have more influence on the company than dispersed small shareholders due to their strong incentives and more effective monitoring. For instance, these block holding shareholders structure can provide their own external monitoring and direct dialogs with top management and therefore higher percentage of block holders are in better position to protect their rights than minority shareholders – leading to questionable CG practices (as minority shareholders protection is core of effective CG).

In all cases, the firms have well-structured, and gender diverse boards. On average, they have eight directors. In half of the cases the firms have remuneration policies for board members as well as executives, highlighting the link between remuneration and performance. As one of the interviewee stated:

“...the CEO is awarded this remuneration after assessing his performance against financial, health and safety strategic goals are met... [SM3]”

In all cases, the firms have developed codes and policies for CG. One respondent highlighted the firm's intent for good governance:

“We have codes of conduct in place, and a whole raft of policies in the company these employees have to follow in terms of CG that covers everything from diversity through to delegated authority and financial policies as well...[SM2]”

Regarding disclosure practices, a significant number of our sampled firms seem aware of the benefits for CG disclosure and are disclosing relevant information to shareholder and stakeholders. This is reflected in one of the interviewee statement:

“.....You are not giving light disclosures about things that have happened or fear of insider trading or all those sorts of other things that can really impact on a local market, so it's about attracting international shareholders, as much as investors as much as it is about creating surety for mom and dad shareholders, that you are using their money under best ways.... [SM11]”

In line with agency theory, the strength of these reported CG practices revolved around the strategic guidelines issued by NZX. These are implemented by the board and are regularly monitored in order to ensure the relevance of internal control mechanisms ([Jensen & Meckling, 1976](#)). Concurrently, in every case management mentioned the use of board committees, either risk management audit committees, to oversee and monitor company governance and disclosure practices:

“We have a Board Audit and Risk committee, it is a subcommittee within the board and it looks at risk within the sort of banking framework, which covers a lot of stuff... [SM1]”

Overall, CG assessment revealed a highly concentrated ownership structure (in all cases), well-structured board (that is board independence, board committees), gender diversity (a

minimum of one woman and a maximum of five women, an average board size of eight directors), the presence of organisational codes (in all twelve cases). A limited number of firms have remuneration policies for board members as well as executives (five out of twelve). Very few followed CSR based matrix for executive remuneration (five out of twelve). Overall, this research reveals moderate standard of CG practices among NZX listed firms. However, these CG practices, when effectively implemented align managerial and shareholder interest, reducing the agency conflict.

Barriers to Adopting CG Practices

Despite having moderate CG practices highlighted in the previous section, the interview findings have also indicated few barriers for CG implementation. A significant number of interviewees highlighted cost-time balance and a lack of shareholder activism as barriers to effective governance adoption. The results for each barriers are presented in the subsequent section.

Resource Heaviness

A number of interviewees noted that CG implementation requires resources, both in terms of time and costs. However, the NZX is a relatively small exchange with a total market capitalisation of just US\$ 98.68 billion at end of the Jan 2018 period. It represents just 0.32% of the Asia Pacific region, well behind its regional counterparts (i.e. Australia, Japan, Korea and Singapore) ([World Federation of Exchanges, 2018](#)). Due to their small capitalisation, NZX listed firms find it hard to balance the time and costs associated with these CG practices. This can be seen in the following statements:

“.....There’s two parts to that resource heaviness. There’s obviously a legal compliance, I have a lawyer who will do it, who will focus on, and that pretty much for a company this size, if you are doing the board agenda’s it’s probably a full-time job.....it also consumes quite a lot of board time...[SM4]”

“We are a small company so the same rules apply, no matter what size company you are. So in a larger company, they’ll have an investor’s relations team and they’ll have a corporate secretarial team and we

don't have that so that's the main barrier, it's actually just resources really. [SM5]".

Senior management concerns around CG implementation are consistent with studies undertaken in different contextual setting – documenting resources as barriers for CG, especially in firms with small capital structures ([Aguilera & Jackson, 2003](#); [Okpara, 2011](#)). There is a considerable evidence to suggest that regulatory burdens on firms and businesses have increased significantly (e.g. USA, Europe, and Ireland) with corresponding resource requirements in terms of the time and costs associated with understanding new/amended compliance imperatives ([Coates, 2015](#); [Crain, 2005](#)).

Low Shareholder Activism

Shareholder activism reflects the pressure exerted by shareholders to influence company policies and practices ([Aguilera et al., 2015](#)). Although shareholder activism encompasses activities such as letters of warning, proxy battles, litigation, discussion with corporate managers and annual general meeting proposals ([Admati & Pfleiderer, 2009](#); [Aguilera et al., 2015](#)), the majority of the CG research focuses on the shareholder proposal – a written recommendation form shareholders formally submitted to a company advocating a particular course of action ([Aguilera et al., 2015](#)).

The benefits of shareholders are well documented in prior literature. They not only influence firm financial performances, but also considered important in terms of encouraging firms to adopt best CG and CSR practices ([Brav, Jiang, Partnoy, & Thomas, 2008](#); [Del Guercio, Seery, & Woidtke, 2008](#)). However, the NZX listed environment despite having high concentrated ownership, generally lacks shareholder activists, which might be one of the reasons why these firms lag behind in terms of CSR activities ([O'Rourke, 2003](#)). For instance, the stakeholder-centred social activism stream of literature ([O'Rourke, 2003](#); [Sjöström, 2008](#)) suggests that stakeholder activists often raise social issues in annual shareholder meetings and corporate boardrooms, thus promoting responsible business practices. This is evident in one of the respondent's statements:

"I think, there is a lack of pressure to improve, you know, we do not have a degree of shareholder activism in this country [SM11]".

Despite these limitations (i.e. CG being labelled as resources heavy and the absence of

shareholder activists in firm ownership structures), there are numerous benefits associated with effective CG implementation ([Reddy, Locke, & Scrimgeour, 2010](#)). As one manager noted, NZX listed firms are encouraged to follow good CG practices:

“Good quality CG attracts investors....poor quality CG practices turn the investors off from the business. Investing is an active decision [SM11]”.

Overall this study of NZX listed firms reveals a moderated CG structure. However, contrary to other developed countries, like the US, the UK and Australia, we found that in some CG aspects New Zealand still lags behind (i.e. higher concentrated ownership structures, a lack of policies for remuneration and remuneration disclosure).

4.3.2 Assessment of the CSR Concept

CSR is relative new and developing field in New Zealand. The majority of studies in New Zealand have undertaken corporate social disclosure (CSD) using content analysis to gauge CSR levels in the local context ([Milne & Adler, 1999](#); [Samkin, De Villiers, & Pinto, 2014](#)). However, due to issues surrounding content analysis ([See, Unerman, 2000](#)), this study uses qualitative analysis to reveal interesting insights regarding current management perceptions of CSR ([Jain & Jamali, 2016](#)).

The findings indicate that despite being a voluntary concept, the sampled managers are fully aware of CSR. Interviewees were asked to discuss what CSR means to their organisation. A significant number of managers consistently referred to the community and the environment. The community-related CSR concept covers a number of aspects, such as the promotion of gender diversity, sponsoring sports events, running literacy programmes, providing cost-effective services, and engagement with local communities. Referring to the community aspect, one interviewee noted that:

“...When we talk about corporate responsibility.....we think about the impacts on society, that our organisation has incubating its core function [SM1]”.

Consistent with the above view, another company manager stated:

“...understanding the positive and negative environmental and social impacts we have, and reducing the environmental impacts and

increasing the positive social ones in line with our business purpose or you know, what your business does [SM8]”.

Apart from the community, the environment is another dominant theme in the present study. There was a clear focus on emission reduction initiatives and energy and waste reduction. For both of these environmental issues, management teams have established formal programmes. They regularly review their environmental performance. As some of the senior managers noted:

“...CSR is all about long term growth, minimisation of our business environment footprint... [SM10]”.

“...CSR means understanding your role and impacts on that landscape and make an active decision about, you know, what your footprint looks like whether there be environmental, whether there be your impact on communities... [SM11]”.

The dominance of these firms’ focus on environmental issues is not a surprise, given that New Zealand actively promotes a ‘clean and green’ image ([Collins, Roper, & Lawrence, 2010](#)). Firms operating in New Zealand generally keep this slogan in mind when performing business operations ([Collins et al., 2010](#)).

In addition, firms seemingly establish an environmental focus CSR concept, due to community concerns - as New Zealand communities see the environment as important. These findings are consistent with previous studies ([De Silva & Forbes, 2016](#); [De Villiers, Rouse, & Kerr, 2016](#); [Dobbs & Van Staden, 2016](#)), which have all noted the dominance of environmental and social CSR among New Zealand companies. Notably, in New Zealand, there are no mandatory CSR guidelines. In most cases, companies performed these practices to ensure stakeholder satisfaction, legitimacy and generalised community commitment. In this research, the managers believe that voluntary incorporation of CSR not only satisfy stakeholders (this supports stakeholder theory), but in doing so they are also fulfilling their corporate responsibility ([Dobbs & Van Staden, 2016](#)).

Barriers to CSR Adoption

Prior literature indicates that firms are likely to experience a wide range of barriers in implementing CSR practices. These include the perception that CSR does not relate to their

business and resource constraints (i.e. financial, human and time limitations) ([Arevalo & Aravind, 2011](#)). The voluntary nature of CSR implementation in New Zealand, means that senior management often face barriers to implement CSR. Identification of the specific barriers may help managers to formulate strategies to mitigate them. In addition, these barriers may be interdependent - understanding interdependencies will help managers to design optimal solutions to minimise them. Our interviewees highlighted the three most common barriers for their CSR journey i) framework complexity, ii) limited understanding and iii) cost-time balance.

Framework Complexity

CSR is a multidimensional concept and means different things to different people. ([Murillo & Lozano, 2006](#)). The subjective nature of CSR often poses challenges for managers who formulate specific policies ([Murillo & Lozano, 2006](#)). Several scholars have argued that the lack of frameworks and the complexity of available framework limits effective CSR implementation ([Pisani et al., 2017](#)). Consistent with these arguments, this study also found framework complexity as key barrier for CSR implementation:

“...barriers is about the inconsistency and lack of clarity of CSR framework. For example, one aspect of CSR is diversity, most people think about its only related to female diversity. In reality its opposite, they do not care about ethnicity, race, age, family responsibilities etc.... [SM10]”

Since the publication of its first draft in 1999, Global Reporting Initiatives (GRI) has been remarkably influential ([Lee, 2011](#)). However, despite this, sampled firms indicated that the GRI framework is still too complex:

“...we’ve reported the GRI frameworks and attempted other frameworks, in a company like ours it can be difficult to meet a tick box sort of systematic approach because of just the nature of our business means something can’t decline...[SM4]”.

Limited Understanding

CSR requires a firm’s commitment to its stakeholders ([Pisani et al., 2017](#)). However, limited undertaking about the CSR among stakeholders can negatively influence organisational CSR

efforts. This effect is more intense among firms operating in a market where CSR implementation is voluntary.

In addition, CSR practices can be divided into various streams, including policies on the community, the environment, workplace diversity, human rights, and quality products for customers ([Pisani et al., 2017](#)). It may be difficult to communicate all of these different streams to the various stakeholders. In line with previous literature, this study also found a lack of knowledge and awareness about the concept of CSR among stakeholders. This lack of knowledge obviously has an effect on CSR adoption:

"...Other barriers are just people's understanding and perceptions so not everybody would understand what you're talking about, we talk about CSR so if your perception is well this is just the fluffy stuff that doesn't create any value for the business... [SM9]".

Cost and Time Barriers

CSR practices cannot be implemented overnight; this is a task which requires substantial time and financial resources ([Goyal & Kumar, 2017](#)). The process need to be communicated to all management levels ([Graafland & Zhang, 2014](#)). Additionally, firms needed to modify their current strategies and/or made structural changes to existing governance practices. Managers in this study indicated that the cost-time balance hinders them from being able to fully implement CSR practices. As, discussed earlier, the majority of NZX listed companies have smaller levels of capital when compared to the UK or US firms, which potentially affects CSR implementation ([see, Chung et al., 2010](#)). This can be seen in one quote:

"...there's cost....And cost not just in terms of...obviously sponsorship is a direct cost but cost in terms of the product, cost of the products you buy but also the time it takes, you've got to do, you've got to spend a lot of time cross functionally, you have to engage all functions in the business...[SM5]".

Due to the multifaceted nature of CSR, (issues range from climate change, waste minimisation, to workplace diversity, human rights, and labour practices), one cannot use a one size fits all approach ([De Villiers, Venter, & Hsiao, 2017](#)). Although all of our sampled companies voluntarily follow the Global Reporting Framework (GRI), barriers still restrict companies from full

implementation.

Given these barriers and the fact that CSR implementation is voluntary, we might ask why sampled firms engage in CSR practices. Interviewee noted the benefits of it (self-interest), a finding which is supported by prior literature ([Jamali et al., 2008](#)). Senior managers appreciated the short-term and long-term benefits of CSR, particularly in terms of increasing profitability as well as increased firm credibility and trustworthiness, in the eyes of internal and external stakeholders:

“...directly impact on the future profitability of the [...] company. So, that was the driver, the initial driver for creating the sustainability role... [SM2]”.

“...I’ve really seen are younger people coming through out of university might look at your CSR policy or what you’re doing and communities before they make a decision,...they also want to see it’s a good place to work, something about getting the balance right... [SM4]”.

Overall we found that stakeholders understanding about CSR, as well as the time and costs associated with implementation hindered the development of CSR practices. Firms intending to implement CSR policies should consider these barriers and develop/revised CSR strategies accordingly. In general, this study’s findings are in line with CSR research undertaken in New Zealand ([Dobbs & Van Staden, 2016](#)). However, this study is different because it provides a more in-depth analysis of CSR implementation due to its interviews with senior managers.

4.4 Assessment of the CG-CSR Relationship

After identifying CG and CSR practices and the barriers that NZX listed firms face in implementing these practices, interviewees were asked about the nature of the relationship between CG and CSR. The analysis revealed varied managerial perceptions about the nature of the CG and CSR relationship. Three major themes emerged: CG as a pillar of CSR, CSR as a dimension of CG and the coexistence of CG and CSR.

4.4.1 CG as a Pillar of CSR

CG as a pillar of CSR was the most dominant theme among the themes identified. Seven out of twelve respondent stated that they saw CG a pillar of CSR.

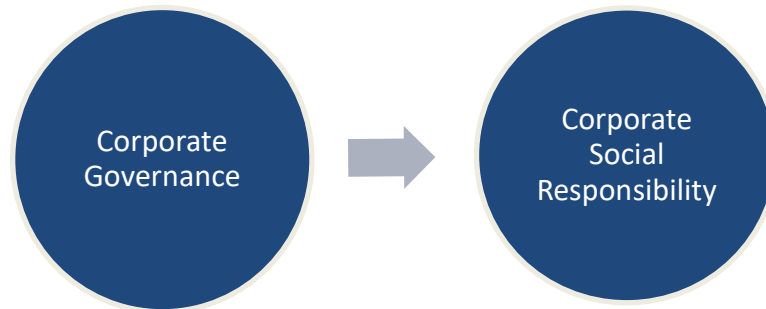


Figure 4.1: CG as a Pillar of CSR (Author's Compilation)

According to the interviewees, good CG entails ensuring that firms operate in a socially responsible way. This implies that the conception of CSR as necessary anchored in strong CG foundation, likewise one of the managers responded;

“Well, the ideal relationship is that our governance will lead sustainability out across the organisation, the leadership will come from the top, they will have [...] This is the ideal structures in place where sustainability issues are dealt with by the board so committee level... [SM3]”.

Several managers suggested that the nature of CG invariability persuades managers and executives to emphasise particular goals and objectives in relation to CSR. Highlighting the importance of governance one manager stated:

“....relationship depends so much on the makeup of your governance structure and the level of appetite that the various parties involved, actually have around CSR, and if it's there from the outset, then yes it would be driven by the governance feeding into it... [SM9]”.

The same manager, further emphasising the role of board and executives in managing CSR, noted:

“...CSR can be with the board at time, for us they went on board initially fully but as we are going along the journey, their level of appetite is increasing but I (GM Sustainability) have been very involved and

informed CEO so he's feeding in information to the board as well...[SM9]”.

These views are consistent with the views of scholars such as [Elkington \(2006\)](#), who considers that firms which have effective CG strategies are more likely to engage in CSR activities. Extending this, [Harjoto and Jo \(2011\)](#) argue that in firms who have effective CG, managers utilise CSR practices to reduce conflict between shareholders and stakeholders. In turn, fewer conflicts reduce agency problems among stakeholders and result in higher performance for shareholders. One of the managers summed it up nicely:

“...it's inevitable if your business is run with good CG then this would be reflected in how you manage CSR. I think, having strong CG practices that kind of philosophy embedded into the resource and ethics of the organisation can benefit the CSR, and associated with superior performance ... [SM2]”

This conception of CG-CSR allows practitioners and researchers to explore how different configurations of CG structures and processes impact firms' CSR policies and practices ([Jain & Jamali, 2016](#)). We were not surprised by the significant number of interviewees' view of CG as foundation to CSR due to the fact that the majority of CG-CSR literature is based on this belief (See, [Attig, El Ghouli, Guedhami, & Suh, 2013](#); [Borghesi, Houston, & Naranjo, 2014](#); [Muttakin & Subramaniam, 2015](#)). In short, this notion is based on the effectiveness of several CG mechanisms (for example, the composition of boards of directors, ownership structures, and CEO compensation) on firm-specific CSR performance measures (e.g. [Jo & Harjoto, 2012](#); [Kock, Santaló, & Diestre, 2012](#)) and are predominantly rooted in agency and stakeholder theory ([Harjoto & Jo, 2011](#)). In line with agency and stakeholder theory, this view (i.e. CG as pillar of CSR) has established the pivotal role of CG mechanisms such as boards, and ownership structure, both in setting corporate strategies (including CSR strategies), on the one hand ([Ormiston & Wong, 2013](#)) and effective monitoring of management on the other (including the avoidance of irresponsible actions) ([Adams, Licht, & Sagiv, 2011](#)).

4.4.2 CSR as a Dimension of CG

The second theme that emerged from the interviews was the belief that CSR is a *dimension of CG*. Four out of twelve respondent favoured this theme.



Figure 4.2: CSR as a Dimension of CG (Source: Author's Compilation)

CSR as a dimension of CG is the most sophisticated conception of CG, in that it considers CSR as a dimension of CG. The predominance of CSR as a dimension of CG in this research provides a wider definition of CG, and considers non-financial risk within the dimension of CG activities ([Jamali et al., 2008](#));

“...Well they’re definitely interactions because as part of corporate governance, you need to have a really good risk management framework in place and if you’ve got clarity in terms of risks, then you’re covering risks across the gambit of sustainability so social and environmental as well... [SM6]”.

This conception includes the convention dimension or attributes (e.g. board structure, strategic leadership, social responsibilities, capital structure and market reactions) ([e.g. Ho, 2005](#)) along with CSR. One of the quote reflects this:

“Good CG is about saying decisions, transparency, the way you govern these businesses and execute your duties as to achieve certain standards..... best CG includes recognising and managing a broader stakeholder groups than just investors...[SM11]”

This view employs CSR as a tool for effective and responsible governance. Likewise, [Sacconi \(2011\)](#) views CSR as ‘extended CG,’ wherein CSR extends the concept of fiduciary duty from shareholders to multi-stakeholders, including shareholders. In this view, good CG also entails ensuring companies operate in a way that is socially responsible. In other words, there should be a clear ethical basis for businesses complying with the accepted norm of the society in which they are operating. One of the managers summed it up in the following manner:

“CSR is a form of corporate governance, yes. It’s a.... it’s kind of a....you know it’s actually making sure that you are operating the company in an ethical way so [...] Which is what corporate governance is all about so the common driving force is really a company behaving responsibly. Taking responsibility for the impact that your company may be having on your environment or on people or on [...] yes, and using up resources... [SM5]”.

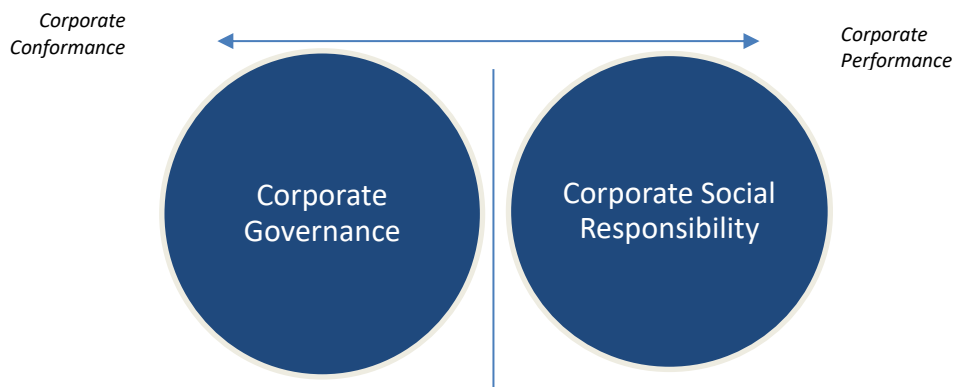
These findings are consistent with [Jamali et al. \(2008\)](#), who found that CSR is an integral part of CG. Proponents of this view (those who see CSR as a dimension of CG), argue that being responsible to society at large (external responsibility) and internally to employees should be embedded in CG formulas and structures.

Consistent with previous studies (See, [Cui, Jo, & Li, 2015](#); [Jian & Lee, 2015](#); [Rekker, Benson, & Faff, 2014](#)), it is argued that CSR policies and practices can promote stakeholder engagement (customers, employees, society). These are associated with effective governance, such as establishing transparent executive compensation ([Mahoney & Thorne, 2005](#)), the attraction of institutional shareholders ([Graves & Waddock, 1994](#)). These practices are believed to yield business-related benefits for both firms and stakeholders (shareholders included) ([Graves & Waddock, 1994](#); [Greening & Gray, 1994](#)). This view challenges agency theory by promoting a stakeholder governance model that is effectively derived from CSR policies and strategies ([Kong, 2013](#)).

