

2003

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Recommended Citation

Moerman, Lee C. and van der Laan, Sandra: Social reporting by the tobacco industry: all smoke and mirrors? 2003, 1-35.

<https://ro.uow.edu.au/commpapers/2893>

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Keywords

smoke, mirrors, social, tobacco, all, industry, reporting

Disciplines

Business | Social and Behavioral Sciences

Publication Details

Moerman, L. C. & van der Laan, S. (2003). Social reporting by the tobacco industry: all smoke and mirrors?. The 7th Interdisciplinary Perspectives On Accounting Conference (pp. 1-35). Spain: IPA.

Social Reporting by the Tobacco Industry: All Smoke and Mirrors?

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Keywords: tobacco industry, corporate social reporting, legitimacy theory.

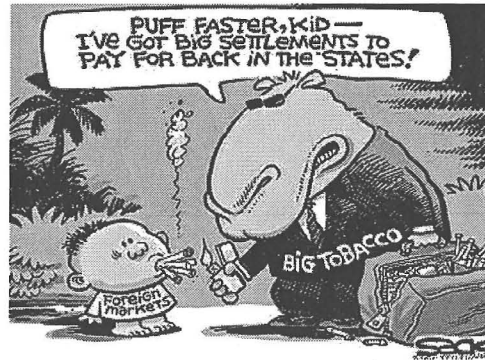
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The authors would like to thank Emeritus Professor Frank Clarke, Dr Geoff Frost, Professor Marcus O'Connor and the attendees of The University of Sydney Discipline of Accounting and Business Law Seminar April 2nd 2003 for their helpful comments on earlier drafts of this paper.

Abstract

In July 2002 British American Tobacco, one of the largest private multinational corporations involved in tobacco production and marketing, launched their first social report. Using a process of stakeholder engagement, global reporting initiatives and process auditing the report was delivered just before the release of the World Health Organisation initiative, the Framework Convention on Tobacco Control. Within the corporate social reporting literature there is a belief that to give account serves as a legitimising device for organisational activity thus bridging the divide between the social and economic realm. The tobacco industry has been heavily criticised, particularly in Western society, for poor domestic as well as international social and environmental performance and is now facing control via global regulation. This paper serves to analyse the Social Report from a legitimating perspective as an attempt to redefine the tobacco industry and the corporations that operate within it as 'socially responsible'.



(Action on Smoking and Health, 2002)

Introduction

There has been a significant shift in Western society's attitude toward cigarette smoking and tobacco production. In recent times this has created a 'legitimacy gap', providing a significant motivation for organisational legitimisation within the tobacco industry. Recent successful court cases involving unethical practices by tobacco companies have contributed to this negative image. Negative social impact, including a regressive effect on global poverty, contribute to this view (Garnaut, 2002 p. 13). Accordingly, in the burgeoning area of ethical or socially responsible investing, many fund managers prohibit holdings in firms in the tobacco industry (Kreander et al, 2002). In what some believe to be an attempt to redefine the company as "responsible" (Burton and Rowell, 2002, p6) British American Tobacco, a multinational corporation involved in tobacco production, cigarette manufacture and marketing, delivered its first social report in July 2002.

Apart from the negative public image, another source of concern for the tobacco industry is the proposed Framework Convention on Tobacco Control developed by the World Health Organisation. It aims to set international standards on such issues as tobacco production, advertising, marketing and prevention of smuggling. In that context, a spokesman for the civil society group *Action on Smoking and Health*, is quoted as saying

British American Tobacco sees the Framework Convention as a threat to its growing markets in developing countries. It is determined to derail it, delay it and sabotage it in any possible way it can (in Burton and Rowell, 2002, p. 6)

Various "relevant publics" (Lindblom, 1993), which bring pressure at the nexus between an organisation and its operating environment have been researched. These range from, but are not limited to investors, potential investors, lobby groups and regulatory agencies (Tilt, 1994; Deegan and Rankin; 1997; Buhr, 1998). This pressure to improve social and environmental performance or meet expectations can be applied through the legal system (Buhr, 1998). The focus of this paper is the external pressure from a regulatory agency, thus bringing the tobacco industry into the public arena via the Framework Convention on Tobacco Control. This engagement utilises a social report as a proactive management strategy to improve the industry's image and to pre-empt and subvert attempts to regulate the industry globally. Corporate communication, via reporting as a neutral device, has been challenged on the grounds that the contents are largely determined by and reflect management beliefs (Buhr,

1998). In an effort to deflect this criticism, British American Tobacco has undertaken an audited process of stakeholder engagement for their voluntary disclosure.