4.4.3 The Co-existence of CG and CSR

‘CG and CSR co-exist’ is the third and final theme that emerged in our interviews with managers. This view was summed up by one of the participants:

“....Basically you can’t be a bad corporate citizen and expect to have the revenues, you can’t expect to have poor corporate governance practices and expect shareholders to support and invest in you. So they are the underlying factors to your success as a company... [SM4]”.



← Figure 4.3: Co-existence of CG and CSR (Source: Author's Compilation)

The findings suggest that CG and CSR are complementary and coexisting components of the same accountability continuum. In other words, the presence of CG standards and policies cannot replace a firm's commitment to society and the environment ([Aras & Crowther, 2008b](#)), rather both exist side by side ([Bhimani & Soonawalla, 2005](#)).

In this domain, CG has received more scholarly attention, however this has been counterbalanced by some interest in CSR or CSR reporting. This is not surprising given that while CG is mandatory, CSR is not. In this view, firms are increasingly expected to address CG and CSR issues simultaneously. The emergence of ESG indexes and GRI reporting could be seen as a catalyst to promote this type of CG-CSR relationship in New Zealand firms.

The research findings are consistent with prior literature which suggests that CG and CSR not only coexist but that they reflect an organisational commitment to stakeholders as well as interaction with the community at large ([Bhimani & Soonawalla, 2005](#); [Jamali et al., 2008](#)).

4.5 Chapter Summary

This chapter has discussed the results of the interviews with senior managers. It provides an answer to the study's first research question (RQ1): *what is the relationship between CG and CSR*. To begin with, chapter first assessed the CG and CSR practices that NZX firms are currently undertaking. The assessment of these concepts have revealed interesting facts about NZX listed firms. These included i) having a well-structured board with a highly concentrated ownership structure ii) codes of conduct iii) and CSR concept engrained in community and the environment. In addition, this chapter has also identified the barriers associated with the

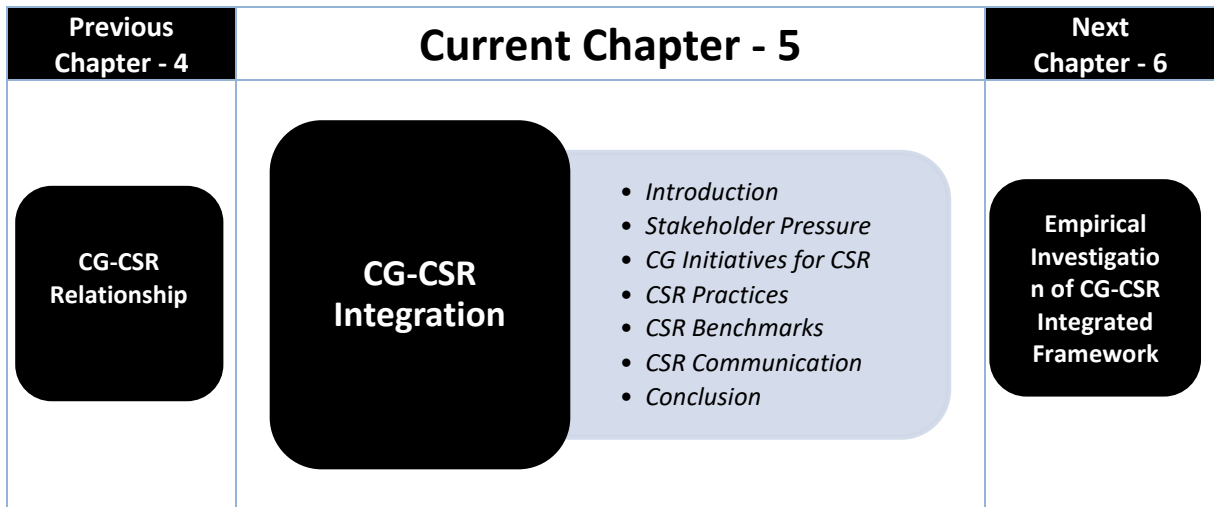
implementation of CG and CSR practices. This study has identified compliance costs and a lack of shareholder pressure barriers to best CG practices. In terms of CSR implementation three barriers were identified i) a lack of resources (cost – time), ii) framework complexity, and iii) limited understanding. The latter two justify the literature gap for current thesis. These barriers (i.e. framework complexity, a lack of understanding and a lack of resources) have been identified in prior research as common barriers to CSR implementation ([Lam & Lim, 2016](#)). However, these issues tend to be correlated with firm size (i.e. smaller capital firms share significant portion) ([Sweeney, 2007](#)).

The chapter has explored the nature of the relationship between CG and CSR and found three common themes: CSR as a pillar of CG, CSR as a dimension of CG and the co-existence of CG-CSR. Our research has found that most interviewees appreciate the increasing convergence between CG and CSR, and believe that with more robust CG frameworks in place, CSR implementation is more likely to occur. This research findings also suggest that the CSR agenda is an extension of the CG agenda and is the responsibility of top leadership. A key finding has been that firms with better CG practices, such as those which have high board independence, established board committees, tend to have established CSR practices, particularly those related to external stakeholders, like the community and the environment. Other participants saw CSR as a dimension of CG. This view challenges agency theory, but supports stakeholder theory. Interviewees noted that firm may be able to improve their CG practices through CSR implementation. It is also widely believed that the implementation of CSR practices encourages greater stakeholder and shareholder engagement.

Overall, the study found a link between CG and CSR. Interviews with senior managers showed that New Zealand firms are not only fully aware of CG and CSR convergence but believe that more robust CG practices will inevitably lead to the evolution of CSR. . A key finding was that the nature of a firm's CG sets the overall tone for the organisation and can be used to entice managers to pursue organisational CSR goals and objectives. The next chapter focuses on the integration aspect of CG and CSR.

Chapter 5

CG-CSR Integration



5.1 Introduction

While Chapter 4 established the relationship between CG and CSR, this chapter builds on the analysis of the previous chapter and explores the second research question (RQ2): How CG and CSR are integrated in an organisational context? It provides an integrated framework. Data gathered from interviews with senior managers was analysed using N-Vivo software. It found six major themes (as shown in Table 5.1). Section 5.2 identifies and discusses stakeholder pressure on the sampled firms to implement CSR practices. Sections 5.3 and 5.4 aggregate the results for organisational governance level response in planning and implementation of these CSR practices. Section 5.5 identifies CSR practices that our sampled firms undertake to satisfy stakeholder demands. In sections 5.6 and 5.7, this study identifies CSR benchmarks and communication channels used by sampled firms. Section 5.8 provides a summary of the chapter and presents the CG-CSR integrated framework, which serves as the basis for the third research question (RQ2a) and quantitative analysis.

Table 5.1: Major Themes and Sub Themes

S#	Themes	Sub-Themes
1	Stakeholder Pressure Relating to CSR	<ul style="list-style-type: none"> • Internal Stakeholders Pressure • External Stakeholders Pressure
2	Organisational Level CG on Stakeholder	<ul style="list-style-type: none"> • Role of Board in CSR Planning • TMT and CSR Planning
3	CG Channels for CSR Implementation	<ul style="list-style-type: none"> • Board Committees and CSR • Top Management Teams and CSR • Organisational Codes and CSR • Executive Remuneration and CSR
4	Company Approaches to CSR	<ul style="list-style-type: none"> • Implicit CSR • Explicit CSR
5	CSR Benchmarks	
6	CSR Communication and Reporting	

Source: Author's Compilation

5.2 Stakeholder Pressure

Stakeholders often seek to influence organisational CSR activities and philosophies ([Pedersen, 2006](#)). A considerable number of CSR studies have documented that organisational relationships with stakeholders depend on how well the organisation hears their voices and incorporates them into its decision making processes ([Drews, 2010](#)). Two broader themes emerged from the data: Internal stakeholder pressure and external stakeholder pressure for CSR. These pressures are explained in the following sections.

5.2.1 Internal Stakeholder Pressure

Internal stakeholders include functional departments, employees and internally interested parties ([Maignan, Ferrell, & Ferrell, 2005](#)). These stakeholder are able to influence the market orientation of an organisation ([Schlosser & Mcnaughton, 2007](#)). This study found that employees are the main internal stakeholders that put pressure on firms to act more responsibly in terms of to society and community.

Employee

Employees are the foremost internal constituents of a business. They have expectations that firms will demonstrate or fulfil their social responsibility towards them ([Lai Cheng & Ahmad, 2010](#)). A firm's CSR practices are often motivated by the need to attract highly talented employees, who in turn contribute to the firm's value. As one of the managers noted:

"Over the past two or three years, [...] an increasing number of new employees have actually made their decision to work with us based on profile and responsibility, that's across all disciplines, but interestingly, it's actually our financial and accounting department that's being most kind of visible [SM2]".

Such comments are consistent with research suggesting that employee decisions on retention, motivation and advocacy are influenced by a firm's CSR practices ([Drews, 2010](#)).

"...Well, the motivation is overall like I said, that good corporate citizen but in terms of other aspects, one is the retention and attraction of staff [SM8]".

In short, employees act as drivers for strong CSR practices. This is in line with stakeholder theory, which posits that employees have legitimate claims over an organisation ([Mitchell et al., 1997](#)).

"...And it's (CSR) something that really [...] really engages the team, people get quite passionate about it and also it can attract employees as well so we've had employees who decide to work for us rather than someone else because we do [...] Have an interest in our directive in this area (CSR) so... [SM5]".

5.2.2 External Stakeholder Pressure

The findings reveal that in New Zealand, CSR is driven largely by external stakeholders and is in line with CSR stakeholder-driven research that views CSR as a response to specific demands of large external stakeholders, such as governments, NGOs, and consumer lobby groups with regard to a firm's operations or more general social concerns such as philanthropy ([Carroll, 1991](#)), creating health awareness ([Walsh & Lowry, 2005](#)), or protecting the environment ([Basu &](#)

[Palazzo, 2008](#)). Although CSR implementation is voluntary among our sampled firms, some of their activities are driven by external stakeholders, such as investors and shareholders, local communities, governments, global institutions and peers.

Investors and Shareholders

Investors and shareholders play an important role in CSR. From an agency monitoring perspective, the role of institutional investors has been increasingly emphasised as having a significant influence on firm decisions ([Johnson & Greening, 1999](#); [La Porta, Lopez-de-Silanes, & Shleifer, 1999](#)). An impressive body of research notes that investors and shareholders have the resources, opportunity and ability to monitor managers and restrain managerial opportunism ([Monks & Minow, 2011](#)), thus improving firm performance ([Jensen & Meckling, 1976](#); [Shleifer & Vishny, 1986](#)), including CSR ([Aguilera et al., 2006](#); [Mallin, Michelon, & Raggi, 2013](#)). However, there is also some contrary evidence which suggests that investors and shareholders are fixated on short-term performance, which may be detrimental to the longer-term prosperity of the firm (e.g. [Demirag, 1998](#); [Graves & Waddock, 1994](#)). The managers of the interviewed firms highlighted investor and shareholder attitudes as key factors in the implementation of CSR practices. Although CSR is voluntary in New Zealand, firms are facing pressure from their investors and shareholders, and choose to adopt CSR practices in response:

“...The major external stakeholder being [ABC Shareholder], basically, they look at us and say you guys seem to be doing the right thing. If we weren't, then there will be difficult, if we didn't have the right sort of ESG principle around lending [SM1]”.

The rise of new institutional investors, such as hedge funds and mutual funds, are driving firms to act in a socially responsible manner. Firms worldwide have started to pay (more) attention to CSR in order to attract these investors ([Luo, Wang, Raithel, & Zheng, 2015](#)). In New Zealand, listed companies dominated by institutional shareholders ([Tan & Keeper, 2008](#)), such as JP Morgan, have also started to feel pressure and have increased their voluntary adoption of CSR practices. The following quotes highlight the role of these institutions in the development of CSR:

“...So, we've seen, certainly over the last 18 months, a huge increase in awareness from the investment community and more and more direct

contact with us as an organisation with specific queries about our approach to CSR [SM2]”.

“...I think with diversity and inclusion and transparency, some of the big overseas investment companies and super funds and so on, talent funds are really asking some really hard questions about CSR ... [SM8]”

These findings are in line with both agency and stakeholder perspectives, as the role of investors has been increasingly emphasised as having a significant influence on firm decisions ([Harjoto, Jo, & Kim, 2017](#)). Stakeholders have the resources, opportunity and ability to monitor managers and restrain managerial opportunism ([Harjoto & Jo, 2011](#)), making firms more responsible to society and the environment. However, we also found contradictory evidence that suggests investors and shareholders are fixated on short-term performance despite its potential detrimental effects on the longer-term prosperity of the firm ([Graves & Waddock, 1994](#)). As one of the managers stated:

“...Some shareholders don't want you to spend anything because they want the money, they'd rather have it as a dividend... [SM4]”.

Despite this contrary view, we found a general consensus (i.e. during the interview majority of interviewee indicated investors as key instigator for CSR) among all interviewees that investor attention significantly contributes to their adoption of CSR. This is evident in one manager's comment:

“...we have a large proportion of international investors, we have responsible investors, we do understand [...] We are building our understanding of their needs, we respond to different investor index queries as well, so some of the key ones which are kind of more in the sustainability area... [SM6]”.

Community

A significant number of managers mentioned that local communities and groups are also major stakeholders who motivate NZX listed firms to act in a socially responsible manner:

“...specifically for us, it's about a social license to operate. We operate eleven power stations in New Zealand and ensuring that our

communities are happy and comfortable with us and being in the regions is really important to maintain the consent [SM3]”.

Local communities can also impose coercive pressure on companies through their voting in local and national elections ([Delmas & Toffel, 2004](#)). This can be seen in the following statement:

“...it’s part of the social license to operate so if you have a bad relationship with your local communities, for example, they don’t see you in a favourable light, it’s very difficult, if not impossible to operate effectively so for that reason alone, we need to do these things [SM9]”.

Due to the diverse nature of these community groups, their interests may be advanced by ‘stake-watchers’ such as regulators, pressure groups or political parties ([Fassin, 2010](#)) through the inclusion of their demands into manifestos. New Zealand’s current government is one such example. The major coalition parties, Labour and the Greens, have included environmental protection actions in their manifestos,¹⁶ actions that have been demanded by multiple community and environmental groups.

Sometimes these community groups are in a position to directly influence a company’s decision-making processes. For example, in New Zealand, the Treaty of Waitangi has empowered indigenous communities. A fear of losing their operating licence means companies must become more socially responsible:

“...We respect the indigenous community. So, our relationship with iwi, particularly in our generation catchments, is critical to us and to the values of iwi. And if we don't have a good relationship with iwi, our permission to operate down in catchment is degraded. That has a serious impact on our ability to generate resources and our ability to exist in the long term. And it has a serious impact, obviously, in iwi’s ability to achieve what they want in terms of their overall guardianship stewardship of water... [SM7]”.

¹⁶ For NZ political parties principles and charters please see: <https://www.parliament.nz/en/mps-and-electorates/political-parties/>

These findings are in line with stakeholder theory, which argues that firms need to recognise stakeholders' claims in their decision-making processes ([Freeman, 1984](#)). Past literature have also established the link between community groups and CSR ([Delmas & Toffel, 2004](#); [Maignan & Ralston, 2002](#)). [Maignan and Ralston \(2002\)](#), has investigated the nature of CSR principles, processes and stakeholder issues across France, the Netherlands, the UK and the US and found similar results to the current study.

Government

Managers were aware of the role of governments and legislative bodies in driving CSR, especially those related to environmental CSR through legislation, such as the Resource Management Act (RMA), 1993 and the Health and Safety Act 2015. This can be seen in the following statement:

"...the environmental firms, of course, you have baselines of activity because you have to meet your thresholds for the RMA consent process so you'll have a whole bunch of things that you have to meet anyway, so if you are at and you are above those targets, there's a target but it's a base target and they should be aiming to achieve higher than it [SM4]".

A regulatory framework that seeks to achieve fair competition, environmental protection, labour rights and product quality is crucial for ensuring responsible corporate behaviour. The New Zealand government is actively engaged and provides leadership to promote responsible business practices across every sector. It thus influences firm operations as well as their decision making. One of the respondents who emphasised the role of government in the CSR quest stated:

"...Clearly, you know, new requirements such as health and safety changes that have gone through in New Zealand in 18 months, put or I would not say additional responsibility but clarify and bring into focus, some of the directors feudatory duties that have always been there, but probably a little bit more of prescriptive, and apparent now under health and safety rules [SM11]"

These findings are in line with the recent Australian Centre for Corporate Social Responsibility survey (ACCSR) ([ACCSR, 2017](#)), where 48% of the New Zealand respondents acknowledged the

significance of the government's initiatives in CSR and were in favour of imposing mandatory CSR for larger companies.

Global Institutions

The managers interviewed acknowledged the role of global indices and accreditation schemes, including the United Nations (UN) Global Compact. CSR has become a global phenomenon, especially after the Global Financial Crisis (GFC) and the subsequent rise of new sustainability indices, such as the Carbon Disclosure Project (CDP), the Dow Jones Sustainability Index (DJSI), and GRI. All of these have influenced companies to adopt CSR practices due to global pressure:

"...We've seen the same kind of pressure coming from Dow Jones investment Indices and UN Global compact they are looking at, actually, having the CSR... [SM2]".

The majority of the global research shows that an increase in global economic ties and international organisations has led to a 'world society' in which nations have started to adopt global governance principles ([Meyer, Boli, Thomas, & Ramirez, 1997](#)). These governance principles integrate CSR to ensure organisations are responsible for stakeholders at large, rather than solely for shareholders ([See, Tricker & Tricker, 2015](#)).

Globalisation, as a driver for CSR in New Zealand, can also be linked with the country's export-oriented economy; exports account for 30% of GDP. Due to normative pressure exerted by international customers, firms in New Zealand are more likely to achieve higher social performance ([Christmann & Taylor, 2001](#)). This is nicely summed up by one of the managers:

"...sustainability globally is becoming something which needs to be considered strategically and so the days of having sustainability as a standalone thing, whether it be a standalone port or even doing a GRI compliance report, that's not how sustainability is going to be done, it will be integrated into business...[SM6]".

Peers

The interviewees also recognised that peer performance generally motivates organisational CSR activities. Organisations undertake CSR activities to hold their place in the market and CSR helps them to communicate transparency to stakeholders to meet their demands:

“...So, to maintain the market leader we need to do [...] the clear message from the CEO and the executive is we just need to continue to aim through international best practice and continue to, you know, improve our performance across CSR, generally [SM2]”.

CSR refers not only to the behaviour of individual firms, but also social actions influenced by the behaviour of others in the organisation’s field ([Yin, 2017](#)). The consensus reached on the understanding and boundaries of CSR among firms operating in a society serves as a template, which can be adopted by firms operating in that society. Similarly, the firms leading the pack in CSR often exert greater efforts, either to maintain or enhance their CSR practices, with the core motivation of a competitive advantage, which brings peer pressure into the CSR adoption equation:

“We believe it (CSR) is an important part of remaining or keeping competitive in today’s market, I mean particularly as an energy company [SM3]”.

Firms that fail to follow market trends often suffer the consequences. The respondents were fully aware of the consequences, with one stating:

“...if one reaches a relatively good standard, so I would say the opposite is not if you have it, you will stand out amongst your peers it is good but it’s actually if you don’t have it, you will suffer from the consequences of not having it [SM4]”.

Consistent with [Yin \(2017\)](#) and [Waddock \(2008\)](#) findings, this study found that peer pressure, particularly from leading companies, plays an important role in creating demands on businesses to demonstrate greater levels of responsibility.

5.3 CG Initiatives

Having identified the stakeholders for CSR among NZX listed companies, this study explored firms' CG initiatives for the planning and development of CSR-focused philosophies and strategies. Prior research presents inconsistent views about the major decision-makers in firms. While a significant numbers of scholars are of the opinion that the board of directors are the people who are predominantly involved in strategic decision-making on matters such as CSR ([Godos-Díez, Cabeza-García, Alonso-Martínez, & Fernández-Gago, 2018](#); [Rao & Tilt, 2016](#)), others suggest that the CEO is the major decision-maker ([Quigley & Hambrick, 2015](#)). Further, there are some studies that highlight the top management team's (TMT's) role as an appropriate authority for CSR-related matters ([Reimer, Van Doorn, & Heyden, 2018](#); [Yin, 2017](#)). Based on the inconclusive findings to date, respondents were asked about the CG mechanisms involved in CSR decision-making in their firms. This led to the development of two sub-themes; the board's role in CSR, and the TMT's quest for CSR.

5.3.1 Board of Directors' Role in CSR Planning

This study found a limited role for the board of directors in CSR planning in New Zealand firms. Only two interviewees highlighted the role of the board in CSR planning.

"...The board is responsible for all financial and non-financial (include CSR) planning and disclosure and audit committee assist the board in doing so... [SM3]".

In a similar vein, the other interviewee emphasised the recent development of a CG framework, which has placed more responsibility on the board for corporate behaviour:

"...with the growing prevalence of health and safety as a governance issue, there are organisations who may see fit to have a health and safety committee. For us as an organisation, we've made a clear decision that we want the board to maintain full responsibility for that... [SM6]".

Prior research has established the pivotal role of corporate boards, both in setting firm agendas and corporate strategies (including CSR strategies) on one hand ([Ormiston & Wong, 2013](#)) and effective monitoring of management on the other (including the avoidance of

irresponsible actions) ([Adams et al., 2011](#)). Contrary to widely-accepted agenda-setting views about the board's role in CSR planning, one of the interviewee commented:

"...well, CSR is it's not really the board's role to plans because top management does that [SM10]".

Likewise, another interviewee highlighted the importance of executives rather than the board in CSR planning:

"... normally that sort of CSR discussion sits at the executive and there might be a report up to board after every six months to the board, this is where we are sort of heading on, these aspirational targets we might have had, but generally it sits with the executive, and so executive, so a strategy would be endorsed by the board, and then it's just operationalised through the executive... [SM4]".

This research indicates a limited role for the board in CSR planning, and the findings are consistent with [Ingleby \(2008\)](#) study, which found a limited role in terms of New Zealand boards establishing CSR as a strategic activity. The recent moves from regulators to make boards accountable for health and safety-related issues have placed more emphasis on board to actively involve in CSR. As one manager stated,

"...good CG will lead good CSR. That's definitely going to happen. That's not to say, but you can still have good CSR without being driven by the board, but that would rely on people internally. If they can label change, they can just disappear. As I think if the board drives it then it will stay longer but if it is driven by internally then it can be flown away.... [SM1]"

Overall these findings reflect limited support for the idea that corporate boards play an important role in setting firms' strategic directions in NZX listed firms' context. Corporate social irresponsibility has seen a significant rise, especially during the last decade ([Bernardi & Stark, 2016](#)), with several instances of firms compromising employee health and safety (e.g. Uber and Ryanair) and causing irreversible environmental harm (e.g. BP Oil spill, VW emission) coming to light. Given the far-reaching impact of these scandals, preventing irresponsible behaviours should be as much a priority for corporate boards, as promoting responsible behaviours ([Lin-Hi & Müller, 2013](#)).

5.3.2 Top Management Team Role in CSR Planning

The top management team (TMT) consists of a relatively small group of executives at the strategic centre of an organisation, with overall responsibility for the organisation's functions ([Finkelstein, Hambrick, & Cannella, 2009, p. 127](#); [Hambrick & Mason, 1984](#)). Traditional positions in the TMT include the Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Operating Officer (COO) and others, with an average size of eight individuals ([Certo, Lester, Dalton, & Dalton, 2006](#)). More recently there has been an effort made to include a new position in the TMT, described as the Corporate Social Responsibility Officer (CSRO), or Sustainability Head ([Matten & Moon, 2008, p. 405](#); [McNulty & Davis, 2010](#); [Strand, 2013](#); [Wiengarten, Lo, & Lam, 2017](#)).

As the strategic decision-making process in an organisation is varied and complex, the perceptions and interpretations of the TMT critically influence strategic decisions ([Wiengarten et al., 2017](#)). Although the TMT is obviously in the best position to influence CSR initiatives and strategies, relatively few studies have examined this link ([Yin, 2017](#)). In our case, a significant number of respondents were of the view that strategic planning in their organisations was undertaken by the TMT rather than the board.

"...So our board doesn't make CSR strategic decisions, we have a sustainability or CSR team where we make decisions on how to allocate budget and where to spend [SM3]"

"...The responsibility for driving us has to come from management, but the board has to be in support of all and willing to improve CG practices, and we need to drive them [SM11]"

There is a growing debate among governance scholars about how much top management influences a company's outcome ([Quigley & Hambrick, 2015](#); [Yin, 2017](#)), especially with regards to CSR ([Strand, 2013](#)). A number of studies agree that TMT awareness and commitment is a necessary component in bringing about CSR improvement, irrespective of the code of conduct ([Sethi, 2003](#)), ethics programmes or stakeholder engagement ([Weaver, Trevino, & Cochran, 1999](#)). TMT perceptions guide boards in making firms more responsible to society and the environment ([Angus-Leppan, Metcalf, & Benn, 2010](#); [Voegtlin, Patzer, & Scherer, 2012](#)).

“...I (CSR head) present to that committee on long-term risk. At this moment, I am producing a climate change adaptation plan... [SM2]”

More recently, CFOs, an important member of the TMTs, have taken on more prominent roles, especially in countries such as the US, the UK and Australia, where CFOs are not only involved in financial decisions, but also influence firms' CSR practices ([Sun & Rakhman, 2013](#)). This trend was also evident among our sampled firms:

...I'm CFO, and as CFO I also have responsibility for business strategy (include CSR). So clearly, I need to ensure when we are putting our strategic plans in our business plans together... [SM7]”

We were not surprised by this study results indicating the dominance of the TMT over the board of directors in CSR planning, due to the 'explicit nature of CSR' in New Zealand. [Matten and Moon \(2008\)](#) contend that corporations are increasingly engaging in explicit CSR rather implicit CSR. Explicit CSR shows that corporations are exhibiting more CSR-related communications and therefore empowering the TMT. Creating CSR roles in organisational TMTs is in line with the explicit form of CSR ([Strand, 2013](#)).

This study's findings are inconsistent with the dominant literature, which views corporate boards as the key strategic decision makers ([Jensen & Meckling, 1976](#)). The major concern with top management's excessive involvement in CSR planning is that since management is focused on short-term profit, managers (under the influence of agency problems) are likely to use CSR to enable opportunistic behaviour ([Windsor, 2006](#)). If the board relies on management advice for CSR then either these practices will have a very short lifespan (as management might think CSR is a burden on resources) or top management may use CSR practices to pursue their personal agendas, thus reflecting weak board monitoring.

5.4 CG Mechanisms for CSR Implementation

CG is conceptualised as the creation and implementation of a process seeking to provide the optimum return to shareholders while satisfying legitimate stakeholder demands ([Windsor, 2006](#)). Therefore, exploration of the actors involved in CSR development and planning should be followed by an identification of the mechanisms adopted to implement these CSR practices. To do so, this study asked respondents about the CG mechanisms their organisations use. The data analysis resulted in four sub-themes: board committee; TMT;

remuneration schemes; and organisational codes. These themes are discussed in the subsequent sections.

5.4.1 Board of Directors Committees and CSR Implementation

Board sub-committees are the most relevant factor in determining the board's efficiency. It is permissible to delegate some tasks and responsibilities to board committees due to the wide array of board functions and the urgency related to these tasks. Therefore, board committees are associated with better board functioning ([Brennan & Solomon, 2008](#); [Carroll, 1991](#)).

Apart from efficiency, growing stakeholder awareness and heightened interest in CSR have also led firms to restructure their governance practices ([Jain & Jamali, 2016](#)) Firms are responding to these pressures by designing specific board committees that address CSR issues from the perspective of risk, strategic opportunities and stakeholder commitment ([Liao, Luo, & Tang, 2015](#)). While most boards in our sample do not spending time on CSR planning, some have created specialist committees which are responsible for embedding CSR practices. This is reflected in the following quote:

"...there is a board committee which is safety and sustainability that generally spends, you know, a big chunk of his time on CSR matters, but obviously that sits under the board and the board also looks out the high level of policy. So that's the primary governance mechanism there, internally [SM7]"

In prior literature, CSR is a broad concept which covers multiple aspects, ranging from labour conditions, workplace environment and diversity, waste management and emissions reduction ([Dobbs & Van Staden, 2016](#)). Therefore, it should be dealt with by a separate board committee. However, the current study found that firms are loosely covering CSR-related tasks using a variety of committees, including risk committees; health, safety, security and environmental committees and compliance committees. As one respondent explained:

"We have a Health, Safety, Security, and Environment committee (HSSE) committee to cover a governance perspective from risk analysis to sustainable operations [...] currently, we do not have a separate CSR committee ... [SM12]"

Although CSR in the current study sampled firms are covered loosely across multiple board committee, the interviewees recognised the need for specialised committees for CSR. This is evident in the following comment:

"...Yes well, I sit on one of those committees, so in sitting in those committees, that covers regulatory compliances, statute reporting. So it loosely covers sustainability but we are trying to get it more closely embedded in there, but there's also a people's committee which covers up some of the social aspects. And there's an order and risk committee which covers all other aspects so between all of those, yes it is covered reasonably well. It will be nice to have a specific committee that deals with sustainability or to build it more sensibly [SM9]"

Some firm's managers appeared to be making progress towards the establishment of board committees for managing CSR-related tasks. However, to have a real effect they need to establish specific board-level CSR/sustainability committees for effective integration of CSR practices throughout their businesses. Firms with board CSR committees have advantages over their counterparts. First, having a CSR committee not only indicates public recognition of the importance of the firm's social responsibilities at a top level (i.e. symbolic representation of the role the board CSR committee plays) ([Rodrigue, Magnan, & Cho, 2013](#)), but it can also provide a real commitment to having the board oversee the firm's operations. A CSR committee is helpful in reducing the likelihood of a firm's management being involved in irresponsible practices ([Mackenzie, 2007](#)). Second, a CSR committee can enhance employees' awareness about their jobs and responsibilities, thus reducing negative impacts ([Liao et al., 2015](#)). Finally, a CSR committee reduces uncertainty and a lack of information among stakeholders, thus establishing the firm's legitimacy ([Birnbaum, 1984](#)) and provides support for stakeholder theory ([Mackenzie, 2007](#)).

5.4.2 TMT and CSR Implementation

As discussed earlier, the TMT is a reflection of organisational structure, as well as being the governing body that sets a firm's strategy, coordinates activities and allocates resources across the business ([Vieregger, Larson, & Anderson, 2017](#)). TMT members can discuss and adjust CSR strategies along with other members of the team to ensure effective CSR integration

(Swanson, 2008; Weaver et al., 1999). The majority of managers recognised the TMT as a key factor in CSR implementation.

“...I think I have kind of overall responsibility for delivering that policy, but I do it through basically engaging with teams across the company... [SM2]”

Around the world, companies are altering their management structures to accommodate CSR practices into their organisational structures (Wiengarten et al., 2017; Yin, 2017). The appointment of a CSR officer is gaining significant acceptance (Strand, 2013). Our sampled firms, also under the influence of this global pattern, have progressed in this domain, with the creation of a new role for CSR. As one of the managers stated:

“...One of the executive team members sit and thinks we need to have a person to look after the CSR and we created the role maybe five or six years ago and this role evolved and taken on different sort of features and its sort of up skilled over the years [SM1]”

The creation of a new role for CSR is in line with previous literature, which suggests that the creation of specific functional positions in areas such as marketing, supply chain or sustainability sends out strong signals to a firm’s stakeholders about its strategic importance (Hendricks, Hora, & Singhal, 2014; Wiengarten et al., 2017; Yin, 2017).

In general, the interviewees indicated that it is the TMT’s responsibility to implement CSR practices within their organisation. These findings are in line with stakeholder theory and the limited, but evolving, TMT literature, which argue that firms’ TMTs, in response to stakeholders’ demands, opt to implement CSR strategies. The TMT is in the best position to satisfy stakeholders and direct the company towards more responsible business practices, particularly in the area of society and the environment (Hendricks et al., 2014; Kanashiro & Rivera, 2017; Wiengarten et al., 2017; Yin, 2017).

5.4.3 Organisational Code for CSR

The interviews indicated the existence of organisational codes, such as codes of conduct and codes of ethics as CSR implementation mechanisms within their organisation. Prior literature assumes that organisational codes are created to encourage or force firms to act more

responsibly ([Bondy, Matten, & Moon, 2008](#)). Moreover, it argues these codes are a reflection of good CG practices ([Jamali et al., 2008](#)).

However, the motive for adopting these codes depends on a company's strategic objectives and the relative value added by these codes ([Morriss & Estreicher, 2005, p. 785](#)). The motive might be strategic, to promote ethical business practices within the company, including employees, managers and shareholders. In such cases, outside involvement is minimal. However, if stakeholder satisfaction is a motive, companies may create these codes to signal the existence of sound business practices, including CSR, to outside stakeholders such as customers, suppliers, and governments. This argument is reflected in one of the interviewee's statements:

"...we do have a code of conduct that requires [company] - people to carry out their duties with honesty, integrity, due diligence and in the best interest of the company. It's applicable to all concerned including directors, executives, employees, consultants and contractors. This code also encourages to disclose the ethical breaches in [company] workplaces and offices and we all have to sign it up... [SM12]".

The relationship between codes and CSR implementation is well articulated in the literature. [Kolk, Van Tulder, and Welters \(1999\)](#) define a code of conduct as "encompass[ing] guidelines, recommendation, rules issued by entities within society [adopting body or actor] with an intent to affect behaviours of business entities within societies in order to enhance corporate responsibilities" ([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#))([p. 151](#)).

Overall, our research results indicate that our sampled firms use these codes to govern traditional business issues, such as ensuring compliance with rules and regulations, maintaining ethical and behavioural standards, with implications for both internal and external stakeholders.

5.4.4 Executive Remuneration and CSR

Interviewees highlighted executive remuneration as another CG mechanism for CSR implementation. Executive compensation is an integral CG mechanism and executive

compensation contracts are a direct outcome of a firm's governance process ([Aguilera et al., 2015](#); [Bebchuk & Fried, 2003](#)).

Linking compensation with a firm's social performance outcomes guarantees a better CSR outcome ([Hong, Li, & Minor, 2016](#)). This was widely recognised in the interviewees' transcripts. When asked about CSR implementation mechanisms, several managers responded that their firms have linked executive compensation with the firm's CSR performance. This is evident in the quote below:

"CEO remuneration KPI includes both financial and non-financial performance and the target areas include shareholder value maximisation, customer satisfaction, health and safety and employee engagement. These remunerations include both short-term and long-term remuneration [SM6]".

Of note New Zealand listed companies are considering multiple CSR performance indicators in linking executives compensations with firms' CSR performance. These indicators include customer satisfaction surveys, sales/revenue targets, employee health and safety targets and emission reduction plans. The attainment of these targets and plans results in the bonus for executives.

Given that the purpose of CG is to influence managerial decision making ([Aguilera et al., 2015](#)), the effect of governance on a firm's social performance is likely to occur through the influence of individual managers ([Mahoney & Thorne, 2005](#)). Companies worldwide are revising their executive contracts and incorporating CSR-related incentives/bonuses for effective CSR implementation ([Flammer, Hong, & Minor, 2017](#); [Maas, 2018](#)). One of the managers noted that their firm has recently started this approach:

"...We have CEO rem structure that includes both short term and long term. Short-term deals with firm strategic objectives to reward shareholders with high financial returns. The long-term incentive is quite new and we introduced it in 2014. The core purpose of that was to reward the CEO on the basis of sustainability of the company through the allocation of some shares of the company... [SM9]".

However, despite the significance of CSR-linked incentives for CSR implementation, there were some companies in our sample that were following purely shareholder-centric approaches – linking incentives with shareholder returns and financial performance:

“...we have to be above a certain level in that hierarchy of performance for the executive to achieve any outcome from that. So, it’s linked directly to shareholders’ interest. And our shareholders are, because the nature of our stock are largely yield-focused, so dividend return focused [SM7]”.

Overall, this study found that in response to stakeholders’ demands, an increasing number of firms in our sample were implementing CSR practices by introducing CSR indicators in the executive evaluation and reward process. These findings are in line with stakeholder theory which argues that firms adopt good governance practices in order to reduce stakeholder conflicts ([Mason & Simmons, 2014](#)).

5.5 Company Approaches for CSR

To develop an integrated framework, identification of CSR implementation mechanisms is not adequate. It is necessary to answer an important question: *What type of CSR practices are firms following in response to stakeholder pressure?* To explore this question, we asked the interviewees about their organisational CSR practices. The interviewees’ responses produced two broad themes: implicit CSR practices and explicit CSR practices. The managers’ responses to these CSR practices are discussed in the subsequent sections.

5.5.1 Implicit CSR

Implicit CSR mechanisms include organisational policies, procedures, codes and practices deemed useful for the welfare of internal stakeholders; those that lie within the narrow boundaries of organisations, such as employees ([Brammer et al., 2007](#); [Shen & Jiu-hua Zhu, 2011](#); [Turker, 2009](#)).

Employee CSR

Employees were considered the most important stakeholders by the majority of our sampled companies. Therefore, we were not surprised to see that companies emphasised ‘employee welfare’-centric CSR practices:

“...we offer meaningful employment and we encourage our staff to learn and develop more, so we do a lot of personal development and wellness type programmes because we want them to be the best that they can be [...] we run bus services to pick them up from locations and bring them to our processing operations... [SM9]”.

These practices included, employee award/recognition schemes, employee volunteer programmes, getting fair labour accreditations, paying living wages, employee policy, health and safety policy, employee engagement surveys, employee training and career development, and the provision of logistical support to employees. As one manager noted,

“...we have called it, kind of internal reward recognition scheme, so, this is kind of non-monetary reward in terms of people can get the recognition we produce monthly newsletter... [SM2]”.

These CSR practices are in line with the literature and firm efficiency perspectives, which argue that providing employees with fair working conditions and treating them well enhances employee satisfaction and consequently yields higher productivity ([Aguilera, Rupp, Williams, & Ganapathi, 2007](#)). This provides justification for our sampled firms to further develop employee CSR practices.

5.5.2 Explicit CSR

Explicit CSR mechanisms are typically associated with volunteerism and philanthropy towards society and the environment, which help to strengthen a firm’s legitimacy and reputation among external stakeholders ([Brammer et al., 2007](#); [Cornelius et al., 2008](#)). These external stakeholders typically lie outside organisational boundaries and may include society at large, governments, customers, suppliers, creditors, and shareholders ([Hawn & Ioannou, 2016](#)).

Community CSR

Responsibility to the community is at the centre of many companies' CSR programmes. Most of our sampled firms emphasised giving back to the community by providing various services:

"...We do a lot of community-based giving and events around the community, probably those differentiate us a little bit from other organisations [SM11]".

The most common services included examples such as 'partnership with local foundations such as Red Cross, St Joan's Hospital', 'supporting education and research' and by doing 'philanthropic activities.'

"...We have sponsorships with Red Cross, the Australian Himalayan Foundation, DOC, they sponsor some campgrounds in Marlborough. And we do [...] so we do [...] we donate money... [SM5]".

The findings support stakeholder theory and prior literature. [Öberseder, Schlegelmilch, and Murphy \(2013\)](#) found a similar pattern in European firms. They noted that the local community is the heart of CSR in many countries.

Environment CSR

In New Zealand, the environment is especially important for firms and regulators due to the country's clean and green image worldwide ([Dobbs & Van Staden, 2016](#)). As environmental activists and groups have exerted significant pressure on governments to promote environmentally friendly practices, businesses, being aware of the consequences, have also become (more) environmentally sensitive. This was evident from the interview results, as our respondents repeatedly commented on their environmentally responsible practices. Our respondents highlighted two main types of environmental practices: 'waste management' and 'emissions reduction.' This can be seen in the quote below:

"...Energy obviously is a [...] carbon footprint is an area of focus so reducing our energy use, we did like this office as a five star, green star lighted building and the Australian distributor centre that we just built last year is also a five star, green star building and our flagship store in Melbourne and Adelaide are five star, green star buildings so as we

develop new stores, we try and design them in a way that are very sustainable, that uses less water, less energy so that's something we do [SM5]".

Similarly, another manager emphasising waste reduction initiatives commented:

"...we create recycling and waste management kind of thing and then we think about it in terms of sustainability and that brings sustainability in New Zealand... [SM10]".

The dominance of these two practices can be seen as financial motives for firms, as firms' efforts to waste reduction can be linked with production efficiency and thereby associated with lowering production costs ([Dobbs & Van Staden, 2016](#)). This win-win situation for waste reduction also applies to emission reductions. The interviewed companies are using various practices to reduce emissions. These include alternative and cost-effective energy sources; for example 'replacing the car fleet with an electric-power fleet, using energy efficient and certified buildings.' This was summed up effectively by one manager:

"...You shouldn't be adding additional cost to your business to implement CSR, so what's an example? Saving paper, which is a pretty basic one, saving paper, actually impacts on the bottom line because you are not buying the paper in the first place, so it's a good environmental outcome and it's just good for the bottom line, so this should be either positive to neutral financial impact...[SM4]"

In general, these findings are consistent with [De Silva and Forbes \(2016\)](#), [De Villiers et al. \(2016\)](#) and [Dobbs and Van Staden \(2016\) New Zealand studies](#), which all found a similar pattern of environmental practices.

Customer CSR

Customers are important stakeholders for any business and are often a central focus of CSR activities ([Clarkson, 1995](#)). However, in this research, only a few respondents indicated CSR activities for customers. The practices that were mentioned included environment-friendly packages [SM10], loyalty programmes for customers [SM12], communicating honestly and openly [SM1] and delivery price included in sensitive products [SM11].

Companies worldwide are doing their best to look after their customers' wellbeing and are taking necessary actions ([Öberseder et al., 2013](#)). However, in New Zealand, firms' extensive focus on environmental and community-related CSR justifies the study's findings of [Dobbs and Van Staden \(2016\)](#).

Supplier CSR

Another theme that emerged from the interviews was supplier-related CSR practices. The interviewees indicated the responsibility of suppliers as a core part of their CSR practices, since organisations face many challenges in terms of their supply chains and are increasingly evaluated on their supply chain performance ([Öberseder et al., 2013](#)). Therefore, many consider the careful selection of suppliers a necessity. Consequently, firms have developed criteria that suppliers have to meet:

"...You know, we do a lot of work around ethical sourcing and selecting our suppliers that don't exploit child labour, and they don't work at 70-hour shifts, and all that sort of stuff... [SM11]"

This study also found support for the fair treatment of suppliers. One of the managers noted the focus of their procurement policy:

...Our main focus of [...] It's like ten priorities we listed out but top five are employee rights so and it's focused on our supplier so basically making sure that our suppliers, our employees are treated fairly [...] so the people making our products are treated fairly, and so that it stands to do audits at factories that we have top suppliers [SM5]"

In one instance, one of the managers indicated that they worked closely with their supplier to enhance their business value alongside the firm's values:

"...You know, that has to be safe, healthy, what the customers want, we work with their supply chains to optimise value for them as well for ourselves so there's a whole heap of reasons... [SM9]"

These results are consistent with ([Öberseder et al., 2013](#)), which found that firms located in Europe exhibited similar patterns for supplier-related CSR. These included educating suppliers and helping to improve suppliers' business values.

5.6 CSR Benchmarks

To effectively integrate CSR practices into businesses, requires outcomes to be measured against a benchmark. Benchmarking is defined as “a tool through which the firm’s processes and results are compared, screened and rated in relation to best practices” ([Sardinha, Reijnders, & Antunes, 2011, p. 1487](#)). Benchmarking allows firms to evaluate their CSR outcomes by comparing them with best practices. It also allows firms to identify areas and methods for self-improvement ([Graafland, Eijffinger, & SmidJohan, 2004](#)). In this research, managers indicated that their organisations used several frameworks¹⁷ for benchmarking CSR practices. GRI was found to be the most common:

“...we use GRI, CEMARS for our greenhouse gas accounting, we also measure our fuel use on an intensity basis as in per meter volume moved and then we measure our carbon both on an absolute and an authentic basis, so per parcel and per letter delivered all through the network... [SM8]”.