In the field of corporate social reporting (CSR) there have been attempts to theorise the motivational aspects for the production of voluntary social reports. These various theoretical approaches and their applicability to *British American Tobacco* and its social report aptly demonstrate managerial tactics. Description and analysis of the BAT Social Report 2000/2001 and the process of stakeholder engagement is worthy of close scrutiny.

The Mirror: Theoretical Perspective

To place CSR in a theoretical context, several broad (overlapping) groups of theories concerning information flows between organisations and society have been used (Gray et al, 1995). This paper utilises a perspective from the social and political theory studies, legitimacy theory. Full discussion of the contributions from the other groups are not within the ambit of this work and may be found elsewhere (see e.g. Cooper and Sherer, 1984; Deegan, 2002; Gray et al, 1995; Gray, 2002; Tilt, 1994; Tinker et al, 1991)

Social and political theories that focus on the role of information and disclosure in the relationships between organisations, the state, individuals and groups are most appropriate in explaining CSR. Political economy theory places an emphasis on the inter-relationships between political and economic forces in society and recognises the effects of accounting reports on the distribution of income, power and wealth (Cooper and Sherer, 1984). This perspective also “accepts that society, politics, and economics are inseparable so that issues, such as economic issues, cannot be considered in isolation from social and environmental issues” (Blomquist and Deegan, 2000, p. 7). It recognises a pluralistic set of recipients of CSR information, who are considered to be in constant conflict, reflecting the amount of power they wield in society (Puxty, 1986). Social accounting can be considered a reflection of social conflicts occurring “between capital and other social interests (e.g. environmentalists, workers, consumers, women, minorities)” (Tinker et al, 1991, p. 46-47). A power elite that emerges sets the agenda for maintaining control through the accounting process (Buhr, 1998). Accounting systems, of which CSR is part, act to “create, distribute and mystify power” (Buhr, 1998, p. 165). This “radical paradigm suggests that society reflects the basic organizing principles and institutional structures within it (i.e. the capitalist structure)” (Tilt, 1994, p. 49). Yet, the paradigm does not necessarily ascribe to the view that this nature of society and its structures are socially desirable (Hopper and Powell, 1985).

From social and political theories, stakeholder theory and legitimacy theory have developed. These theories are similar and essentially derived from the broader political economy theory (Gray et al, 1996; Deegan, 2002). Whilst there are differences between the two theories at the micro level (Buhr, 1998), they both focus attention on the nexus between the organisation and its operating environment (Neu et al, 1998.).

Stakeholder theory recognises the dynamic and complex relationships between organisations and their stakeholders and that these relationships involve responsibility and accountability (Gray et al, 1996). “Stakeholder analysis enables identification of those societal interest groups to whom the business might be considered accountable, and therefore to whom an adequate account of its activities would be deemed necessary” (Woodward and Woodward, 2001, p. 1). Therefore, CSR could be considered as part of a ‘contractual’ relationship between organisational stakeholders (Cooper and Sherer, 1984, 212).

Legitimacy theory posits organisations are continually seeking to ensure that they operate with the bounds and norms of their respective societies. (Blomquist and Deegan, 2000) To this end, they attempt to establish congruence between “the social values associated with or implied by their activities and the norms of acceptable behaviour in the larger social system of which they are part” (Dowling and Pfeffer, 1975, p. 122). Consistent with that, Richardson (1987, p. 352) asserts accounting is a legitimating institution and provides a “means by which social values are linked to economic actions”. It is perceived that an organisation may employ ‘legitimation’ strategies when faced with a threat to its legitimacy (Lindblom, 1993). Organisational legitimacy can thus be constructed through the use of symbols or symbolic action communicating a “public image” (Dowling and Pfeffer, 1975). This image may be in line with the organisations primary goals, methods of operation or output (Neu et al, 1998). Issues concerning legitimacy, raised in society, are addressed in the public policy arena as it is outside the realm of the market system. Thus, social disclosures influence the public policy process directly and indirectly through the communication of corporate or industry information.

In this paper, a theoretical perspective widely employed in accounting literature (e.g. Deegan et al, 2002; O’Donovan, 2002), legitimacy theory, will be used to provide insights into the CSR practice of British American Tobacco. The purpose is to explain BAT’s possible motivations for the production and content of its 2001/2002 Social Report. An exploration of the regulatory aspects of tobacco control, and an examination of the process, guidelines and auditing procedure employed by BAT for its report expose those likely motivations.