As discussed, GRI is a global framework that has developed globally applicable sustainability reporting and benchmarking. If all companies followed GRI guidelines exactly the same way, then it would be easy to benchmark them. However, complexities and a certain degree of subjectivity associated with GRI means that companies often have to use multiple frameworks ([Parsa, Roper, Muller-Camen, & Szigetvari, 2018](#); [Toppinen & Korhonen-Kurki, 2013](#)). This problem was highlighted by one of the managers:

“...We are using the GRI framework. So for some of them, it’s easy in terms of carbon and stuff like that [...] Health and Safety, there’s really well-known metrics, but when you get to the community stuff, it’s very tricky... [SM12]”.

In general, sampled firms were benchmarking their CSR practices and this was consistent with previous literature ([Sardinha et al., 2011](#)).

¹⁷ While all of our sampled firms followed the GRI they also adopted other benchmark standards such as CEMEARS and Enviro-mark.

5.7 CSR Communication

The final step in an integrated framework involves finding ways in which firms can communicate their CSR practices. In today's globally competitive world, it is becoming more and more important for firms to communicate their CSR practices. The advantage for CSR communication is twofold: first, CSR communication influences opinion leaders reading target behaviours ([Birth, Illia, Lurati, & Zamparini, 2008](#)). Second, CSR communication legitimises a firm's behaviour by influencing stakeholders and society's perception of the company ([Deegan, 2002](#)).

The majority of our sampled firms indicated multiple channels for CSR communication. However, the most dominant forms that emerged from data were reports, websites and social media:

"...So mostly that's put into our annual report but we use the data there that we generate to go and put that into other forms and various sort of ways. So, on our website for example, in videos or in presentations [SM3]"

Among these reports, corporate responsibility reporting has gained global interest due to higher stakeholder demands. Firms are adopting varied frameworks to prepare and publish their CSR reports. For instance one of the managers indicated that:

"...its GRI framework so we publish and report according to that framework and also we did a carbon disclosure project CDP report as well... [SM5]"

However, despite the popularity of GRI-based reporting for CSR communication, in recent years the rise of social media has provided an alternative for companies to report their social and environmental performance ([Kaplan & Haenlein, 2010](#)). Social media participation has transformed stakeholder participation from traditionally well-known groups to often anonymous groups of friends and followers ([Freeman & Moutchnik, 2013](#)). Managers see it as a positive opportunity to engage with stakeholders at a different level:

"...We use social media a lot because it's nice to put up little sustainability stories often and social media is a really quick way of

doing that so we put stuff on Twitter, Facebook and LinkedIn quite often and that's just starting to increase it... [SM8]".

This study also found that firms not only recognised this new wave of media but also re-structured their governance structures to integrate communication into their decision making processes.

"...we have recently appointed the general manager of communication. That's a new role and she's come from a media background so she's working quite closely with media so we did something on seven sharks recently around mussel research facility and we communicated through social media, we have a social media manager...[SM9]".

It is important to note that the creation of these roles has helped firms to successfully integrate new media into their communication strategies ([Lee, Oh, & Kim, 2013](#)). While it is easy for a firm to adopt social media for CSR communication, there are often risks involved due to lack of control over the flow of messages. However, despite the potential consequences, social media has become increasingly important to stakeholder engagement ([Devin & Lane, 2014](#); [O'Riordan & Fairbrass, 2014](#)). This finding supports the corporate stakeholder relationship perspective ([Meintjes & Grobler, 2014](#)) and two-way symmetrical communication ([Devin & Lane, 2014](#)) which has the capacity to meet the shifting focus of CSR communication, from 'informing' to 'engaging' diverse stakeholders ([Lee et al., 2013](#)).

5.8 Chapter Summary

CG is considered to be one way in which firms can optimise shareholder returns while satisfying legitimate stakeholder demands ([Durden, 2008](#)). The current study adopted the stakeholder perspective on CG and CSR to answer the important, yet unexplored, research question of how CG and CSR are integrated at an organisational context, using an exploratory approach. This study asked senior managers of NZX listed companies a set of questions about their CG and CSR processes and implementation. Data analysis generated six major themes that we have discussed in the introductory section. By connecting these themes to stakeholder theory, this study was able to develop a CG-CSR integrated framework (Figure 5.1), comprised of the following six stages.

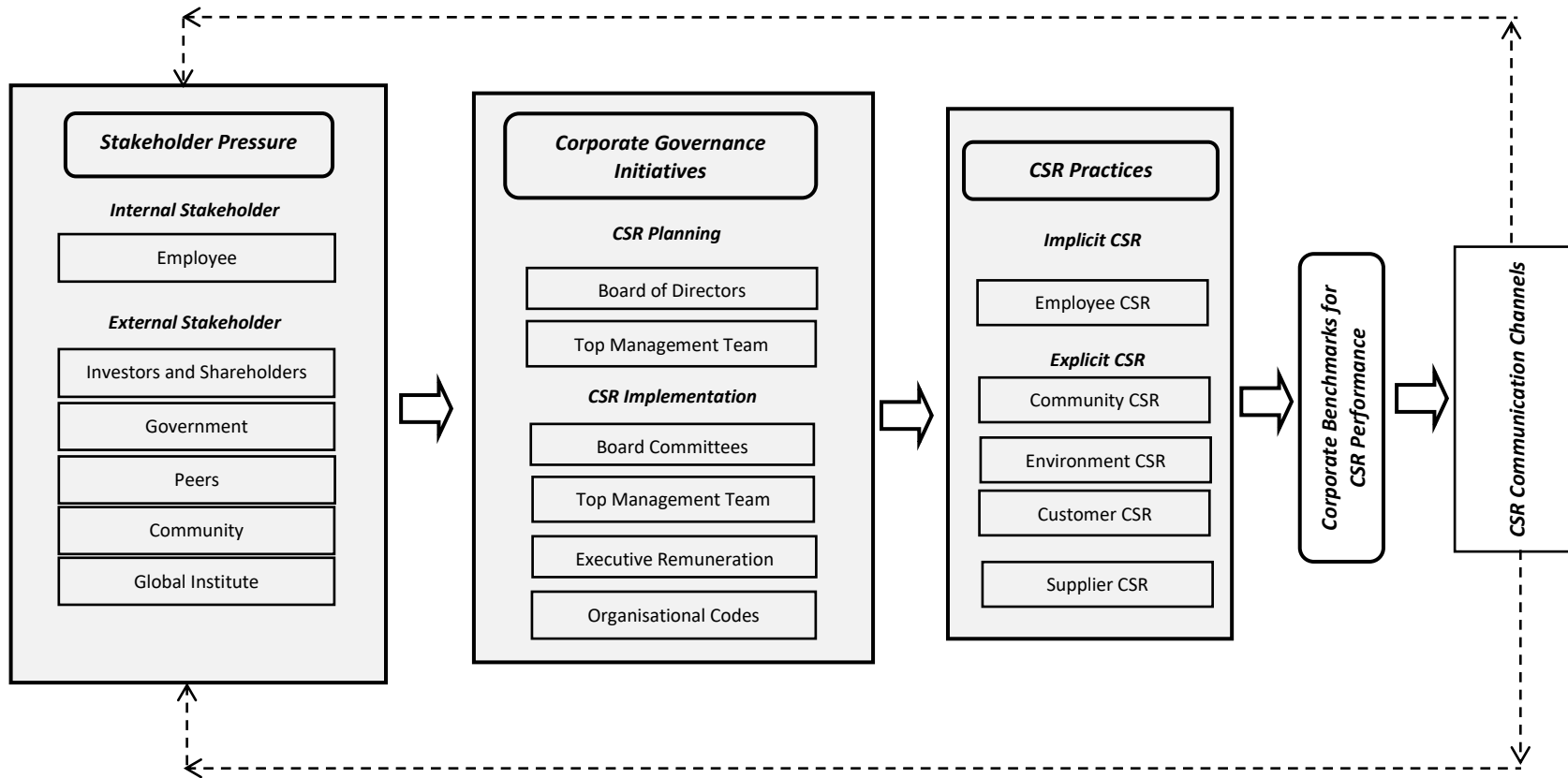


Figure 5.1: CG and CSR Integrated Framework (Author's Compilation)

First, in line with the stakeholder salience perspective ([see, Mitchell et al., 1997](#)), the framework identifies two types of stakeholders: internal (employees) and external stakeholders (investors, community, government, peers and global institutions), which firms believe have legitimate interests and actively seek the firms' management attention ([see, Mitchell et al., 1997](#)). Second, drawing on the managerial aspect of stakeholder theory, which recommends that firms' management commit to planning activities and processes to satisfy stakeholder demands ([Mason & Simmons, 2014](#)), the framework identifies the 'corporate governance actors,' (that is, the board of directors and the TMT involvement in CSR planning and development). Third, it identifies the CG channels, including board committees, top management teams, executive remuneration schemes and organisational codes used by firms to implement CSR activities. Fourth, it identifies and explains CSR activities, both implicit (employee) and explicit CSR (community, environment, customers and suppliers) that firms undertake to satisfy their stakeholders' claims. Fifth, it highlights the benchmarking, firms adopt to assess and evaluate their CSR activities. Finally, it reports on the communication channels used in reporting firms' CSR commitment to stakeholders.

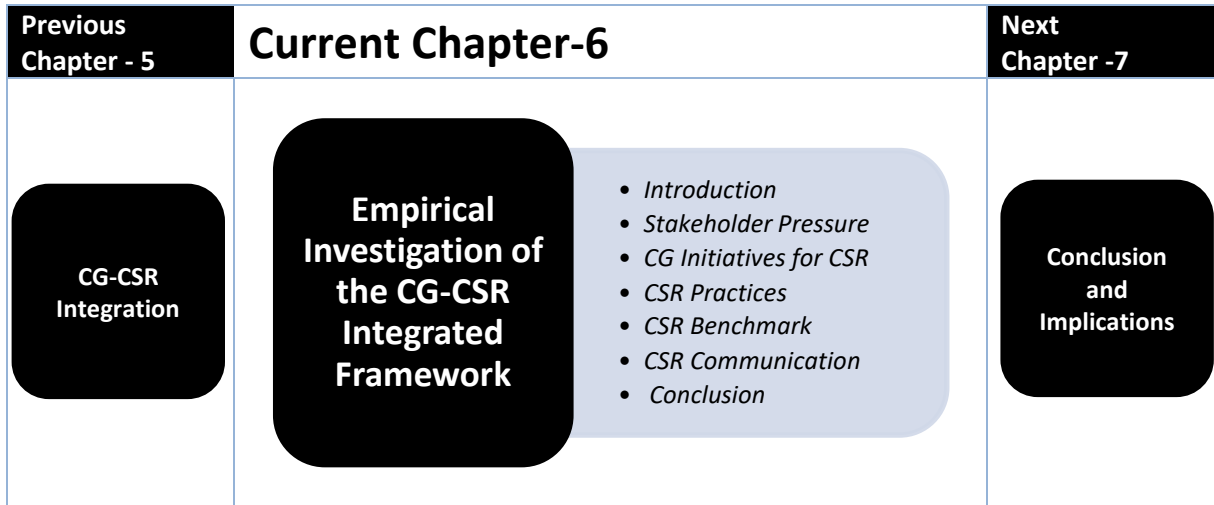
The proposed CG-CSR framework integrates [Donaldson and Preston \(1995\)](#) stakeholder perspectives: (i) *descriptive stakeholder perspective* – this describes how an organisation operates; (ii) *instrumental stakeholder perspective* - how organisations identify their stakeholders' claims and how they respond to stakeholder claims to achieve efficiency, effectiveness and reputation; and (iii) *normative stakeholder perspective* - organisational uses of ethics as the basis for stakeholder management. The framework is 'descriptive' in the sense that first, it identifies the stakeholders (i.e., employees, investors, community, government, peers and global institutions) that are influential for CSR among our sampled companies, and second, it shows that this study sampled organisations using CG channels (i.e. board committees, top management teams, executive remuneration schemes and organisational codes) to address stakeholder claims for CSR. It has an 'instrumental' application, as it demonstrates that the current study sampled firms have set targets and benchmarks to gauge their CSR performance. Finally, it is 'normative' as this study sampled firms' use ethics as the basis for stakeholder management due to the voluntary nature of CSR in New Zealand.

Notably, the model (Figure 5.1) was constructed using lived managerial experience. However, due to the small sample size there are questions about its applicability to other firms outside the GRI database. Therefore, this model requires further analyses. The second phase of this

study set out to test the model using a questionnaire. The results of the quantitative analysis are discussed in Chapter 6.

Chapter 6

Empirical Investigation of the CG-CSR Integrated Framework



6.1 Introduction

This chapter reports the quantitative results from the questionnaire designed to test the generalisability of the proposed model developed in Chapter 5. It answers the third research question of this study (RQ2a). To do so, the chapter follows the quantitative methodology as discussed in Chapter 3. The chapter is divided into eight sections. While section 6.2 describes the sample characteristics, sections 6.3 – 6.8 report the quantitative results for the six stages of the proposed framework; stakeholder pressure consideration (section, 6.3), CG mechanisms for CSR planning (section, 6.4), CSR implementation (section, 6.5), firm CSR practices (section, 6.6), CSR benchmarks (section, 6.7) and CSR communication channels (section, 6.8). Section 6.9 provides a summary of the chapter.

As explained in Chapter 3, due to the exploratory nature of quantitative analysis and a lack of data availability, it is not within the scope of this thesis to apply parametric statistical analysis or to discuss the coefficient and causality between different factors. Rather this analysis used the non- parametric technique i.e. Analytical Hierarchy Process (AHP). AHP enables the researcher to combine a group consensus by weighting the criteria and sub-criteria (CG and CSR indicators in our case) ([Akman & Dageviren, 2018](#)) (see Chapter 3). Hence, AHP is a method used to decipher the importance of multiple criteria; i.e. the importance of stakeholders for

CSR implementations, CG actors for CSR planning, CG mechanisms for CSR implementation and the assessment of CSR practices.

6.2 Descriptive Statistics

Table 6.1 shows the results for demographic statistics; i.e. respondents' tenure with a firm, designation, firm size and firm's operating industry. The results for respondent's tenure and designation in Table 6.1 indicates the dominance of suitable persons, with long-term firm association – reflecting that the study surveyed appropriate respondent due to fact that both CG and CSR involve strategic decisions and are critically affected by top leadership. Firm size, measured as the number of employees, reveals that the majority of firms (70.73%) in our sample are large firms, with over two hundred employees, followed by small firms (29.27 %). The result for firm size is justified as listed firms are often have a large number of employees. However, the presence of small firms 29.27 % is of no surprise considering the NZX overall capital size. The NZX is a relatively small exchange, with a total market capitalisation of US\$ 98.684 billion (the end of the Jan 2018 period). It represents just 0.32 percent of the Asia Pacific region and is well behind its regional counterparts (i.e. Australia, Japan, Korea Singapore) ([World Federation of Exchanges, 2018](#)). Therefore, firms listed on NZX companies are of diverse sizes, as in this study case. Finally, the results for firm industry reflect the diverse representation of firms, signifying the wider applicability of the current study's output.

Table 6.1: Sample Description

	Frequency	Percentage
Respondents' Tenure (Years)		
0-5	22	53.66
6-10	9	21.95
11-15	2	4.88
16 -20	3	7.32
> 21	5	12.20
Respondents' Designation		
Chief Financial Officer (CFO)	24	58.54
Chief Operating Officer (COO)	2	4.88
Sustainability Manager	4	9.76
Finance Manager	2	4.88
Country Manager	2	4.88
Head of Strategy	1	2.44
Senior Communication Manager	1	2.44
Executive Service Manager	1	2.44
Managing Director	1	2.44
Annual Report Programme Manager	1	2.44
Senior Portfolio Manager	1	2.44
Management Accountant	1	2.44
Firm Size (Number of Employees)		
0-99	12	29.27
100 - 199	0	0.00
> 200	29	70.73
Firm Industry		
Agriculture, Forestry & Fishing	4	9.76
Electricity, Gas, Water and Wastage	5	12.20
Finance and Insurance	7	17.07
Health Care and Social Assistance	5	12.20
Information, Media and Telecommunication	5	12.20
Manufacturing	2	4.88
Mining	1	2.44
Rental, Hiring and Real Estates Services	3	7.32
Retail	4	9.76
Transport, Postal and Warehousing	5	12.20

Source: Author's Compilation

6.3 Stakeholder Pressure

Previous chapter identified six different stakeholders that influence firms to act in a socially responsible manner; employees, investors, government, society, global institutions and peers. However, the question of whether these stakeholders also play any role for CSR among other

NZX listed firms remains, as does the question of whether firms consider these stakeholders equally in terms of their CSR initiatives. To answer these questions, and to rank stakeholders in accordance to their influence on CSR practices, we applied AHP by developing a hierarchical structure for decision making, as shown Figure 6.1 (see Chapter 3 for AHP details).

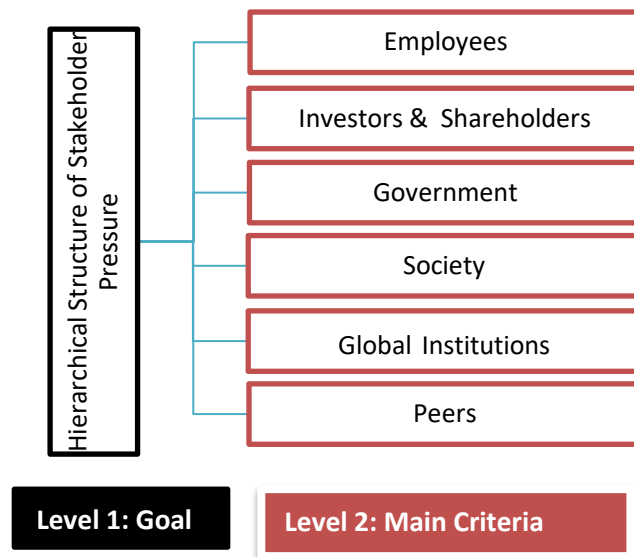


Figure 6.1: Hierarchy for Stakeholder Pressure (Source: Author's Compilation)

Table 6.2 shows that employees, investors, government and society are equally important (21.93 %) for CSR and management considers them important for pursuing their CSR activities. However, this study found limited influence (that is, 8.24% and 4%) of global institutions and peers on firm CSR. The influence global institutions and peer pressure is interesting given that CSR initiatives are often seen as a response to globalisation ([Brown & Knudsen, 2015](#); [Kercher, 2007](#); [Sanders, 2012](#); [Scherer & Palazzo, 2011](#)) and, more recently, to peer pressure ([Malik, Al Mamun, & Amin, 2018](#)). In addition, since 2000, over 5000 businesses have subscribed to the UN Global Compact's call to engage in self-regulation to fill the regulatory vacuum that has emerged as results of the process of globalisation.

However the limited impact of global institutes might be justifiable in the New Zealand context; 97% of the companies operating in New Zealand are SMEs ([Ministry of Business, 2017](#)). Therefore, only a limited number of NZX listed firms focus on internationalisation and market expansion, compared with the US and the UK. The case for global pressure as antecedents of CSR is true for large organisations, especially multinational corporation ([Scherer & Palazzo, 2011](#)). Multinational corporations generally engage in public health, education, social security,

and the protection of human rights while often operating in countries with limited statehood ([Matten & Crane, 2005](#)).

In addition, CSR among New Zealand firms is still a growing activity and a large number of companies are not undertaking CSR in a given industry. The firms which are committed to CSR activities can be regarded as leaders who have positioned themselves strategically; to set themselves apart from their peers and to enhance their corporate reputations ([Malik et al., 2018](#)). As a consequence, low peers pressure reflects the relative standing of a firm, rather than its willingness to meet social norms and values. However, despite the low impact of peer pressure, it is still an interesting findings in terms of understanding the CSR implementation process and structure in a small, open economy. Overall, the AHP results are in line with stakeholder theory which argues that organisations adopt CSR practices to satisfy stakeholders and gain a competitive advantage ([Carroll, 1991](#)).

Table 6.2: AHP Weights and Ranking of the Main Criteria for Stakeholder Pressure

Criteria	Non-normalised			Normalised		
	Saaty Scale	Weights	Rank	Saaty Scale	Weights	Rank
Employee	7	0.2163	1	7	0.2193	1
Investors & Shareholders	7	0.2163	1	7	0.2193	1
Government	7	0.2163	1	7	0.2193	1
Society	7	0.2163	1	7	0.2193	1
Global	5	0.0962	2	5	0.0824	2
Peers	3	0.0385	3	3	0.0405	3
Column Sum		1.00			1.00	

Source: Author's Compilation

6.4 CG Actors for CSR Planning

CG refers to the practices that firms use to govern their business operations. As discussed in Chapter 5 there is no clear agreement on who the key decision-makers are. While one strands of literature favour board of directors (BoDs) ([Godos-Díez et al., 2018](#); [Rao & Tilt, 2016](#)), the other views CEOs (as a member of TMT) as responsible for CSR planning ([Reimer et al., 2018](#); [Yin, 2017](#)). There is scant focus on CSR managers. The results of the previous chapter shows that there are two important CG actors (i.e. BoDs and TMT) involved in CSR planning.

In the current study, we presented these two CG actors, along with an additional one¹⁸ (i.e. CSR managers) to 41 respondents, requesting them to rate these CG actors according to their involvement in the CSR planning process within their organisation. This is shown in Figure 6.2

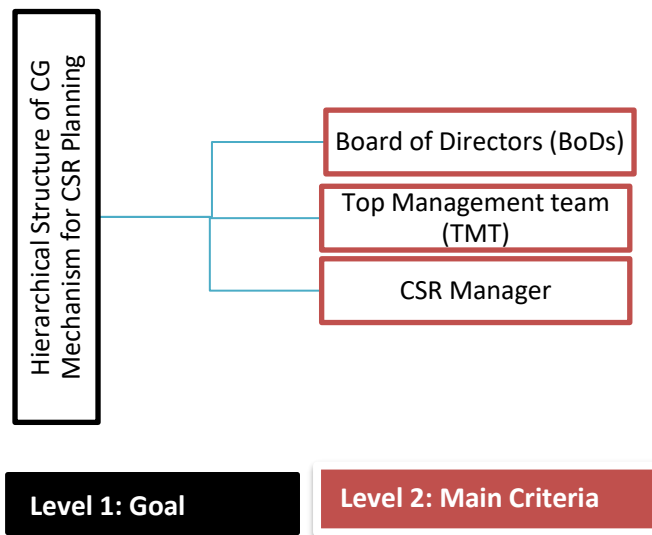


Figure 6.2 : Hierarchy for CSR Planning by CG Practices (Source: Author's Compilation)

Table 6.3 reports the analysis results obtained from AHP. The ranking based on AHP, prioritises the Top Management Team (TMT) (63.33%), compared with the Board of Directors (BoDs) (26.05 %) and CSR Managers (10.62 %) for CSR planning.

Table 6.3: AHP Weights and Rank of the Main Criteria for CSR Planning

Criteria	Non-normalised			Normalised		
	Saaty Scale	Weights	Rank	Saaty Scale	Weights	Rank
TMT	7	0.6054	1	7	0.6333	1
BoD	5	0.2915	2	5	0.2605	2
CSR Manager	3	0.1031	3	3	0.1062	3
Column Sum		1.00			1.00	

Source: Author's Compilation

These results extend this thesis' earlier qualitative findings and signifies the TMT role for CSR planning, compared with BoDs and CSR managers. The results are not surprising, considering the growing importance of the TMT role in organisational decision making ([Certo et al., 2006](#))

¹⁸ We included the CSR manager in our criteria as advised by the majority of our pilot study respondents.

and are justified in the New Zealand context as CSR largely remains voluntary, and where BoDs, focusing on financial reporting, pay less attention to these voluntaries activities. However looking at the significance of CSR, BoDs' orientations do matters. Likewise, [Banerjee, Easwar S. Iyer, and Kashyap \(2003, p. 106\)](#) define board CSR orientation as the "recognition by directors to the importance of environmental issues facing their firms". In this context, BoDs CSR orientation boosts the firms CSR activities and environment performance ([Shaukat, Qiu, & Trojanowski, 2016](#)). BoDs' role in CSR is highly prized. For instance, an annual survey by the United Nation Global Compact found that 94 % of CEO felt that their board should be involved in sustainability projects; 85 % of the surveyed board members agreed ([United Nation Global Compact, 2013](#)). However, in practice only 57% of board approved CSR reporting and 54 % agree to appoint board member or sub committee to oversee CSR. The lack of board interest in CSR was one of the factors behind regulators expanding board responsibilities around the world. For instance, recent amendments to the UK CG code (2018) expand board responsibilities to stakeholders (i.e. employees, suppliers, customers, communities and the environment ([Ernst & Young, 2018](#))). Concurrently, NZX also needs to shoulder more responsibility on corporate boards in order to promote responsible business practices. Notably, the fact that the CSR manager has the lowest ranking confirms the paucity of formal CSR programmes among NZX listed companies ([Dobbs & Van Staden, 2016](#)) that must be promoted for effective CSR integration.

6.5 CG Mechanisms for CSR Implementation

In Chapter 5, we found that New Zealand firms show a tendency toward four CG mechanisms for implementing CSR practices; BoDs, TMT, Organisational codes (OC) and CSR linked remuneration (CSR_REM). In an attempt to identify firm priorities in terms of CG mechanisms, we asked survey respondents to rank these practices using level of their agreement on a 5 point Likert scale. The results are presented in Figure 6.3.

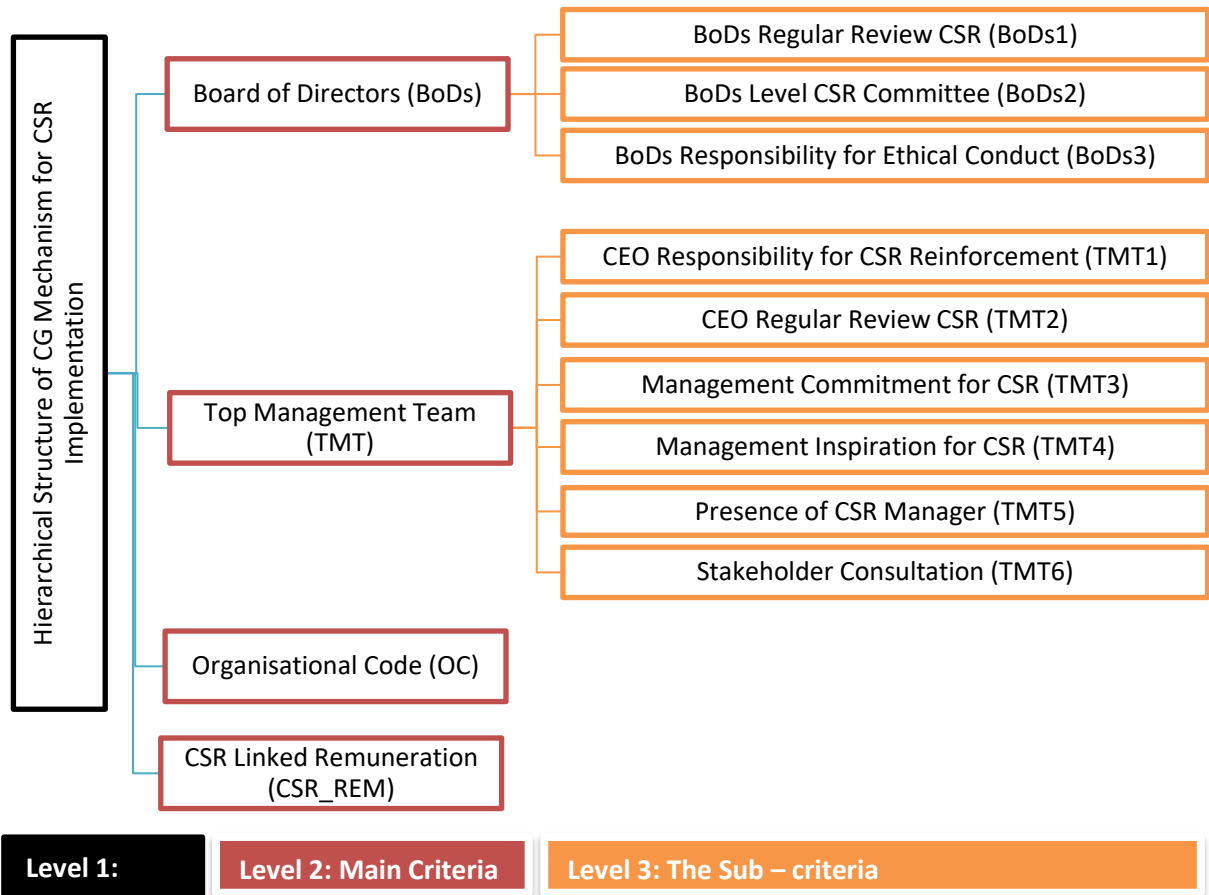


Figure 6.3: Hierarchy for CSR Implementation through CG Practices (Source: Author's Compilation)

Table 6.4 shows the prioritisation of these practices based on an AHP matrix, with OC (42.03 %) as the number one priority followed by TMT (24.30 %) and BoDs (18.89 %) respectively. Notably, respondents' rated CSR_REM as the least preferred (14.70 %) CG practice for CSR implementation. OC dominance is well articulated in the pre-existing literature ([Bondy et al., 2008](#); [Jamali et al., 2008](#)). The fact that OC is ranked as the first priority is a visible sign that NZX firms are aware of the need for ethical behaviour and that workers must meet these requirements. These code not only promote CSR ([Svensson & Wood, 2008](#)), but also act starting point for an integrated CSR programmes. However, there is disagreement about the significance of OC in the prior literature ([Bondy et al., 2008](#); [Jamali et al., 2008](#); [Stohs & Brannick, 1999](#)). On one hand, the presence these code indicates the basic institutional commitment and aspiration for social responsibility. On the other hand, these codes are objective evidence of the existence of corporate rules in the area they cover ([Agatiello, 2008](#)). Thus, the dominance of OC in NZX firms cannot guarantee that a firm will act responsibly.

In addition, if we assume that these codes are the result of genuine intent to promote CSR intent, as well as of external pressure ([Levis, 2006](#)), their effectiveness is still questioned in the existing literature. Some of the literature has found a positive relationship between OC on CSR, suggesting that managers working in organisations with developed OC demonstrate significant concern for CSR, more than managers working in organisations with less developed codes ([Stohs & Brannick, 1999](#)). Others are of the view that these codes are not powerful enough to encourage ethical decision making practices ([Cleek & Leonard, 1998](#)).

Considering the debate about effectiveness of OC for CSR, NZX listed firms need to focus on other governance aspects such as initiation of CSR_REM, which at the moment has received scant attention (14.7 %) from respondents. Recently, CSR_REM has been recognised as significant governance mechanism for promoting responsible business practices ([Jian & Lee, 2015](#)). For instance, while in 2004 only 13% of Standard & Poor's 500 companies had adopted CSR_REM, this ratio increased to 37% by 2013. In addition, CG and CSR advocates, such as the GRI and the Corporate Register recommend that management compensation should reflect CSR implementation ([Jian & Lee, 2015](#)).

Introducing CSR_REM, has significant potential to promote firm CSR practices ([Flammer et al., 2017](#); [Maas, 2018](#)) as executives increase their effort in accordance with their pay, demonstrating that it has a motivational effect ([Buck, Liu, & Skovoroda, 2008](#)). In addition, CSR_REM also positively influences stakeholder engagement. While managers may well perceive a relevance of stakeholder engagement in respect to long term value creation, they might be reluctant to address all stakeholder claims due to heterogenous and often conflicting nature of stakeholder interests. For example, customers may have short term claims about pricing, while the local community have long term claims about a firm's social engagement. Managers have to balance these divergent and conflicting interest. Under the influence of short term career horizons ([Oh, Chang, & Cheng, 2016](#)) and the pressure to meet earnings forecasts ([Choi, Lee, & Park, 2013](#)), managers often prefer short term interests, despite the significant financial materiality of long term interests ([Flammer et al., 2017](#)). In order to redirect a manager's focus to long-term interests (especially those relating to the local community and the environment), a firm needs to provide proper incentives for the integration of CSR criteria in a manager's remuneration package. Thus, in line with agency and stakeholder theories, the implementation of CSR_REM has greater substance than symbolic codes of conduct ([Flammer](#)

[et al., 2017](#); [Jain & Jamali, 2016](#); [Zou, Zeng, Lin, & Xie, 2015](#)), a greater ability to reduce agency conflicts and the promotion of responsible business practices among NZX listed firms.

Table 6.4: AHP Weights and Rank of the Main Criteria for CSR Implementation

Criteria	Non-normalised			Normalised		
	Saaty Scale	Weights	Rank	Saaty Scale	Weights	Rank
OC	9	0.3788	1	9	0.4203	1
TMT	7	0.2778	2	7	0.2430	2
BoDs	5	0.2475	3	5	0.1898	3
CSR_REM	5	0.0960	4	5	0.1470	4
Column Sum		1.00			1.00	

Note: In Table 6.3 OC, TMT, BODs and CSR_REM represent Organisational Code, Top Management Team, Board of Directors and CSR linked remuneration, respectively.

Source: Author's Compilation

This study further analysed the '*level 3- sub criteria*' (See, Figure 6.3) to determine respondent's priorities. Table 6.5 shows the sub criteria ranking based on AHP local weights and global weights. The results for local weights shows that 'BoDs responsibility for ethical conduct (BoDs3)' are the most preferred (60%) board activity for CSR, compared to 'BoDs regular review CSR (BoDs1)' and 'BoDs level CSR committee (BoDs2)' that each received a weighted score of 20%. These findings are in line with the New Zealand Health and Safety Act (2015) which emphasises the board's role in ensuring these requirements are met ([Institute of Directors in New Zealand, 2016](#)).

The results for the TMT sub criteria shows that the majority of these indicators, such as 'CEO responsibility for CSR reinforcement (TMT1)', 'CEO regular review CSR (TMT2)', 'management commitment for CSR (TMT3)', and 'management inspiration for CSR (TMT4)' are equal in terms of respondent preference (21.4 %). The 'presence of CSR manager (TMT5)' and 'stakeholder consultation (TMT6)' were given the lowest respondent ranking (7.1 %). The least preference of TMT5 and TMT6 are correlated with a lack of formalised CSR programmes. As [Dobbs and Van Staden \(2016\)](#) findings reveal, New Zealand firms lack formal CSR programmes, hence this result seems justified.

Finally, the global weights obtained by multiplying the local weights of the sub-criteria (the second level in the hierarchy) with the weights of the main criteria (the first level in the hierarchy) confirms respondent's priorities around CG mechanisms in terms of CSR implementation.

Table 6.5: AHP Weights and Rank of the Sub Criteria for CSR Implementation

Criteria	Sub-criteria	From Normalised Pairwise Matrix			
		Local Weights	Local Rank	Global Weights	Global Rank
BoDs	BoDs1	0.200	2	0.039	3
	BoDs2	0.200	2	0.039	3
	BoDs3	0.600	1	0.110	2
TMT	TMT1	0.214	1	0.110	2
	TMT2	0.214	1	0.110	2
	TMT3	0.214	1	0.110	2
	TMT4	0.214	1	0.110	2
	TMT5	0.071	2	0.039	3
	TMT6	0.071	2	0.039	3
OC		1.000	1	0.257	1
CSR_REM		1.000	1	0.039	3

Note: In Table 6.3 BoDs regular review of CSR (BoDs1), BoDs level of CSR committee (BoDs2) and BoDs responsibility for ethical conduct (BoDs3) are sub criteria of Board of Directors (BoDs), whereas CEO responsibility for CSR reinforcement (TMT1), CEO regular review of CSR (TMT2), management commitment to CSR (TMT3), management inspiration for CSR (TMT4), presence of CSR manager (TMT5) and 'stakeholder consultation (TMT6) are sub criteria for Top Management Team (TMT). OC and CSR_REM reflect organisational codes and CSR linked remuneration, respectively.

Source: Author's Compilation

6.6 Organisational CSR Practices

Interviews results, reported in Chapter 5, specified five types of CSR programmes (i.e. Employee CSR, Customer CSR, Supplier CSR, Community CSR, and Environment CSR) and their sub-indicators for each of these programmes. However, despite identification of these CSR programmes, a key question remains: Are these CSR programmes and their indicators evident in other NZX listed companies or do companies equally weight these CSR programmes? We selected these five programmes as the main criteria and their indicators as sub-criteria for assessment (as shown in Figure 6.4), with an aim of evaluating whether any of the main programmes and sub-criteria are considered to be more important (indicated by a higher score).

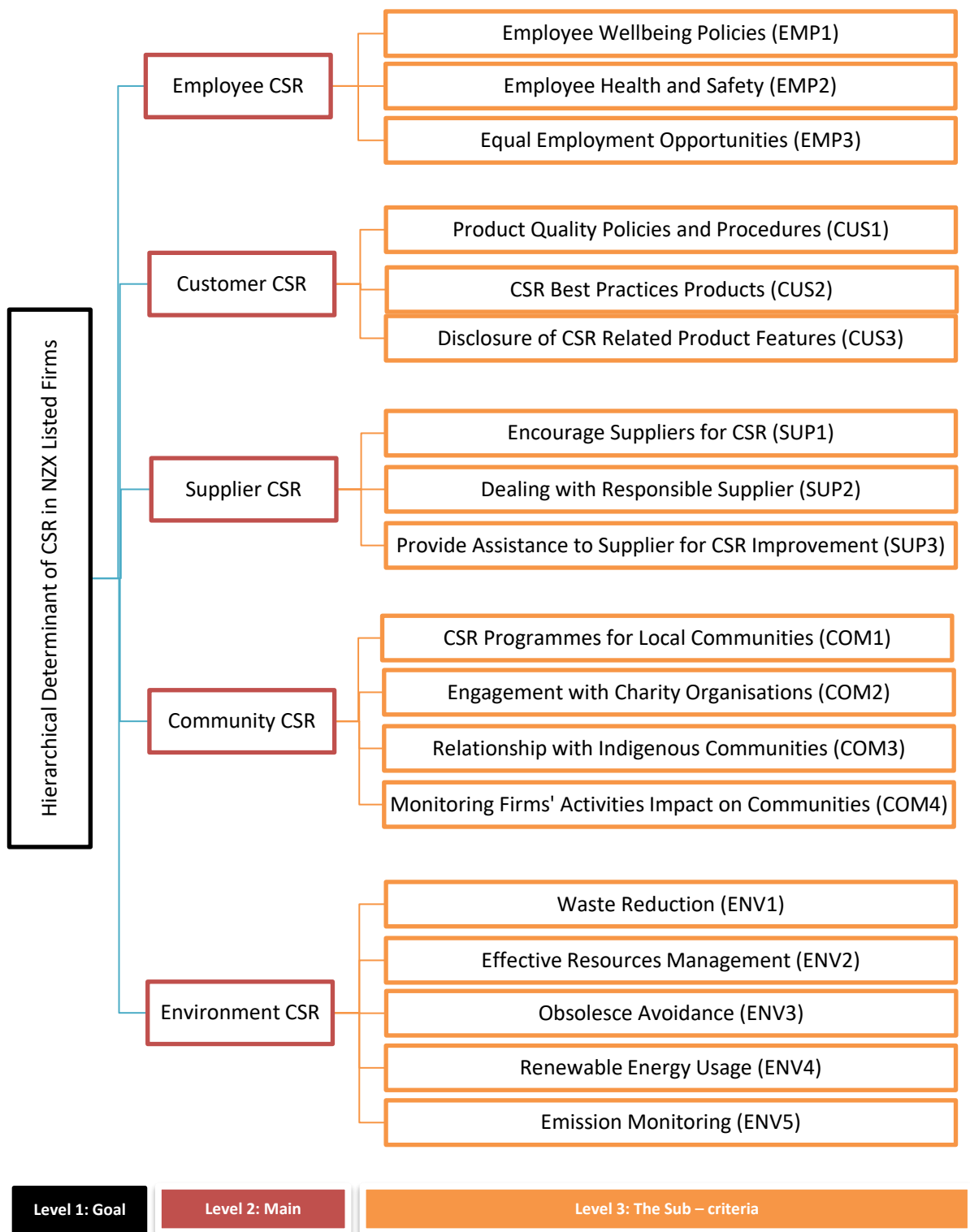


Figure 6.4: Hierarchy for Organisational CSR Practices (Source: Author's Compilation)

Table 6.6 shows AHP results obtained for the main criteria. The results suggest that four of these programmes (i.e. employee CSR, customer CSR, community CSR and environment CSR) received higher but equal weightings (i.e. 23.08 %) than supplier CSR (7.69 %). This illustrates low commitment of New Zealand firms with respect to supplier related CSR. The lower practices across supplier related CSR might be due to business environment of New Zealand.

Local companies in New Zealand consider climate change as high priority due to the 2008 emission trading schemes. These findings are in line with recent [ACCSR \(2017\)](#) survey that found only 22 % of New Zealand firms announce policy commitment for supplier related CSR aspects.

However, considering the strategic importance of supply chain management, CSR practices among supply chains are inevitable. Firms might possess exemplary records in other CSR dimensions (for example, employee, community, environment, investors and customers), however ignorance of supplier related CSR practices have a greater potential to affect a company's corporate citizen image ([Lee & Kim, 2009](#)). For instance, we have witnessed public boycotts of specific product for failing to maintain responsible supply chain practices ([Locke & Romis, 2007](#)). Considering the importance of supplier related CSR practices, and a growing number of legislative restrictions and international standards which relate to the environment, labour standards and human rights, it is imperative for NZX listed firms to accentuates supplier related CSR issues.

The findings are interesting as generally it is considered that firms operating in Anglo Saxon countries, such as the US, Australia and New Zealand emphasise external CSR mechanisms (i.e. focusing on external stakeholders) ([Dobbs & Van Staden, 2016](#); [Maignan & Ralston, 2002](#); [Matten & Moon, 2008](#)) than internal CSR (i.e. focusing on internal stakeholders). While, firms operating in non-Anglo Saxon countries, such as Japan and Europe, follow internal CSR or employee CSR ([Jackson & Apostolakou, 2010](#)), these results suggest that even though firms in New Zealand focus on explicit CSR, they still view implicit CSR (i.e. employee CSR) as part of normative compliance ([Carroll, 1991](#)).

Table 6.6: AHP Weights and Rank of the Main Criteria for CSR Programmes

Criteria	Non-normalised			Normalised		
	Saaty Scale	Weights	Rank	Saaty Scale	Weights	Rank
Employee CSR	7	0.2308	1	7	0.2308	1
Customer CSR	7	0.2308	1	7	0.2308	1
Community CSR	7	0.2308	1	7	0.2308	1
Environment CSR	7	0.2308	1	7	0.2308	1
Supplier CSR	5	0.0769	2	5	0.0769	2
Column Sum		1.00			1.00	

Source: Author's Compilation

Table 6.7 shows the sub criteria rankings based on AHP local weights and global weights. The results for local weights in Table 6.7 show that 'employee health and safety (EMP2)' is considered the most influential (60 %) CSR practices, followed by 'employee wellbeing policies (EMP1)' and 'equal employment opportunities (EMP3),' with each having equal weightage (20%) among respondent firms. This finding indicates recent measures by the New Zealand government to promote employee health and safety (H&S) in 2015 are effective and that firms consider H&S issues as the number one priority among their employee related CSR practices. In addition, the regulatory nature of employee health and safety often motivates firms to accord priority to this CSR factor. Ignorance of H&S regulations often sparks regulatory intervention ([Montero, Araque, & Rey, 2009](#)). Thus, management prioritisation of employee health and safety promotion can be justified and is in line with prior literature. ([Cowper-Smith & de Grosbois, 2011](#)). However, considering the significance associated with employee wellbeing (for example, it is associated with lower levels of employee turnover and high firm performance), it is beneficial for firms to prioritise and subsequently frame 'employee wellbeing policies'.