“Roll Your Own” – Method

The method adopted for examination and analysis of BAT’s Social Report is a case-study utilising textual analysis. The focus of the study is a contemporary phenomenon within a real-life context over which the researchers have little control, hence a case study is the preferred strategy for research (Yin, 1989, 13). When the description of the real-life context of the phenomenon and an exploration those situations in which the phenomenon has no clear, single set of outcomes (Yin, 1989, 25), a case-study allows an exposition of possible causal links.

The limitations of this method are acknowledged. The advantage however, is that this focussed method has allowed analysis from a user perspective. Publicly available documents constituted the data for research. This research centred on the image or particular ‘spin’ (in Everett, 2002, 8) that was conveyed in these public documents. Further research could include interviews with key players and a longitudinal study to compare and contrast the social reporting practices of BAT over time.

Smoke in Your Eyes?

British American Tobacco

The origins of the United Kingdom based corporation, British American Tobacco p.l.c (BAT) can be traced back to 1902. At that time the founding company did not operate in the United Kingdom or the United States. After one hundred years and the global spread of the tobacco industry, BAT has emerged as a major player with over fifteen percent market share in tobacco and tobacco-related products. This involvement includes ‘doing business’ in 180

countries, controlling 250,000 tobacco farmers, running 84 factories in 64 countries and employing 100 million people globally. From direct and indirect tax, governments are estimated to gather £14 billion annually (BAT, 2002(a)). As well as their stated economic benefits, BAT also maintain they

...transfer world class technology, management know-how and international best practices in areas such as quality, environment, health and safety protection, employment and corporate governance (BAT, 2002(b))

BAT concedes that apart from the positive economic, technical and ethical dimensions of the organisation, tobacco products carry real health risks for those who choose to smoke (BAT, 2002(a)) and impacts public health (Broughton, 2001, p. 4). As such, BAT supports regulation to reduce this health impact including such initiatives as public information, marketing to prevent youth smoking and sales, tougher action on counterfeiting and public and workplace policies. But, BAT management argues that there is no compelling proof that passive smoking is harmful, but merely an irritant (BAT, 2002 (a)). It openly supports the 'right to smoke' argument, based on the broader neo-liberal view, embracing the freedom of the market and the right of individuals to make an informed choice about a legal product.

“Where there's Smoke”

The Framework Convention on Tobacco Control

On the 24th May 1999 the *World Health Assembly*, the governing body of the *World Health Organization*, unanimously backed a resolution to commence work on the *Framework Convention on Tobacco Control*. A Framework Convention is a legal treaty or international agreement between states in written form and governed by international law. This convention outlines the general objectives of health and related tobacco issues and is supplemented by protocols. These protocols are treaties or separate agreements entailing more specific legal obligations (WHO, 2000). The import of agreement to such a framework convention is not trivial. The Kyoto Protocol emanating from the United Nations Framework Convention on Climate

Change is highly profiled because of its economic and social implications for member states.

As an international, multilateral organisation WHO argues that by bringing together its technical and public health expertise it can “circumscribe the global spread of tobacco and tobacco products” (WHO, 2000, p. 8). In general terms the broad objectives of the FCTC include: protecting children, adolescents and vulnerable communities from tobacco through their exposure to smoking and marketing; addressing the prevention and treatment of tobacco dependence; promoting a smoke-free environment and tobacco-free economies. More specifically, WHO envisages that the protocols could address issues such as advertising, package design and labelling, environmental tobacco smoke, agricultural diversification and smuggling (WHO, 2000).

Smoking and tobacco related issues enjoy a worldwide focus. The stated ultimate aim of WHO, through the FCTC, is to abrogate the social and health-related risks by the reduction of tobacco smoking globally. In so doing, there is recognition of the anticipated economic effects of tobacco control. In the short to medium term, WHO expects, those economies relying heavily on tobacco exports will suffer until agricultural diversification is established. However, it argues, that the benefit in terms of decreased health and social costs will outweigh the direct economic benefits from tobacco cultivation (WHO, 2000).

WHA has established an Intergovernmental Negotiating Body to negotiate the text of the FCTC and related protocols. This body is open to all WHO Member States, regional economic integration organisations and observers. The intended adoption of the FCTC is stated as being no later than May 2003 (WHO, 2000). At the time of writing, working papers had been submitted to the intergovernmental negotiating body.