In terms of the 'customer CSR' sub criteria, 'product quality policies and procedures (CUS1)' have received the greater attention (60%), compared to 'CSR best practices products (CUS2)' and 'disclosure of CSR related product features (CUS3)' with 20% each. This finding indicates that firms are fully aware that product quality has tangible benefits - as product quality is associated with customer satisfaction ([Hill & Alexander, 2017](#)) and firm profitability ([Malshe & Agarwal, 2015](#)). However, a lower preference for 'disclosure of CSR related product features (CUS3),' such as environmentally friendly labels shows that firms are not fully recognising the added benefits associated with these practices. This is not surprising as the CSR concept is still new but growing among New Zealand firms and demands from the customer for CSR related products will push firms to provide additional information.

Supplier CSR received a lower but equal preference (33%) among all three indicators; that is, 'encourage suppliers for CSR (SUP1)', 'dealing with responsible suppliers (SUP2)', and 'provide assistance to supplier for CSR improvement (SUP3)'. Given the importance of supplier related CSR, these findings are somewhat surprising. The majority of supplier related scandals for labour abuses across the world for reputed companies (for example, Nike and Adidas) have fuelled negative public sentiments ([Ganesan, George, Jap, Palmatier, & Weitz, 2009](#); [Locke & Romis, 2007](#)). This has resulted in an undesirable impact on these company's reputations, leading to

declining sales. A significant number of New Zealand brands are manufactured overseas,¹⁹ like China, Bangladesh, Vietnam, and India, where the CSR concept is not widely recognised (Chapple & Moon, 2005). Therefore, it is recommended that New Zealand companies promote supplier related CSR practices across their global supply chain.

Table 6.7: AHP Weights and Ranking of Sub Criteria for CSR Practices

Criteria	Sub-criteria	Normalised Pairwise Matrix			
		Local Weights	Local Rank	Global Weights	Global Rank
Employee CSR	EMP1	0.200	2	0.046	2
	EMP2	0.600	1	0.138	1
	EMP3	0.200	2	0.046	2
Customer CSR	CUS1	0.600	1	0.138	1
	CUS2	0.200	2	0.046	2
	CUS3	0.200	2	0.046	2
Supplier CSR	SUP1	0.333	1	0.026	4
	SUP2	0.333	1	0.026	4
	SUP3	0.333	1	0.026	4
Community CSR	COM1	0.250	1	0.058	3
	COM2	0.250	1	0.058	3
	COM3	0.250	1	0.058	3
	COM4	0.250	1	0.058	3
Environment CSR	ENV1	0.200	1	0.046	2
	ENV2	0.200	1	0.046	2
	ENV3	0.200	1	0.046	2
	ENV4	0.200	1	0.046	2
	ENV5	0.200	1	0.046	2

Note: In Table 6.6 Employee Wellbeing Policies (EMP1), Employee Health and Safety (EMP2) and Equal Employment Opportunities (EMP3) are sub criteria of Employee CSR, whereas Product Quality Policies and Procedures (CUS1), CSR Best Practices Products (CUS2), Disclosure of CSR Related Product Features (CUS3) represent sub criteria of Customer CSR. Supplier CSR sub criteria include Encourage Suppliers for CSR (SUP1), Dealing with Responsible Supplier (SUP2), and Provide Assistance to Supplier for CSR Improvement (SUP3), while CSR Programmes for Local Communities (COM1), Engagement with Charity Organisations (COM2), Relationship with Indigenous Communities (COM3) and Monitoring Firm Activities Impact on Communities (COM4) reflects sub criteria for Community CSR. Finally, Waste Reduction (ENV1), Effective Resources Management (ENV2), Obsolesce Avoidance (ENV3), Renewable Energy Usage (ENV4), and Emission Monitoring (ENV5) are sub criteria of Environment CSR.

Source: Author's Compilation

¹⁹ See The NZ Herald (2018): Revealed: Where your favourite NZ brands are really made, https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12047848

Community CSR and Environment CSR – both received equal but greater attention across all sub criteria. Under community CSR, CSR programmes for local communities (COM1), engagement with charity organisations (COM2), relationship with indigenous communities (COM3) and monitoring firm’s activities impact on communities (COM4) all received a score of 25%. These results could be interpreted under the legislative structure of New Zealand (for example, the Treaty of Waitangi) which encourages business to maintain a good working relationships with indigenous communities. Under environment CSR, the study found that waste reduction (ENV1), effective resources management (ENV2), obsolescence avoidance (ENV3), renewable energy usage (ENV4), and emission monitoring (ENV5) received greater but equal (20 %) emphasises from firm’s management. These major sub-criteria of environmental CSR are in line with [Cowper-Smith and de Grosbois \(2011\)](#) and [Kuo, Kremer, Phuong, and Hsu \(2016\)](#) studies, which all found the same sub criteria among deciding factors in shaping CSR adoption from an environmental standpoint. These results for community CSR and environmental CSR sub criteria are consistent with [Loosemore, Lim, Ling, and Zeng \(2018\)](#) and [Dobbs and Van Staden \(2016\) work which all note the](#) significance of community and environmental CSR practices across New Zealand firms.

Global weights were obtained by multiplying the local weights of the sub-criteria (the second level in the hierarchy) with the weights of main criteria (the first level in the hierarchy). They show that employee and customer CSR are most preferred by NZX listed companies – followed by community and environmental CSR which were both equally weighted. Supplier CSR results are consistent with this thesis’ earlier findings; supplier CSR is the least preferred among listed firms.

6.7 CSR Benchmarks

Most leading companies across the world benchmark their CSR activities because it is considered advantageous to do so ([Chabowski, Mena, & Gonzalez-Padron, 2011](#)). For instance, through benchmarking companies can enhance transparency as a benchmark provides them an individual measure of their CSR progress. This also enables stakeholders to evaluate a specific firm ([Graafland et al., 2004](#)). In addition, a firm can also signal its CSR activities to stakeholders through the adoption of typical benchmark.

Concurrently, the first phase of current research revealed that despite following GRI, the NZX listed firms also adopt others benchmarks for CSR (See Chapter 5). To test the results of

benchmarks obtained during the qualitative phase, and considering the limited number of studies on CSR benchmarking ([Björklund, 2010](#); [Weber, 2008](#)) both in general and specific to New Zealand, we asked respondents to provide information about the benchmarking standards that their organisations use.

Table 6.8 (panel A shows), the results for the number of CSR benchmarks while panel B revealed the different CSR benchmarks used by respondent firms. The majority of sampled firms (63.41%) use at least one CSR benchmark, compared with (36.59%) of firms that do not have any. In addition, the findings also indicate the dominance of firms with single benchmarks (36.59%), followed by 17.07% of firms which use three and more benchmarks.

Table 6.8: Assessment of Benchmarks for CSR

	Frequency	Percentage	Rank
Panel A: Number of Benchmark			
One Benchmark	15	36.59 %	1
Two Benchmark	4	9.76 %	3
Three and more Benchmark	7	17.07 %	2
No Benchmark	15	36.59 %	1
Panel B: Type of Benchmark for CSR			
Enviro-mark	7	15.56 %	3
GRI	13	28.89 %	1
Internal Benchmark	13	28.89 %	1
Other Benchmark*	12	26.67 %	2

Note: Other benchmark are those that respondents identified. Figure 6.2 reflects the graphical illustration of 'other benchmark' for CSR.

Source: Author's Compilation

In addition to a number of benchmarks for CSR, panel *B* reports the results for type of benchmark, identified by the sampled firms. Panel *B* of Table 6.8 indicates the dominance of GRI and internal benchmarks, with equal shares (28.89%). This was followed by the Enviro-mark with 15.56%. However, a significant number of respondents (26.6%) also provided information about 'other benchmarks'. The breakdown of 'others benchmarks,' as presented in Figure 6.5, reveals the adoptability of the Carbon Disclosure Project, Dow Jones Sustainability Indices, Certified Emissions Measurement and Reduction Scheme (CEMARS) and ISO 9001 as CSR benchmarks.

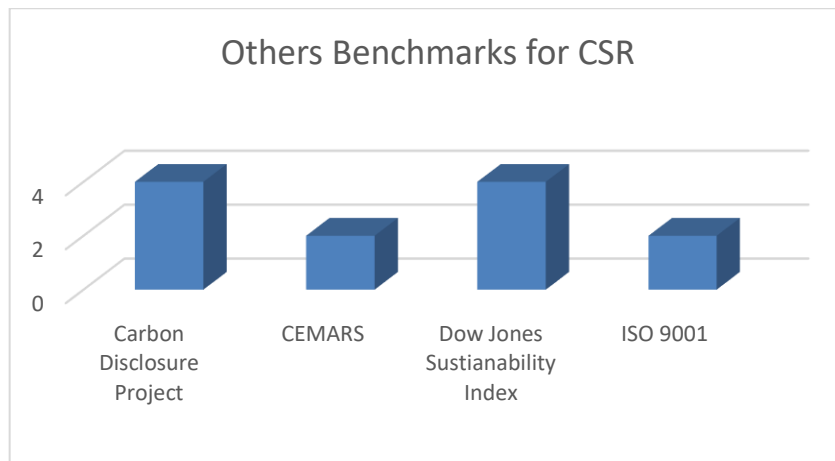


Figure 6.5: Others Benchmark Adopted by NZX Listed Firms (Source: Author's Compilation)

Overall the majority of these benchmarks (i.e. the Enviro mark, CDP and CEMARS) cover a large portion of environmental CSR – suggesting that NZX listed firm’s focus is on legitimising their environmental practices. Although, we acknowledge NZX listed firms efforts for benchmarking their CSR action, despite CSR being a voluntary concept in New Zealand, our results suggest that a significant number of companies fails to adopt any benchmarks – which is concerning in terms of accountability ([Cleek & Leonard, 1998](#)).

Benchmarking improves firm accountability for stakeholders. When a score is constructed, it is much easier for stakeholders to express their approval/disapproval. The stakeholder can evaluate whether the firm has improved by comparing with current scores with previous ones ([Graafland et al., 2004](#)). Accountability is also important for the firms themselves. Firms are able to identify their weaknesses and may choose to hold some of their employees/managers accountable for their lack of adherence to CSR policies. Therefore, it is recommended that firms not only consider benchmarking their CSR activities but also that they should adopt multiple benchmarks to ensure that they cover all aspects of CSR (from employee CSR to supplier CSR programmes).

6.8 CSR Communication

The systematic integration of social, environmental and ethical aspects into core business operations in collaboration with stakeholders has become integral to the corporate world ([Du, Bhattacharya, & Sen, 2010](#); [Flammer et al., 2017](#)). Today firms cannot afford to distance themselves from CSR activities and must communicate their activities to their stakeholders ([Cheney, Christensen, Zorn Jr, & Ganesh, 2010](#)). While formal structures, policies, codes are

central for the successful implementation of CSR, without communication, they have little or no effect ([Amaladoss & Manohar, 2013](#)).

Debates about CSR are also shifting from public relations and communication management to issues of competitive advantages. The need for, and benefits of, proactive and transparent communication about CSR are also widely acknowledged ([Amaladoss & Manohar, 2013](#); [Du et al., 2010](#)). To sustain a competitive advantage firms must employ multiple communication channels to transmit information about their CSR activities to their stakeholders ([Gomez & Chalmeta, 2011](#)). Methods can include posting information on their websites, annual reports, newsletters and standalone CSR reports ([Amaladoss & Manohar, 2013](#); [Dawkins, 2005](#)). Moreover, the results generated from the previous stage (see Chapter 5) indicate that firms in New Zealand adopt multi-communication channels to communicate their CSR practices. To test the findings of the previous study, we asked respondents for information about their firms' communication channels.

Table 6.9 shows the results for the number (i.e. Panel A) and type (i.e. Panel B) of communication channels for CSR. The results in panel A indicate that the majority of firms (95 %) communicate their CSR practices to stakeholders using multiple channels (83% use two or more). Previous research has indicated that firms use multiple sources to communicate their CSR activities for added benefits ([Gomez & Chalmeta, 2011](#); [Maignan, Ferrell, & Hult, 1999](#)).

Table 6.9: Assessment of Communication Channels for CSR

	Frequency	Percentage	Rank
Panel A: Number of Channels			
One Channel	5	12%	4
Two Channels	15	37%	1
Three Channels	9	22%	2
Four Channels	6	15%	3
Five Channels	4	10%	5
No Communication	2	5%	6
Panel B: Type of Channels			
Company Website	36	33.96 %	1
Social Media	12	11.32 %	3
Newsletter	14	13.21 %	2
Annual Report	36	33.96 %	1
Standalone CSR Report	8	7.55 %	4

Source: Author's Compilation

In addition to number of channels used for CSR communication, Table 6.9 also shows the type of channels used. The results indicate that annual reports and company websites received significant importance (97.92% in total) among respondent firms, compared with other communication channels such as newsletters (13.21%), social media (11.32%), and standalone CSR reports (7.55%). These findings are consistent with the explicit CSR approach in North American ([Matten & Moon, 2008](#)), which has a strong tradition of philanthropic giving that seems to encourage stakeholders to welcome more conspicuous CSR communication (i.e. annual reports, website). This is direct contrast to the European model which tends to be more implicit and less conspicuous in its CSR approach.

The use of annual reports and company websites have often been criticised because the flow of information over these channels requires management approval ([Cheney et al., 2010](#); [Sones, Grantham, & Vieira, 2009](#)). However, the channels that are difficult to influence, such as the media, social media, customer and employee word of mouth seem more credible as messages through these channels cannot be influenced by firm management ([Du et al., 2010](#)). Therefore, good communication using social media and other internal communication channels needs to be encouraged for effective CSR integration among NZX listed firms.

6.9 Conclusion

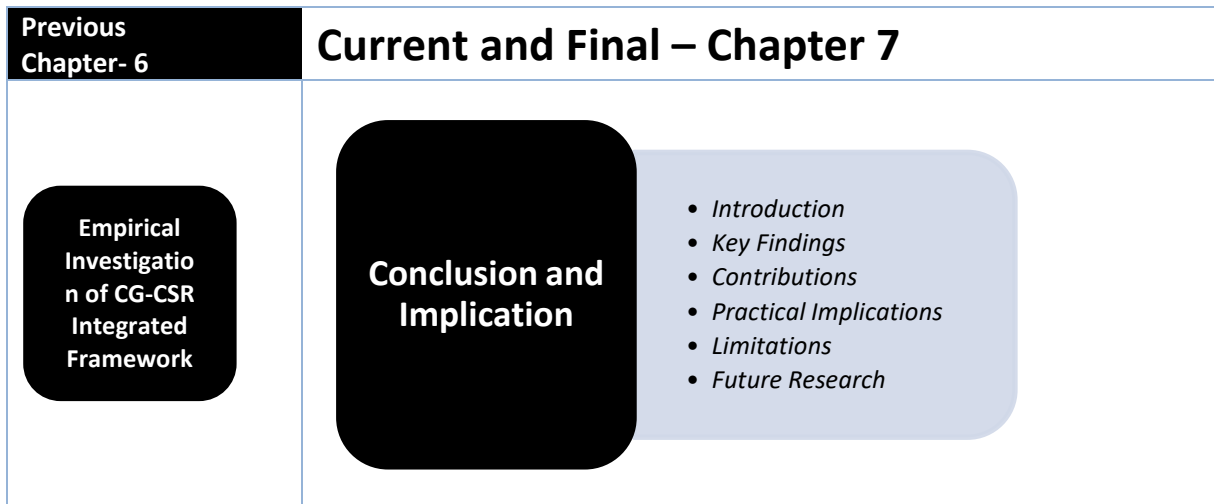
This chapter has tested the CG-CSR integrated framework proposed in Chapter 5 using a wider sample of NZX listed firms to answer the third research question. Extensive data obtained through online and paper-based survey questionnaires was analysed using the AHP and descriptive statistics. The findings were illustrated using six steps process. First, the results for stakeholder pressure for CSR using AHP shows that employees, investors, government institutes and society are equally important for CSR among NZX listed firms. This is followed by global institutes and peers who were found to have relatively less importance and see to exhibit less pressure on firms to act responsibly. These findings are not only consistent with the qualitative findings about stakeholder pressure for CSR but also add a priority dimension to the earlier findings. Second, the results for CG mechanism adoption for CSR planning, confirming the earlier findings, suggest the dominance of TMT over board and CSR managers. Third, the AHP results for CG mechanisms for CSR implementation reflects the dominance of the code of ethics followed by TMT and board of directors – while CSR based remuneration

received less attention in regards to the implement of CSR practices. Fourth, the AHP results for CSR practices suggest that four of CSR programmes (i.e. employee CSR, customer CSR, community CSR and environmental CSR) receive higher but equal weightage than supplier CSR- illustrating inefficient supplier CSR understanding among NZX listed firms. Fifth, exploring the benchmarks for CSR highlighted that a significant number of NZX listed firms do not follow any benchmarking system for CSR evaluation. Organisations which do use benchmarks tend to rely on GRI and internal benchmarks with ample focus on environmental CSR. Finally, the results for CSR communication channels revealed the use of annual reports and company websites as the top priorities of NZX listed firms, with scant focus on social media and standalone CSR reports. Overall the study results presented in current chapter confirm the proposed model generalisability among NZX listed firms.

The next chapter concludes the thesis by presenting the study's key findings. The chapter includes information about the study's contribution, practical implications, limitations and potential avenues for future research.

Chapter 7

Conclusion and implications



7.1 Introduction

Current reviews of CG and CSR illustrate the dominance of causal CG and CSR models, using varied governance characteristics with the core purpose of ‘doing good’ and ‘preventing harm’ (Jain & Jamali, 2016). However, how these characteristics are linked together to shape businesses’ CSR outcomes is rarely addressed in the prior literature. Hence, the purpose of this thesis was to explore the relationship between CG and CSR and to develop and test a CG-CSR integrated framework. One of this thesis’ aims was to provide insights into CG and CSR relationship and best practice suggestions for integration. Chapters 4 to 6 outlined the organisational CG and CSR practices and the sampled firms understanding about the CG and CSR relationship. The later chapter also developed a CG-CSR integrated framework and tested it. This thesis included interview and survey material from senior managers of NZX listed firms, using both qualitative and quantitative research methodologies.

This chapter concludes the thesis. It provides an overview of the thesis’ key findings and describes its contribution, implications limitation and suggestion for future research. Section 7.2 summarises the key findings. Section 7.3 presents the thesis’ contributions to the literature, theory and methodology. Section 7.4 discusses the practical implication of this research. Section 7.5 outlines the limitations and potential avenues for future research.

7.2 Key Findings

This thesis provides important insights into the relationship between CG and CSR and has provided a CG-CSR integration framework. Using a mixed methods approach, the thesis was able to gain an in-depth understanding of the CG-CSR interface and proposed a CG-CSR integration in an environment, where CG practices follow a 'comply or explain' regime and CSR is considered a voluntary activity.

7.2.1 The CG and CSR Relationship

CG and CSR are two extremely important issues for listed companies globally ([Aguilera, Judge, & Terjesen, 2018](#); [Schembera, 2018](#)). The underlying relationship between CG and CSR is centred on the thought that organisational activities can have a massive impact on stakeholders and the external environment. Therefore, it is important to understand CG-CSR cross connections and interdependencies. Despite growing interest in CG and CSR research, the exact nature of the relationship is unclear in the prior literature ([See, Jain & Jamali, 2016](#)) leading to this study's first research questions (RQ1) – what is the relationship between CG and CSR? To understand the CG-CSR relationship, the current study asked respondents about their organisational views on CG and CSR. More specifically, respondents were asked if there is any relationship between CG-CSR and to explain the nature of this relationship. The thematic analysis of the collected data is discussed in the subsequent sections.

CG and CSR Assessment

The assessment of sampled NZX listed companies (see Figure 7.1) indicates a moderate level of awareness and engagement of management with CG and CSR issues and what they entail. All interviewees discussed the ways in which their firms integrated multiple CG aspects into their firms practices, with the most frequently highlighted aspects revolved around compliance, transparency and disclosure. The CG assessment showed highly concentrated ownership structures (in all cases), well-structured and gender diverse boards (which include board independence, board committees, and a minimum of one woman and a maximum of five women on average, with a board size of eight directors), the presence of organisational codes (in all twelve cases). Only a limited number of firms have remuneration policies for board members as well as executives (five out of twelve) and very few followed a CSR based matrix for executive remuneration (five out of twelve).

CG Practices	CSR Concept	Barriers for CG and CSR Adoption
<p>Board Structure</p> <ul style="list-style-type: none"> Board Gender Diversity (100 %) Board Independence (100 %) Board Committees (100%) <p>Ownership Structure</p> <ul style="list-style-type: none"> Concentrated Ownership <p>Executive Remuneration</p> <ul style="list-style-type: none"> Remuneration Policy (42%) CSR Linked Remuneration (42%) <p>Organisational Codes (100%)</p> <p>Organisational Disclosure (100%)</p>	<p>Community-related Aspects</p> <ul style="list-style-type: none"> Gender Diversity Promotion Sponsoring Sports Events Cost-effective Services Community Engagement <p>Environmental Related Aspects</p> <ul style="list-style-type: none"> Emission Reduction Initiatives Waste Reduction 	<p>Barriers for CG Practices</p> <ul style="list-style-type: none"> Compliance Costs Lack of Shareholder Activism <p>Barriers for CSR Practices</p> <ul style="list-style-type: none"> Lack of Resources The Complexity of CSR Framework Limited Understanding of CSR

Figure 7.1 : Assessment of CG and CSR Practices (Source: Author's Compilation)

These CG practices indicate the balanced CG structure. The strength of these reported CG practices can be attributed to the NZX strategic guidelines and the regular monitoring of internal control mechanisms. These practices are in line with the agency theorist view ([Jensen & Meckling, 1976](#)) unlike CSR practices which are voluntary. Despite having good CG practices, respondent highlighted compliance costs and a lack of shareholder pressure as barriers for promote best CG practices. The lack of shareholder activists seems inherited issue that NZX listed firm is facing. Even though NZX listed firms have higher levels of institutional ownership and tend to be highly concentrated, their ability or willingness to monitor firm management is at best weak ([Jiang, 2009](#)). One of the potential reason for ineffective shareholder pressures seems related to geographically disperse ownership patterns ([Jiang, 2009](#)). Therefore, it is recommended that local institutional shareholding needs to be improved for effective monitoring. While compliance costs were identified as a barrier to CG practices, respondents indicated that this is largely dependent on firm size. Respondents were in an agreement that capital requirements should be linked to compliance. For instance, recent NZX regulatory changes that require firms to comply with ESG materiality, apply to all NZX listings. This increases compliance costs for small capital firms. Therefore, it is recommended that NZX considers capital requirements alongside new regulatory changes, which can significantly influence firm value.

In terms of CSR, the study found that CSR concept tend to be community and environmental related. Although the CSR concept across our sampled firms is dominated by community and environmental views, when it comes to practices, these firms also undertake multiple CSR activities, such as employee CSR (i.e. employee welfare practices), customer CSR (i.e. quality

oriented products) (see Chapters 5 & 6).

In addition, this study also found that despite following the Global Reporting Initiative Frameworks (GRI) which are voluntary, the majority of sampled companies also face barriers for effective CSR implementation: i) A lack of resources, iii) framework complexity, and iii) the limited understanding of CSR. The latter two justify the literature gap for the current thesis. These barriers (i.e. framework complexity, a lack of understanding and a lack of resources) have all been reported as common barriers to CSR implementation ([Lam & Lim, 2016](#)). However the majority of these issues are highly correlated with firm size; those which have lower levels of capital are more likely to be affected ([Sweeney, 2007](#)).

CG-CSR relationship Assessment

Second, in terms of the nature of CG-CSR relationship (shown in Figure 7.2), the study found three conjectures; CSR as a pillar of CG, CSR as a dimension of CG and the co-existence of CG-CSR. Among all three conjectures, CG as a pillar of CSR received significance consensus among respondents, which implies that effective CG leads to better engagement with CSR practices. Firms are thus more responsive to community and environment issues. This argument supports agency and stakeholder theory that argue organisations CG practices not only reduces the agency conflict but also protect the stakeholder's rights ([Aguilera et al., 2015](#)). CG, as a pillar of CSR conception also explores how different CG structures and processes impact firms' CSR policies and practices ([Jain & Jamali, 2016](#)). The vast majority of respondents noted the effectiveness criteria of several CG mechanisms (i.e. the composition of boards of directors, ownership structures, and CEO compensation) in determining firm-specific CSR performances (e.g. [Jo & Harjoto, 2014](#); [Kock et al., 2012](#)). Considering the voluntary nature of CSR among NZX listed firm, this conjecture is justified, as firms focus more on CG rather CSR.

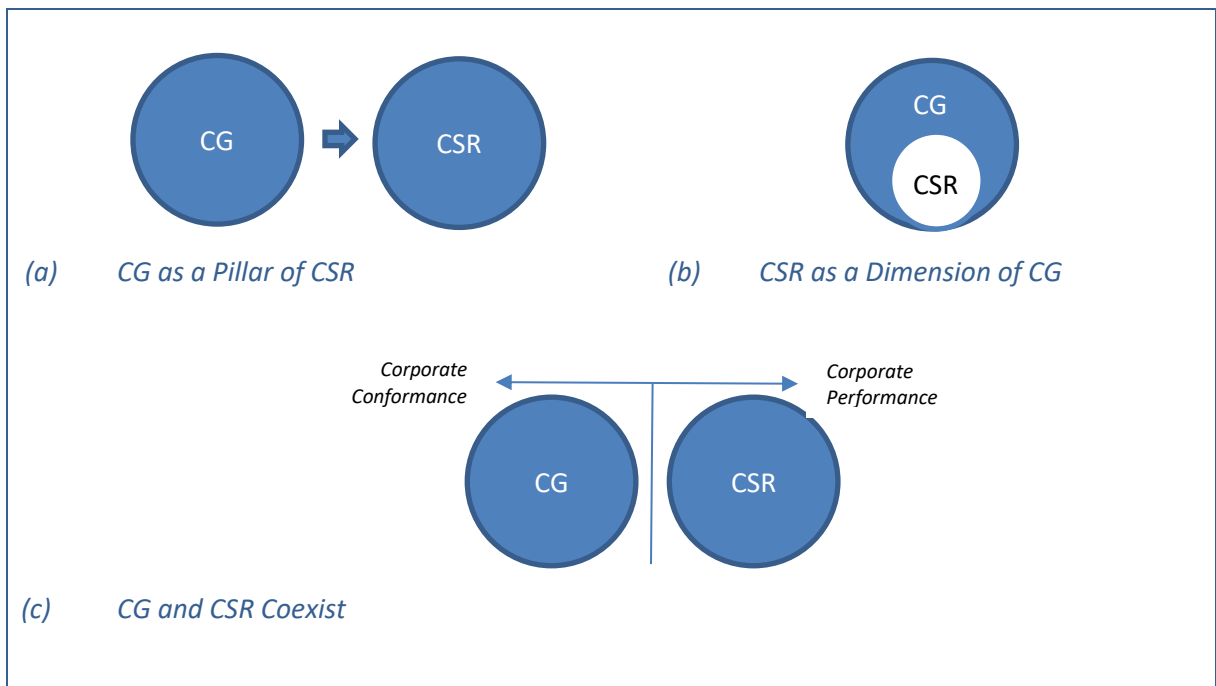


Figure 7.2 : The CG-CSR Relationship (Source: Author's Compilation)

However, the recent surge in corporate irresponsibility incidents (e.g. Enron, WorldCom, Volkswagen (VW), British Petroleum (BP), Wells Fargo, and the Air New Zealand²⁰ price-fixing cartel case 2002-2007) and punitive measures for these practices have not only heightened global interest in CSR but also made CSR an increasingly important policy matter for governance. For example, boards have started to pay more attention to CSR practices (Knudsen, Geisler, & Ege, 2013) and firms have started linking executive compensation with CSR performance (Flammer et al., 2017; Habib & Bhuiyan, 2017). More recently, different stock exchanges (i.e. ASX, NZX, BSE, and SGX)²¹ have added new regulations which require firms to report their environmental and social responsibilities. These new reporting requirements means that the CG-CSR can no longer be ignored that that it is crucial for business sustainability. The coexistence of CG and CSR protects shareholders from unlawful actions and prevents various actions which may be legal, but inappropriate in relation to their implications for specific constituencies or stakeholders (Jamali et al., 2008).

Despite the significance of CG-CSR coexistence, most of the sampled firm's management consider other CG-CSR conjunctures (CG as a pillar for CSR or CSR as a dimension of CG) more relevant. More specifically, we found that most of the firms still conceive of CSR as optional

²⁰ https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12078728

²¹ For more about the CSR guidelines for the Australian Securities Exchange (ASX), the Bombay Stock Exchange (BSE), the New Zealand Stock Exchange (NZX), and the Singaporean Exchange Limited (SGX) please see, [ASX Corporate Governance Council \(2014\)](#), [Bombay Stock Exchange \(2013\)](#), [New Zealand Stock Exchange \(2017\)](#) and [Singapore Exchange Limited \(2016\)](#)

and discretionary, rather than as an integrated attribute of organisational structure. This suggests limited support for the coexistence of CG-CSR.

Considering that the relationship between CG and CSR is centred on managerial thought and can have a massive impact on organisational stakeholders, we recommend firms should be accountable to a wider audience over and above their shareholders, by using an approach which sees them as having an equal footing. This approach not only depend upon the CG focus (shareholders vs stakeholders), but also on how CSR is framed within an organisation ([Jain & Jamali, 2016](#); [Kolk & Pinkse, 2010](#)). This issue is directly related to the thesis' second research question; how are CG-CSR integrated in an organisational context? (RQ2).

7.2.2 Development of the CG-CSR Integrated Framework – Qualitative Analysis

A significant number of studies have highlighted how firms struggle to achieve CSR integration ([Mason & Simmons, 2014](#); [Wickert & de Bakker, 2015](#)), due both to the complexity and lack of a CSR framework. This has led to calls for the development of CG-CSR integration framework ([Glavas, 2016](#); [Jain & Jamali, 2016](#); [Rasche, 2010](#)). In addition, the majority of our respondents in Chapter 4 also indicated CSR framework complexity and a lack of understanding about the CSR framework as major barrier for adaption among NZX listed firms. Therefore, the second research question (RQ2) of this thesis was undertaken, with the aim to develop an integrated CG-CSR framework.

Based on lived managerial experiences, the thesis proposed an integrated CG-CSR framework (see Chapter 5). The proposed integrated CG-CSR framework comprised of six steps (see Figure 5.2). First, in line with the stakeholder salience perspective ([see, Mitchell et al., 1997](#)), the framework identified two types of stakeholders: internal stakeholders (i.e. employees) and external stakeholders (i.e. investors and shareholders, local communities, governments, peers and global institutions), which firms believe have legitimate interests and actively seek management attention in relation to CSR ([see, Mitchell et al., 1997](#)). Second, in line with the stakeholder theory the framework identified the board of directors and the TMT involvement in CSR planning and development ([Mason & Simmons, 2014](#)). Third, it identified and discussed CG channels, including the board committees, top management teams, executive remuneration schemes and organisational codes used by firms to implement CSR activities. Fourth, it identified and explained CSR activities, both implicit CSR (i.e. employee) and explicit CSR (i.e. community, environment, customers and suppliers) that NZX firms undertake to

satisfy stakeholders' claims. Fifth, it highlighted the benchmarks used to assess and evaluate firms' CSR activities. Finally, it reported on communication channels used in reporting firms' CSR commitment and practices to stakeholders.

The integrated CG-CSR framework is in line with [Donaldson and Preston \(1995\)](#) proposed integrated version of stakeholder theory (i.e. descriptive stakeholder, instrumental stakeholder perspectives and normative stakeholders). The framework is 'descriptive' in the sense that first, it identified stakeholders (i.e. employees, investors, local communities, government, peers and global institutions) that were influential for CSR among our sampled firms. Second, it showed that our sampled firms used CG channels (i.e. board committees, top management teams, executive remuneration schemes and organisational codes) to address stakeholder claims for CSR. It has an 'instrumental' application as it demonstrated that our sampled firms have set targets and benchmarks to gauge their CSR performance. Finally, it is 'normative' as our sample firms used ethics as the basis for stakeholder management due to the voluntary nature of CSR in New Zealand.

Despite the strong theoretical support for the proposed CG-CSR framework, questions about its generalisability remained, requiring further analysis. This led to the third research question (RQ2a); can the CG-CSR integration framework identified in RQ2 be sustained over a larger population? The subsequent section discusses key findings for RQ2a.

7.2.3 Examination of the CG-CSR Integrated Framework – Quantitative Analysis

As discussed, the third research questions of this thesis, was undertaken to test the generalisability of the proposed CG-CSR framework over a wider sample (see Chapter 6) using a quantitative survey. The survey results obtained from the senior management of NZX listed companies confirmed the proposed model, while the use of the AHP technique illustrated priorities associated with the factors in the proposed CG-CSR integrated framework (shown in Figure 7.3). Figure 7.3 illustrates that the CG-CSR integrated framework is comprised of six stages (these were found using the qualitative interviews, discussed in Chapter 5). In addition, the graphical illustration of Figure 7.3 shows the AHP analysis of the CG-CSR integrated framework.

First, in terms of stakeholder pressure (stage 1), AHP identified employees, investors and shareholders, government and society equally contribute to CSR implementation, while global

institutes and peers receive less management attention. These results are in line with stakeholder theory which argues that organisations adopt CSR practices to satisfy stakeholders and to gain a competitive advantage ([Carroll, 1991](#)).

Second, in terms of CSR planning, the AHP results (stage 2) reflect the significant contribution of TMT, compared with the board and CSR managers. However, for CSR implementation (stage 3), firms rely primarily on organisational codes, TMT and the board of directors, followed by the least preferred governance mechanism (i.e. CSR based remuneration). These results suggest that at moment, NZX companies rely more on organisational codes for CSR implementation. However, considering the effectiveness debate associated with organisational code ([Cleek & Leonard, 1998](#)), this thesis suggests that firm management needs to consider alternative CG approaches to implement CSR practices. In addition, empowering TMT and the establishment of CSR managers or sustainability head roles would significantly accelerate the CSR journey ([Matten & Moon, 2008, p. 405](#); [McNulty & Davis, 2010](#); [Strand, 2013](#); [Wiengarten et al., 2017](#)).

In terms of the types of CSR practices (stage 4), the thesis found that a significant number of respondents allocate higher but equal weightings to employee CSR, customer CSR, community CSR, and environmental CSR compared with supplier CSR (see figure 7.3). These results suggest inefficient supplier CSR understanding among New Zealand listed firms. Considering the strategic importance of supply chain management, CSR practices among supply chain are inevitable. Ignoring supplier related CSR has a greater potential to hamper firms good corporate citizen image ([Lee & Kim, 2009](#)), destroy shareholder value and lead to customer boycotts ([Lee & Kim, 2009](#)). Therefore, considering the significance of supplier related CSR, it is recommended that management include supplier related CSR aspects for effective CSR integration.

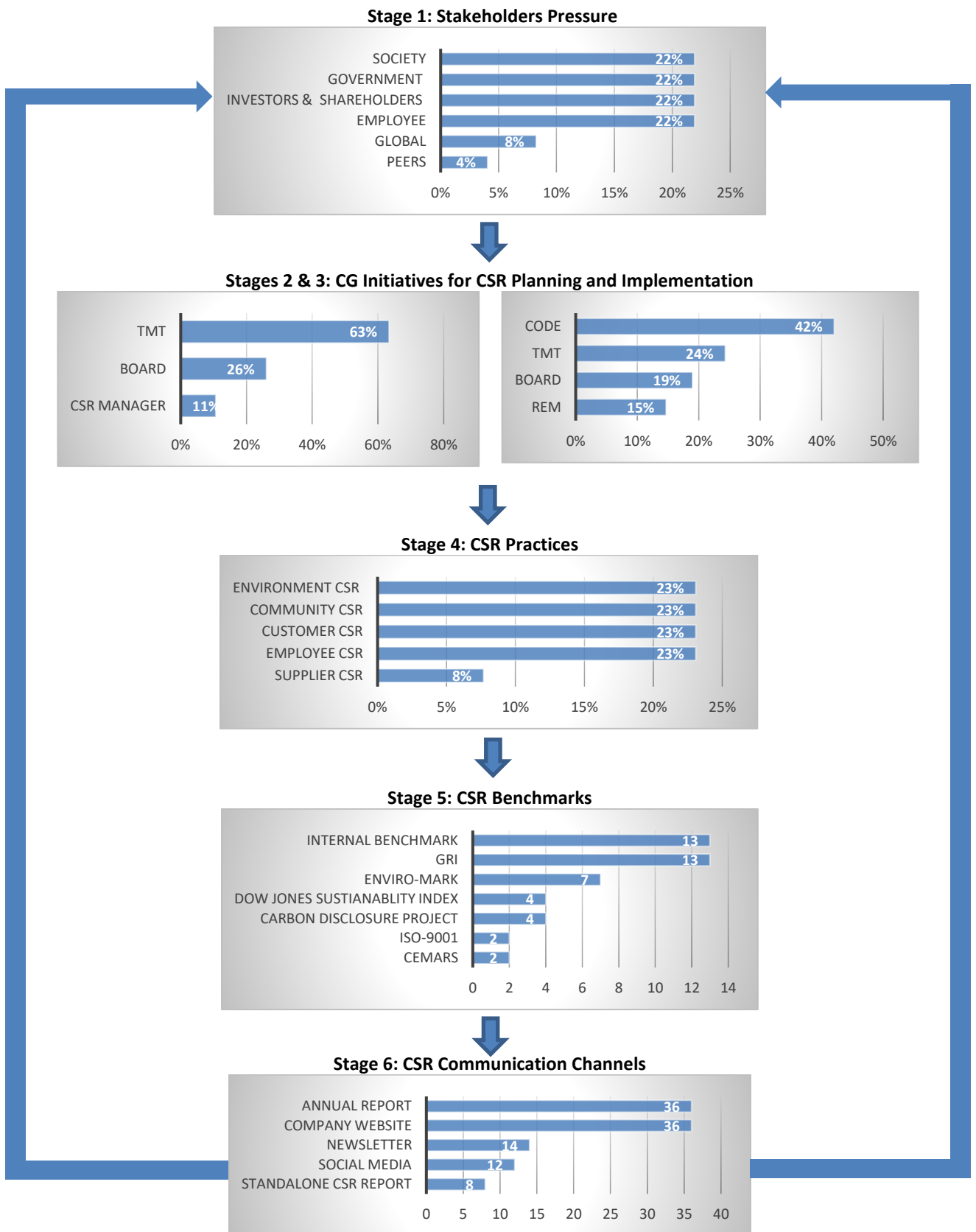


Figure 7.3: AHP Rankings for Stages of the CG-CSR Framework (Source: Author's Compilation)

Stage 5 of Figure 7.3 indicates the dominance of internal as well as GRI based CSR benchmarks among NZX listed companies. However, despite the added benefits associated with CSR benchmarking, such as enhanced transparency, stakeholder satisfaction and self-monitoring, we found a number of sampled firms fails to adopt any CSR benchmarking activities (see Chapter 6), which suggests a lack of CSR integration among these firms. Therefore, in order to enhance firm accountability, we recommend that firms not only adopt benchmarks but also to use multiple benchmarks to cover various CSR aspects ([Cleek & Leonard, 1998](#)).

Finally, stage 6 of Figure 7.3 highlights the dominance of company annual reports and websites as most preferred communication channels compared with least preferred CSR standalone reports. Standalone CSR reports refer to as separate compilations of social and environmental information ([Dilling, 2010](#)) and possess numerous benefits such as signalling a firm's commitment towards society and environment, its competitive advantage, and greater external scrutiny ([Thorne, S. Mahoney, & Manetti, 2014](#)). In order to receive the positive benefits associated with "good" corporate citizens, this thesis recommends that firms consider issuing standalone CSR reports.

Overall the results not only confirm the proposed CG-CSR integrated framework generalisability among NZX listed firms (see Chapter 5) and answer RQ2a, but also add a more nuanced perspective by illustrating the level of importance across multiple features of the framework.

7.3 Research Contribution

This thesis makes an important contribution to both CG and CSR fields in several ways: (i) it addresses gaps in the literature, (ii) provides additional insight in terms of theory and (ii) and contributes to methodological calls

7.3.1 Literature Contribution

This thesis contributes to both the CG and CSR literature. First, the thesis not only extends the research on CG-CSR ([Jain & Jamali, 2016](#)), but also adds a more nuanced perspective by explaining how CG-CSR are integrated at an organisational context. While previous studies have examined the CG-CSR relationship, much of the prior literature focuses only on why companies should adopt CSR, with very little attention paid to how this might be achieved

([Wickert & de Bakker, 2015](#)). The results of this thesis not only contribute to knowledge about CG, but also have important implications for the CSR literature.

In terms of CG literature, this thesis contributes to theory building by providing lived managerial evidence to support the shift from a shareholder dominant conception to a stakeholder or 'social entity conception' of the firms involved. It also contributes to the development of CG processes and structures in the CG- CSR literature by identifying existing CG structures and processes used to direct and control CSR.

The contribution to CSR literature is two-fold. First, there are some studies on CSR integration that either focus on ethical standards, processes, and performance ([Cegarra-Navarro & Martínez-Martínez, 2009](#); [Svensson & Wood, 2011](#)) or discuss CSR integration as core business strategies ([Castka et al., 2004](#); [Kleine & Von Hauff, 2009](#); [Vitolla et al., 2017](#); [Yuan et al., 2011](#)). There are limited studies which explore CG-CSR integration frameworks ([Mason & Simmons, 2014](#)). Despite progression in empirical, as well as theoretical literature, on CSR integration, to date, no study has considered lived managerial experiences in developing CG and CSR integrative frameworks. The current study resolves the CSR integration puzzle by showing how CSR is implemented using existing governance structures.

To this end, the results of the thesis not only contribute to the body of knowledge in the areas of CG and CSR, but also has important implication for CSR development in New Zealand. Despite the growing importance of CG and CSR research at a global level, research on the New Zealand context remains very limited, with little focus on CG-CSR integration. In New Zealand the majority of the studies have focused on CSR and CG individually and there has been very little attempt to understand CG-CSR interfaces. Considering NZX firms find it hard to integrate CSR practices ([Dobbs & Van Staden, 2016](#)), the proposed framework provides a foundation for the development of a formalised system for CSR integration. Finally, although the study focuses primarily on the CG and CSR relationship and integration, it also brings together important topics from across the literature including stakeholder engagement, CSR benchmarking and CSR communication.

7.3.2 Theory Contribution

The extensive review in Chapter 3 summarised existing theories related to CG and CSR that have been used in previous literature as well as their link with CG and CSR. Existing research

on the CG – CSR interface is embedded in agency or stakeholder theory, with both seeking to establish a causal relationships between two concepts (one argues that good CG leads to effective CSR, while the other finds none or a negative relationship between them) ([See, Jain & Jamali, 2016](#)). Little effort has been made to unravel the complex CG-CSR puzzle using an inductive approach. This limits the applicability of these theories in developing an understanding about lived firms operations.

Second, most of the researchers investigate descriptive (i.e. identifying relevant stakeholders and their CSR expectations) ([Sangle & Ram Babu, 2007](#); [Wallis, 2006](#)), instrumental or the effect of stakeholder management on fulfilment of firm objectives (for example, revenue enhancement, building social capital or capturing talent) ([Campbell, 2007](#); [Mathur et al., 2008](#)) or normative aspects, such as business purposes ([Hasnas, 1998](#); [Jamali, 2008](#)) versions of stakeholder theory, with scant focus on integrated stakeholder theory ([Hörisch et al., 2014](#)). The current thesis pursued an integrated version of stakeholder theory which considered descriptive, instrumental aspects of stakeholder theory, which is inextricably linked with normative values of stakeholder theory. The thesis thus contributes to the limited literature on integrated stakeholder theory ([Freeman, 2010](#); [Hörisch et al., 2014](#); [Mason & Simmons, 2014](#)).