“Chain” Smoking - Linking BAT & FCTC

In 2001, BAT in collaboration with other tobacco companies, launched the voluntary international minimum Marketing Standards (BAT, 2001). According to its Chairman this initiative “raises the bar” in terms of advertising, packaging and sponsorship (Broughton, 2001, p. 4). In 2002 BAT produced its first Social Report in an attempt to provide “broader accountability to stakeholders” and to present “clear evidence of a socially responsible tobacco company” (BAT, 2002 (a), p.1). At this point it is worth noting the interesting time line of events. In 1999, WHA introduced measures to significantly curb the increase of tobacco use worldwide and the tobacco industry within two years introduced its own standards and BAT repositioned itself to appear a ‘transparent’ and responsible corporate citizen.

It is worth contemplating why a tobacco company has voluntarily produced an extensive social report when in less than a year mandatory standards will be imposed under the FCTC. According to BAT, the ultimate question for stakeholders is, who would they prefer to manage the tobacco industry. BAT sees the options as either the legitimate well-run responsible tobacco industry or organised crime, the counterfeiters and the back-door salesman, likely to flourish under the new framework (Broughton, 2001). The management of BAT are, however, in agreement with some of the aspirations of the WHO initiative, but question the appropriateness of a global health organisation to properly address the issues surrounding the whole tobacco debate. Much of this debate centres on proprietary rights and the commercial secrets implication of full product disclosure. The WHO, according to BAT, has not engaged the tobacco industry as an important player and has excluded it from the FCTC negotiations (BAT, 2001). BAT contests the validity of data and the method for calculating the future mortality statistics generated by WHO, as the basis for implementing the FCTC. Contesting those data and those methods, also undermines the legitimacy of WHO and its objectives.

The conflict and ensuing debate differentiates the ‘economic view’, which is the argument taken by the tobacco industry, and the ‘health or social view’ taken by WHO. This conflict is exacerbated in the Third World, developing countries in which issues surrounding economic development dominate health issues¹. The consumption of cigarettes in the Third World is increasing through sophisticated mass marketing and promotion. Apart from the health issues there is the problem of land degradation, deforestation and the shift away from food production to revenue producing tobacco crops (Sethi and Steidlmeier, 1991). As one of the most heavily taxed commodities, tobacco provides revenue from tax, income to farmers, income to processors and foreign exchange (Sethi and Steidlmeier, 1991). BAT enters this debate by contesting the appropriateness of a “one size fits all” approach by WHO (BAT, 2002(b)) as a “clumsy imposition of first world solutions” threatening self-determination and

¹ The social, political and historical implications of this issue are acknowledged, but are not within the ambit of this paper.

an example of moral and cultural imperialism (Broughton, 2001, p 2). BAT further expands the argument to capture the World Bank's alignment with WHO as the 'dark side' of globalisation and an abuse of power (Broughton, 2001). Although we are in tacit agreement with these sentiments, the championing voice of a multinational corporation relying on an overtly dangerous product for economic survival is questionable in the extreme.

The global tobacco industry is considered by BAT to be indispensable in terms of employment and taxation revenue. And, the tobacco issue has broader implications. For example, there are significant concerns regarding smuggling and illegal aspects, agricultural issues such as biodiversity, chemical use and deforestation, as well the health issues, which WHO seeks to address in the FCTC. In question is whether the tobacco industry can self-regulate through industry standards and corporate social reporting, and encompass not only the economic, but also the social and political aspects of the debate. BAT's initial social report is thus worthy of close analysis.

Smoke Rings - The Reporting Process

British American Tobacco's Social Report 2001/2002 is a one hundred and fifty six page glossy magazine-style publication. It is available in hard copy as well as from the company web-site. According to British American Tobacco

We have adopted social reporting to help us to embed the principles of Corporate Social Reporting (CSR) within the Group, to meet greater demands for corporate transparency and to continue improving our management decision-making through sensitivity to changing expectations in society. (BAT, 2002(a), p. 9)

In the first cycle of reporting thirteen countries were included in the process representing the five geographical regions (BAT, 2002 (a), p9) (see Appendix 1). Using a 'three-ring circus' approach, BAT staged its foray into social reporting. It used the AA1000 as a standard to guide the process of stakeholder engagement, the *Global Reporting Initiative* guidelines provided the format and content for the report and Bureau Veritas performed the external audit. We take these seriatim.