The thesis' results raises questions about the applicability of some theories in relation to the role of the board in the decision-making process. For instance, agency and stakeholder theories repeatedly emphasise the board's role in CSR planning ([Jain & Jamali, 2016](#)), suggesting that the board has extended accountability to stakeholders. However, this research does not fully support the role of the board in CSR planning in New Zealand. In the context of NZX listed firms, agency and stakeholder theories may not be able to fully explain the link between CSR implementation and board participation. Future research needs to consider this when examining the CG-CSR nexus.

7.3.3 Methodology Contribution

The study's methodological contribution to CG-CSR research is twofold: First, most of the previous CG-CSR research has adopted a quantitative approach to examine the causal relationship between CG attributes and CSR ([Aguilera et al., 2015](#); [Jain & Jamali, 2016](#)). The majority of these studies have adopted a 'black-box approach' to consider the CG and CSR relationship and have found inconsistent results. This is, they have developed potential relationships without considering the contextual and firm realities. They have tested this

relationship using multiple statistical approaches. There have been repeated calls in the CG-CSR literature for qualitative research, especially using interviews ([Aguilera et al., 2015](#); [Jain & Jamali, 2016](#); [McNulty et al., 2013](#)). The QUAL + quant methodology adopted in this thesis contributes to prior literature and fulfils the academic calls for methodology rigour in CG – CSR research. Moreover, the AHP analysis in Chapter 6 also contributes to the limited but growing use of multi-criteria decision making in CG-CSR research – that, has to this point, been largely dominated by traditional statistical approaches like the Ordinary Least Square (OLS) and fixed/random effect models that suffer from endogeneity biases.

Second, the majority of CSR studies have adopted a third-party rating to assess CSR performance. This measurement approach suffers from validity and consistency issues ([Visser, Matten, Pohl, & Tolhurst, 2010](#)), and has received much academic criticism ([Chatterji, Durand, Levine, & Touboul, 2015](#); [Giannetti, Agostinho, Almeida, & Huisingh, 2015](#); [Rahdari & Rostamy, 2015](#)). This thesis adopted lived managerial perspective to evaluate CSR, contributing to CSR assessment calls ([Pisani et al., 2017](#)).

7.4 Practical Implications

The thesis' findings have practical implications for both, the regulators and listed firms. First, for regulators, the study's findings are relevant to the development of CG and CSR in New Zealand.

First, our integrative research which explains nature of CG-CSR relationship in the New Zealand context suggest that most respondents appreciate the increasing convergence between CG and CSR and believe that more robust CG frameworks will lead to more sustainable CSR practices. In this regard, our findings suggest that the CSR agenda is an extension of the CG agenda and is the responsibility of top leadership. As reported, the nature of a firm's CG practices set the overall tone for the organisation and can be used to entice managers to pursue organisational CSR goals and objectives.

Second, this thesis result indicates that empowering top management can accelerate the CSR integration process rather than the board. However, the NZX focuses more on the board's role in promoting CSR practices. Apart from the TMT role in CSR development, this thesis also highlights other CG mechanisms (that is, organisational codes, CSR based executive compensation and board committees) that are relevant for CSR development. The NZX current

guidelines for ESG are silent²² on these issues; it is hoped that as a result of this research, the NZX will revise its guidelines. Third, the findings are beneficial for firms seeking guidelines about how to incorporate CSR practices. Considering, the lack of a formalised system for CSR practices in NZX listed firms, the proposed CG-CSR framework engrained in a stakeholder perspective, provides a systematic guide for CG-CSR integration. The results are also useful for companies already using CSR practices as these result indicate multiple governance mechanisms that are correlated with CSR practices. For instance, the results highlight the significance of board CSR committee and TMT empowerment for CSR planning and implementation, along with the contribution of CSR based executive compensation. Firms seeking to improve their CSR scores should consider revisiting their governance arrangements to foster their CSR activities. Moreover, as many functions rely on the successful implementation of other functions, management need to invest in developing benchmarks and communication channels for effective CSR integration.

The thesis' findings are also beneficial for stakeholders, especially investors and shareholders, since stakeholders are considered to be key drivers for CSR implementation. This research has shown that well-developed CSR programmes require good CG structures and thus, stakeholder demands for CSR will not only result in effective governance but force companies to adopt more responsible business practices.

Fourth, the findings of this thesis are beneficial for education providers in developing the understanding of CG and CSR relationship among business students due to fact that *Business Ethics and CSR* concept is still in transition in New Zealand.

Overall the findings of this thesis are not only applicable to New Zealand companies, but also to all organisations and countries that adopt similar voluntary CSR practices with a 'comply or explain CG' regime.

²² See. NZX Guidance Note for ESG: https://s3-ap-southeast-2.amazonaws.com/nzx-prod-c84t3un4/comfy/cms/files/files/000/002/940/original/Amended_NZX_ESG_Guidance_Note_-_11_December_2017_%28final_for_publication%29.pdf

7.5 Research Limitations

Although this thesis provides a multifaceted picture of the relationship between CG and CSR and its integration at an organisational context, it does have some limitations. These limitations represent opportunities for future research.

First, current study was limited to CSR performance, ignoring the CSR disclosure due to fact that CSR are still in development phase in New Zealand and only a handful of companies follows CSR reporting.

Second, the interviews, like any qualitative study, might reflect the personal perception of the interviewees rather than facts. This perception might be a reflection of what actually happened (facts) and depends on the number of participants. However, despite using the mixed methods (interviews and surveys), the sample remained limited. Therefore, not all the facts could be recorded.

Third, while research has focused on listed companies and examined the whole population, it was undertaken in the New Zealand economy, where only a handful of companies are listed on NZX. They also follows a 'comply or explain' CG regime and voluntary CSR practices. Therefore the study findings are only generalisable to countries and firms with a similar structure as those in New Zealand.

Fourth, although this study has adopted multiple data gathering techniques and considered all sources in the analysis, there still remains the element of subjectivity, especially in relation to interview analysis. Every possible effort was applied to minimise inherent subjectivity biases, such as pre-testing the interview questions on real managers with similar characteristics to the CSR to research populations, conducting face-to-face interviews at a location chosen by the interviewee and interview transcription by the researcher. Moreover, the researcher also shared the final findings of qualitative research (i.e. the survey questions) with the interviewees. Finally, the potential limitation of current thesis is that it focuses on one year of data collection (2016). CSR and CG initiatives have advanced significantly in recent years (2017 European mandatory ESG disclosure and UK recent initiatives) and thus the results may not be generalized beyond one year of analyses.

7.6 Future Research

The above limitations provide a foundation for future work. First, considering the debate between two aspects of CSR i.e. CSR performance and CSR disclosure ([Jain, Jain, & Rezaee, 2016](#); [Ng & Rezaee, 2015](#)) and the integrated effect of both CSR performance and CSR disclosure contribute to shared value creation for all stakeholders. It is recommended for future researcher to consider CSR disclosure while unpacking CG-CSR puzzle.

Second, instead of relying on organisational executives, future research could conduct interviews with a wider range of stakeholders, which might provide added benefit in terms of identifying the tensions involved in managing CSR programmes across different stakeholder groups.

Third, the proposed CG-CSR integrated framework is not a 'one size fits all' model; it needs to be adjusted to specific contexts and industry. For instance, in some business environments, firms may consider other secondary stakeholders as crucially important and may need to implement specific strategies to address their concerns. This might result in different priorities for both CG and CSR. The current research could therefore be expanded to include other geographical location or those with an industrial focus as certain industry characteristics affect organisational decisions, especially when it comes to CSR.

Fourth, due to low sample size we were not able to test the proposed framework using advanced statistical techniques (for example, Structural Equation Modelling (SEM) and two stage least square (2SLS)). Future research could extend the sample size and test the framework using these methods.

Finally, given increasing concerns around social and environmental issues such as global warming, climate change and bio-diversity threat, it is important to examine the role of Small and Medium Enterprise (SME). While the current study focused on listed companies (which tend to be large companies with better CG and CSR structure and processes), there is potential for future researchers to include the non- listed, SME sector.

Appendix A

Invitation Package for Semi-Structure Interview – Phase 1

(Qualitative)

A.1 Research Information Sheet

Project Title: Corporate Governance and Corporate Social Responsibility

Introduction and Invitation

I am Rashid Zaman, a PhD Candidate in the Faculty of Agribusiness and Commerce, at Lincoln University- New Zealand. I am conducting PhD research entitled “**Corporate Governance and Corporate Social Responsibility**” The selection criteria for the participants of this research were based on the firm being listed in the NZX Index and having published a GRI report. Your firm was selected on the basis of these criteria. You have been identified as a possible participant for this study on the basis of your role as CSR manager in your firm and I would like to invite you to participate in my PhD research interview.

Objectives of the Project

This research aims to explore the association between Corporate Governance (CG) and Corporate Social Responsibility (CSR) practices and in particular, to investigate how and why a firm’s internal and external CG mechanisms influence CSR strategies and practices. The aim of the interview is to help the researcher determine the drivers for, and the barriers against, integrating CSR into the firm’s governance structure based on your experience working for a New Zealand listed firm that follows the GRI framework.

The research seeks a long term solution to develop a better understanding of the CG-CSR association for generating positive firm value. Effective integration of CG-CSR may not only be the source of a firm’s competitive advantage, but is also important to achieve New Zealand’s strategic mission of a “clean, green” country which is crucial for the economy.

Participation

Your participation in this interview is voluntary but, based on your role, position and involvement with in your organisation, it would be highly appreciated and would provide some valuable insight into achieving the study’s objectives.

Involvement

- I will interview you about your firm's experience of the adoption of CG and CSR practices and any thoughts for improvements in the future research of the CG-CSR association.
- This research requirement involves 45-60 minutes of digitally recorded (audio recorded) interview questions related to CG and CSR, the relevance of CG for CSR (and vice versa), the role of CG in CSR (and vice versa) and CG-CSR integration.
- You need to sign and return the attached Consent Form via email to indicate your willingness to participate in the research.

Participant's Rights

- You may decline to answer any questions during the interview.

Data Processing

- Collected data will be processed using the steps mentioned below
 - Audio recordings will be transcribed without revealing your identity. If necessary only pseudonyms will be used.
 - To ensure the anonymity of the research, the audio recording and consent form will be stored separately for a minimum of six years after the end of the project and will be destroyed using Lincoln University's data destruction facilities.
 - The results of the project may be published, but you will be assured of your anonymity in this study: the identity of any participants will not be made public, or made known to any person other than the researcher, the project supervisor and the Human Ethics Committee, in the event of an audit.
- Withdrawal time and how
 - You may withdraw your participation at any time, but not beyond the point where analysis begins, which is expected to be approximately March 2017. Upon your request any data collected prior to March 2017 will be permanently destroyed.

Enquiries

- If you have any questions about the study, please contact me via email/phone Rashid.zaman@lincolnuni.ac.nz, 64-223-811646 or for further queries about your participation in the research project, please feel free to contact my supervisor **Dr. Jamal Roudaki, Senior Lecturer** (Email/Tel: jamal.roudaki@lincoln.ac.nz, 643-4230234)
- The project has been reviewed and approved by the **Lincoln University Human Ethics Committee**.

Arrangements

- If you agree to take part in the research, please sign and return the attached Consent Form to my email addresses mentioned above.

It would be appreciated if you agree to participate in the research. Each and every response is very valuable for my research.

A.2 Email Script

Dear [Name],

I am a PhD candidate in the Faculty of Agribusiness and Commerce, at Lincoln University researching the relationship between “**Corporate Governance and Corporate Social Responsibility.**”

The selection criteria for the participants of this research are based on the firm being listed in the NZX Index and having published a GRI report. <Name of Company> meets the criteria and thus, has been chosen as a suitable study participant.

You have been identified as a suitable interviewee based on your role as <CSR manager> and are invited to participate in this research. If you believe there is someone else in your organisation more suitable, I would appreciate you forwarding this email to them.

Your participation in this research is voluntary and will be confidential. It would involve a 45 to 60 minute face-to-face interview on a day convenient to you between [Date].

Your participation in my research is valued and I look forward to hear from you regarding a suitable time and date for the interview. I value your time and would like to remind you after two days with a follow up email, if no response.

If you have any questions about the research, please contact me via email/phone Rashid.zaman@lincolnuni.ac.nz, 64-223-811646 or my supervisor Dr. Jamal Roudaki, Senior Lecturer (Email/Tel: jamal.roudaki@lincoln.ac.nz +64-423-0234)

Regards,

Rashid Zaman

A.3 Participant Consent Form

Project Title: **Corporate Governance and Corporate Social Responsibility**

I have read and understand the Research Information Sheet (RIS) of the above-named project and that I may at any time withdraw from the project, including withdrawal of any information I have provided up to August, 2017. Furthermore, I agree with the following statements (Please check the boxes to indicate your willingness)

- a) I agree to participate as a subject in the project on the basis of RIS.
- b) I am providing consent to record the interview digitally.
- c) I consent to publication of the project result without disclosing my identity.

Name:

Signed:

x _____

Date:

[Click here to enter a date.](#)

A.4 Interview Guide

Section One: Interview Protocols

Welcome Interviewees

Hello, Thank you for participating in my research. My name is Rashid, I will be leading you throughout this interview. Before we begin I shall brief you about purpose and format of the interview.

Interview Purpose

The aim of the interview is to help the researcher determine the drivers for and the barriers to integrating CSR into a firm's governance structure based on your experience of working in a New Zealand listed firm that follows the GRI framework.

Interview Format

The interview consist of four sections, the first section will be a general discussion about the CG and CSR concepts, the second section will be related to CSR relevance to CG (and vice versa) followed by the third section which consists of questions about the role of CG in implementing CSR practices. Finally, Section Four is about management expectations of CG-CSR integration.

This interview will last no more than 45-60 minutes and if you have any question before we start you may ask them.

Section Two: CG Practices

1. Tell me about your organisation's corporate governance practices
 - CG practices you deem related to your organisational performance
2. What are the reasons for having these CG practices?
 - Barriers?
3. Can you tell me about the factors involved in implementing CG practices in your organisation?

Section Three: CSR Practices

4. Tell me about your organisation corporate social responsibility practices
 - CSR practices you deem related to your organisational performance?
5. What are the reasons for having these CSR practices?
 - Barriers?
6. Can you tell me about the factors involved in implementing CSR practices in your organisation?

Section Four: CG-CSR Conception

7. Can you tell me about the CSR process in your organisation?
 - Important Stakeholders?
 - CG Role any?
8. What practices do you have for stakeholder trust or increased transparency of CG and CSR to stakeholders?
 - Any form of benchmarking rating agencies/certifications?
 - Communication strategies?
9. Can you explain the nature of the CG-CSR relationship in your organisation?

- Do you think CG is a pillar of CSR, is CSR a dimension of CG or do CG-CSR overlap?
- In the case that CG and CSR overlap, what are common driving forces?
- In the case that CG and CSR do NOT overlap, what are the reasons or justifications?

10. Further to what you have already told me about CG and CSR do you have anything to add?

Appendix B

Invitation Package for Survey Questionnaires – Phase 2

(Quantitative)

B.1 Cover Letter for Senior Managers

Dear [Participant Name],

I am a PhD candidate in the Faculty of Agribusiness and Commerce at Lincoln University researching good business practices, particularly with respect to corporate social responsibility. As part of my PhD research, I am conducting a survey of senior managers of NZX listed companies. [Company Name] has been chosen as a suitable participant, and you have been identified to participate in this research in your role as Chief Financial Officer by completing the attached questionnaire. If you believe there is someone else in your organisation more suitable, I would appreciate you forwarding this letter and attached questionnaire to them.

All responses are anonymous and will be kept confidential. This questionnaire should take approximately 30 minutes to complete. Please return the completed questionnaire in the prepaid envelope provided by [Date].

Completion and submission of the questionnaire is considered consent to participate in the study and consent to publication of the results of the study with the understanding that anonymity and confidentiality will be preserved. All data will remain confidential to myself and my research supervisors.

If you have any questions about the research or the questionnaire please contact myself or my primary supervisor using the contact details below.

Rashid Zaman

PhD Candidate

Faculty of Agribusiness and Commerce

M: 022 381 1646

E: rashid.zaman@lincolnuni.ac.nz

Dr. Jamal Roudaki

Senior Lecturer in Accounting

Faculty of Agribusiness and Commerce

Supervisor

P: +64 423 0234

E: jamal.roudaki@lincoln.ac.nz

B.2 Survey Questionnaire on Good Business Practices in New Zealand

Please tick all responses that apply:

Q1) Thinking about "*Corporate Social Responsibility (CSR)*", please rate the level of importance of each of the following stakeholder groups to your organisation.

Stakeholder Type	Very Important	Important	Moderately Important	Slightly Important	Not Important	Not Applicable
Employees						
Investors/Shareholders						
Governments/Stock Exchanges (e.g. laws)						
Society						
Global Institutions						
Peers						
Other (please specify)						

Q2) Please rate the importance of each of the following levels of management for CSR planning in your organisation.

	Very Important	Important	Moderately Important	Slightly Important	Not Important	Not Applicable
Board members						
Top management team (TMT)						
CSR manager						

Q3) Thinking about **CSR**, please rate the level of agreement of your organisation to each of the following statements.

In my organisation:	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
The board members regularly review CSR practices.						
A board level committee oversees CSR-related issues.						
The board members are responsible for ethical conduct in relation to the organisational CSR practices.						
The CEO is responsible for reinforcing CSR.						
The CEO regularly reviews CSR concerns.						
The management believes that ethical behaviour is not just about legal compliance but is paramount to the success of the organisation.						
The management is encouraged to express their own ideas and opinions about CSR.						
There is a manager or team dedicated to CSR practices.						

The stakeholders are actively consulted for CSR practices.						
There is a code of conduct/ethics.						
There is a system in place to reward/acknowledge the executives on their contribution to CSR.						

Q4) Please indicate the level of involvement your organisation has in each of the following areas of **CSR**.

	Always Involved	Often Involved	Sometimes involved	Rarely Involved	Never Involved	Not Applicable
Employee CSR (e.g. diversity, professional development and volunteer programmes).						
Customer CSR (e.g. customer friendly product design, customer feedback surveys).						
Supplier CSR (e.g. fair procurement policy).						
Community CSR (e.g. philanthropic activities, community engagement and support programmes).						
Environment CSR (e.g. emission reduction and waste reduction).						

Q5) Thinking about **CSR**, please rate the level of agreement of your organisation to each of the following statements.

	Strongly Agree	Agree	Undecided	Disagree	Strongly Disagree	Not Applicable
My Organisation:						
Implements policies that improve the wellbeing of our employees in their workplace.						
Promotes the health and safety of its employees.						
Provides equal employment opportunities in the workplace.						
Has policies and procedures for quality implementation.						
Provides products to customers in line with CSR best practices.						
Informs customers about CSR related features of the product and the services (e.g. made from recycle materials, environmental friendly).						
Encourages all of its suppliers to follow CSR practices.						
Only deals with suppliers who engage in CSR practices.						
Assists its suppliers to improve their CSR practices (e.g. sharing knowledge about best CSR practices).						
Runs programmes to support local communities.						
Actively engages with charity organisations in New Zealand.						
Maintains working relationships with local community and Iwi.						
Monitors the potential negative impact of our operations on the local community.						
Implements policies and produce to reduce emission and pollution in operations (e.g. choice of material, eco-design and dematerialisation).						
Actively works to save resources and energy (e.g. recycling, waste management).						
Invests to improve the lifecycle of its product and services.						

Measures the impact of its operations on the natural environment (e.g. carbon audits, reduction of greenhouse gas emission).						
Invests in clean technologies and renewable energies.						

Q6) Please indicate which of the following benchmarks your organisation uses for **CSR**. Please tick all that apply.

- Enviro-mark
- GRI benchmark
- Internal benchmark
- Other benchmark (please specify) _____
- No benchmark

Q7) Please indicate which of the following communication mediums are used by your organisation for CSR-related matters. Please tick all that apply.

- Company Website
- Staff Magazine/News Letters
- Standalone CSR Report
- No communication
- Social Media
- Annual Report
- other (please specify) _____

Q8) Please indicate the intended target audience for any communication you select _____

Q9) Role/title of the person completing the survey _____

Q10) Number of year employed by your current organisation. Please tick the most relevant

- 0- 5 years
- 6-10 years
- 11 – 15 years
- 16 – 20 years
- > 21 years

Q11) Number of full time equal employees working in your organisation? Please tick the most relevant

- 0- 99 employees**
- 100 -199 employees**
- >200 employees**

Q12) what industry does your business operate in? **Please tick the most relevant**

- Mining
- Construction
- Agriculture, forestry and fishing
- Manufacturing
- Electricity, gas, water and waste services
- Accommodation
- Arts and recreation services
- Transport, postal and warehousing
- Information media and telecommunications
- Financial and insurance services
- Public Administration
- Rental, hiring and real estate services
- Health care and social assistance
- Others (Please specify) _____

Q13) Please state any other comments about good business practices and Corporate Social Responsibility that you believe would be useful to this research.

Appendix C

Human Ethical Committee Approval Letter

Research and Innovation
T 64 3 423 0817
PO Box 85084, Lincoln University
Lincoln 7647, Christchurch
New Zealand

www.lincoln.ac.nz

30 November 2016

Application No: 2016-55

Title: Corporate Governance and Corporate Social Responsibility: A study of New Zealand Listed Firms

Applicant: R Zaman

The Lincoln University Human Ethics Committee has reviewed the above noted application.
Thank you for your response to the questions which were forwarded to you on the Committee's behalf.

I am satisfied on the Committee's behalf that the issues of concern have been satisfactorily addressed. I am pleased to give final approval to your project. Thank you for the thought you have given this.

Please note that this approval is valid for three years from today's date at which time you will need to reapply for renewal.

Once your field work has finished can you please advise the Human Ethics Secretary, Alison Hind, and confirm that you have complied with the terms of the ethical approval.

May I, on behalf of the Committee, wish you success in your research.

Yours sincerely



Grant Tavinor
Chair, Human Ethics Committee

PLEASE NOTE: The Human Ethics Committee has an audit process in place for applications. Please see 7.3 of the Human Ethics Committee Operating Procedures (ACHE) in the Lincoln University Policies and Procedures Manual for more information.

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