AccountAbility1000 (AA1000)

AA1000 framework was established by the Institute of Social and Ethical Accountability (ISEA/AccountAbility) as a means of improving accountability and performance through a process of learning through stakeholder engagement (ISEA, p.15). The AA1000 is referred to as a framework as it includes a standard, a set of guidelines and professional qualification. As such it can be used by organisations as a stand-alone framework, or as a process framework for stakeholder engagement using other social and ethical reporting indicators. In the case of BAT, the framework has been used to guide its stakeholder engagement process, that identifies certain areas and issues of concern, then reported in turn using the GRI indicators of performance. Each of the representative countries appointed an independent facilitator who selected and contacted stakeholders (BAT, 2002(a)). Stakeholders have been defined by British American Tobacco as

..any person or organisation on whom our business impacts or whose actions impact on us. Broadly this means governments, regulators, politicians, consumers; investors; employees; commercial and trade partners; scientific and medical community; local communities; welfare, family, education and religious groups; NGOs; campaigner/pressure groups (BAT, 2002(a), p.11)

In the UK, of the one hundred and sixty seven stakeholders invited, thirty-four replied and attended the stakeholder engagement process (see Appendix 2). It has been suggested that health groups boycotted the process as a “public-relations mirage, completely devoid of substance” (Burton and Rowell, 2002, p. 6). Nonetheless, BAT acknowledges that it did not engage with a wide range of stakeholders (BAT, 2002(a)).

The overarching objective of AA1000 is the notion of accountability. AccountAbility state that to account is to explain or justify to those people who have a legitimate interest. Thus, in order to discharge its accountability an organisation

will account for its acts, omissions, risks and dependencies. However, in addition to this accounting requirement of transparency, accountability also entails a broader obligation of responsiveness and compliance (ISEA, 1999, p8)

‘Responsiveness’, in this sense, is the capacity to support continuous improvement for organisational processes; “performance and compliance” entails the duty to comply and report on agreed standards. The stakeholder dialogue process identified issues and areas of concern, which BAT responded. If these areas coincided with those already measured within the company group they were reported against the GRI.

This notion of accountability as the overriding principle is supported by identifiable characteristics which can be used in the design of an organisations social and ethical accounting, auditing and reporting process (see Fig. 1)

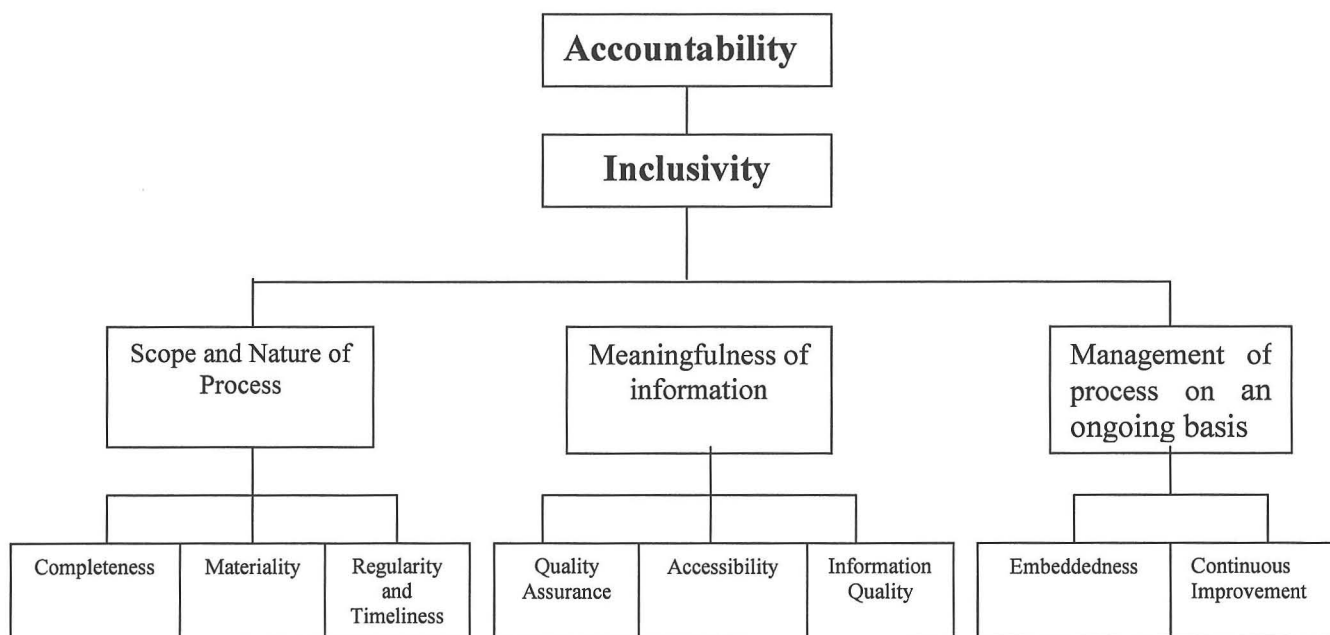


Figure 1: The AA principles

In the model, accountability is directly supported by the idea of inclusivity. Thus, at every stage of the process, inclusivity reflects the needs of stakeholders, including 'voiceless' future generations and the environment. This stated, stakeholder engagement is then meant to infuse the operational aspects of the standard divided into the three broad groups. These principles are meant to identify the characteristics of a quality process and can therefore be used to design as well as assess the quality of stakeholder engagement (ISEA, 1999, p.10).

The standard component of AA1000 is a process not a substantive standard. As such it specifies the processes an organisation should follow to account for performance, not the levels an organisation should achieve (ISEA, 1999). To comply with the quality principles stated above, the process includes planning, accounting, auditing and reporting, embedded by virtue of a feedback loop. Thus, it is stated, the experience of the first cycle is integrated and therefore provides the opportunity for continuous improvement in the organisation's activities. To assist stakeholders in making an assessment of inclusion of information in a report and its meaning, a set of guidelines is included. The guidelines provide information for both internal and external auditing requirements.

Global Reporting Initiative

The AA1000 guidelines and standard do not provide a definitive guide to the format or contents of social and ethical reports, nor do they define performance or calculate a score. Therefore the AA1000 Framework allows the integration of other reporting guidelines for these purposes, such as the GRI's sustainability guidelines (ISEA, 1999).

In 1997 the Coalition for Environmentally Responsible Economies in partnership with the United Nations Environment Programme convened the Global Reporting Initiative to produce global guidelines for voluntary reporting on the economic, environmental and social dimensions of organisational activities. In 2000 these guidelines were published providing a reporting framework recommending topics and indicators of performance (BAT, 2002(a)) (see Appendix 3). Although, in 2002 these guidelines were revised, BAT has used the original guidelines as they were current in their reporting cycle.

The GRI guidelines of performance are structured in a hierarchy comprising of organisation specific categories, aspects and indicators. The categories are grouped under the conventional, three broad areas of economic, environmental and social dimensions of sustainability plus a fourth dimension. Fourth dimensions of information called *integrated performance indicators* are organisation specific indicators based on consultation with stakeholders (GRI, 2002). These indicators are considered to be experimental and embryonic and are reported as systemic or cross-cutting. Systemic guidelines link performance at the micro-level (organisation) with the macro-level (national, regional etc). Cross-cutting indicators traverse two or more of the sustainability elements (GRI, 2000). BAT reported against fifty percent of the GRI Social and Environmental Indicators (BAT, 2002(a)) (see Appendix 4). The majority of reporting occurred in the area of environmental management.

The categories are operationalised by the aspects. The indicators provide either a quantitative or qualitative measure of the aspect (GRI, 2000). Economic performance indicators are concerned with the organisation's impact on the economic circumstances of stakeholders and includes, although not confined to, traditional financial accounting measures (GRI, 2002). Environmental indicators direct attention to the impact on living and non-living natural systems (GRI, 2002). These environmental indicators, following 20 years of experience, have evolved to include general and more advanced organisation-specific indicators (GRI, 2000).

The social indicators hone in on an organisation's impact on social systems. As an example of the hierarchy used, the 'Social' reporting dimension includes a category 'Human Rights', one aspect is 'Indigenous Rights', the indicators include, evidence of indigenous representation in decision-making and the number and cause of protests (GRI, 2000).

Auditing: Bureau Veritas

Bureau Veritas is an international organisation with five hundred offices world-wide, Bureau Veritas provides an extensive range of specialised services in the areas of conformity assessment, consulting and training and outsourcing. Bureau Veritas' mission is to deliver economic value to its clients through quality, health and safety and environment management of their assets, projects, products and systems resulting in licence to operate, risk reduction and performance improvement (Bureau Veritas, 2002).

An independent verification of the social reporting process of BAT against the AA1000 serves as compliance with the external auditing requirement. This verification entails a monitoring of the organisation's performance throughout the process, verifying dialogue summaries, stakeholder commentaries, responses, case studies and social performance data. Bureau Veritas designed a new method that included reducing the original AA1000 to a verifiable form and the building of a quantification tool, VERISEAR[®]. This assessment tool enabled a score or benchmark against three main stages of the reporting process; pre-stakeholder consultation, stakeholder consultation and post consultation (Bureau Veritas, 2002). The accuracy of reported information used established auditing techniques such as inspection of records and documents, internal and external enquiry, confirmation of information sources and accuracy and direct observation of dialogue (BAT, 2002).

Smoke Signals – Legitimacy

BAT is effectively facing a legitimacy crisis. Impending increased restrictions on their industry through the FCTC, with probable economic consequences; a nefarious public image to manage, not to mention public concerns about environmental issues; all threaten BAT's status as a legitimate organisation.

Legitimacy can be considered as either a 'condition',

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

or as a 'process'. The process of legitimation is where an organisation justifies to the larger social system of which it is part its right to exist. (Lindblom, 1993)

Arguably, BAT's production of a social report is a legitimating device. Admittedly, Freedman and Stagliano (1992) have argued that there is no single motivation for making social disclosure and it is a function of the attitude of management towards their stakeholders. They suggest that the motivations may be economic or political or a reaction to user needs. In contrast, the evidence suggests that BAT's motivations are predominately political as the social report provides a means by which BAT can legitimately enter the public policy arena. By moving from the traditional economic sphere, BAT has provided a convenient platform in the social and political realm for 'a voice'. This voice, however, has the capacity to dominate.

This confirms the fundamental tenets of the theories that fall in the political economy paradigm, that acknowledge the inseparability of economic, social and environmental issues.

The Smoking Gun

BAT's strategy is to effect legitimization through communication. This is consistent with the strategies Dowling and Pfeffer (1975) outline that organisations may adopt. BAT contests critical issues, such as, the harmful health effects of environmental tobacco smoke and the statistics generated by WHO on future tobacco related mortality. BAT thereby attempts to alter the definition of social legitimacy to conform to its present practices, output and values (Dowling and Pfeffer, 1975). BAT has also, through the processes used to prepare the report (i.e. AA1000 framework, GRI guidelines and Bureau Veritas auditing), 'identified' the organisation with institutions, values and symbols that have a strong base in legitimacy (Dowling and Pfeffer, 1975). Another strategy for legitimization.

Thus communicating, via the social report, the image that BAT wishes to portray, they in fact, are constructing that image (Hines, 1988). This image is of an organisation which operates in a controversial industry, but is committed to the principles of corporate social responsibility.

There are several compelling arguments emanating from the report exposing it to be part of a broader legitimization process. It does not, and possibly cannot, deal with all 'relevant publics'. The report is produced as a stand-alone document, it is not aligned to its financial information, and thereby is targeted to certain stakeholders or 'relevant publics'. The report is equivocal and partial, not definitive and complete. And whereas it addresses some legitimate concerns, such as under age smoking, significantly it ignores others, such as the actual harmful health effects of its products².

Whilst there are many important issues that arise from the report, not all can be covered here. But it is critical to highlight several that epitomise the discretionary nature of the report. First, the report is selective. BAT proudly states that it operates in "180 countries" (BAT, 2002, p. 6) and yet only 13 countries as well as the UK "participated" in the process (BAT, 2002, p. 10) (see Appendix 1). Therefore, the report cannot possibly be seen as complete and consequently a 'true' representation of BAT's social interactions with the communities in which it operates. By giving voice to these participating countries, BAT effectively silences those that did not participate. Though the countries involved represent 'a balanced spread across the Group's geographic operating regions' (BAT, 2002, p. 10) they may not represent a balanced spread across the communities affected by BAT's operations. Geographic representation does not necessarily equate economic, political or social equality.

Second, the focus of the report is on 'the process'. In adopting the AA1000 framework and using the GRI guidelines, then having Bureau Veritas audit the process, the report is effectively legitimised. This has allowed BAT to set the agenda for the report. It has selected the issues to be addressed in the process, had them 'broadly validated' by the dialogue (BAT, 2002(a), p. 22) with the stakeholders involved in the process. Essentially, BAT has chosen both the forum and the agenda.

² The GRI Category *Products and Services* is operationalised by aspect 6.95 which is concerned with the major social issues and impacts associated with the use of principal products and services (GRI, 2000, p. 35). This aspect is omitted in the Social Report 2001/2002.

Lastly, and possibly most saliently, is the matter of the verification. The independent verification of the report is seen as important both by BAT and the stakeholders involved in the process. "We have learned that independent verification is of considerable value in assuring stakeholders that the process is objective and in helping to ensure consistency and quality of reporting across many different companies" (BAT, 2002, p. 22). However this verification had a narrow scope - providing an ongoing review of Group companies' *adaptation* and implementation of AA1000 and to verify that the information contained in the social report is a true and fair reflection of *relevant* Group companies' activities and performance (BAT, 2002). (Authors' emphasis). Bureau Veritas verified the process for accuracy, ensuring it was derived using the AA1000 (adapted) process, confirmed the base data by audit techniques and checked the accuracy and(or) source of numerical data. Thus this forum and agenda specified by BAT has been objectively verified. This objective verification cannot comment about whether the activities of the organisation are socially desirable. Objectification, in this sense, serves to hide more than it reveals.

This social reporting exercise has already reaped rewards for BAT. The company's inclusion on the *Dow Jones Sustainable Group Index* in November 2002 (SAM Indexes, 2002) is a major coup for a company in an industry traditionally 'black-listed' by ethical and socially responsible investors and funds. BAT may not have yet achieved legitimacy, but this listing will enhance its image significantly as its status as "sustainable" by DJSI standards is confirmed (Van Der Laan and Moerman, 2003).

When the Smoke Clears

BAT's motivation for embarking on the process of corporate social reporting is allegedly to discharge a broader accountability through stakeholder engagement. Although the motivation, rather than being in response to needs of stakeholders, is a management strategy to forestall the introduction of more onerous regulation and to obfuscate or deflect poor social performance, particularly in Third World countries. Rather than a pluralistic view, where stakeholders are perceived as equally empowered (Tinker et al, 1991), BAT has used its position as a large multinational corporation to manipulate the debate. Part of this manipulation relies on managing the perceptions of society through the social report. This view is embraced in legitimacy theory.

BAT's articulated reasoning for producing a social report belies the true agenda posited here. BAT faces a legitimacy crisis, its equivocal and partial social report is an attempt to manage the situation. This masquerading of a public image campaign as an objective, broad-based discharge of accountability should be critiqued in light of the impending enhancement to international tobacco regulation and the large group of 'relevant publics' who are effectively silenced by this report. Further research will serve to confirm or redefine this assertion. This research will involve analysis of subsequent BAT social reporting in the context of increasing regulation and dynamic social perceptions of corporate responsibility.

The laudable purpose of producing a social report, the discharge of accountability to a broader range of stakeholders, has been undermined by the less than subtle purpose of this document as the vehicle for the process of legitimization, an exercise in smoke and mirrors at its best!

APPENDIX 1

STAKEHOLDER DIALOGUE FIRST PARTICIPATING GROUP COMPANIES

<p>As well as overview reporting by British American Tobacco p.l.c., our process involves dialogue and reporting by Group companies around the world. Companies in 13 countries in addition to the UK have taken part in the first cycle and more will join over time. The initial countries were mainly chosen by the external CSR consultancy EQ Management and represent a balanced spread across the Group's geographic operating regions.</p>	<p>Africa and the Middle East: <i>South Africa, Uganda, Zimbabwe</i></p> <p>America-Pacific: <i>USA</i></p> <p>Asia-Pacific: <i>Australia, Hong Kong, Malaysia, Sri Lanka</i></p> <p>Europe: <i>Germany, Hungary, Russia</i></p> <p>Latin America and Caribbean: <i>Argentina, Brazil</i></p>
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British American Tobacco (2002) *Social Report 2001/2002*, p.10

APPENDIX 2

STAKEHOLDER GROUPS INVITED TO/ATTENDING ONE OR MORE UK DIALOGUE SESSIONS

Stakeholder Category	Invited	Attended
Business ethics and socially responsible investment	32	13
Medical organisations	24	4
Youth, women, family organisations	14	2
Education	7	0
Community, welfare, religious	13	1
Overseas development, environment	12	1
Retail, consumer	15	1
Business, trade	10	5
Trade Unions	6	3
Government, political committees, political parties	19	2
Marketing, film, broadcasting	11	2
Research organisations and think tanks	3	0
Anti-tobacco groups	1	0
TOTAL	167	34

British American Tobacco (2002) *Social Report 2001/2002*, p.122

APPENDIX 3

COMPONENTS OF GRI – SUSTAINABILITY REPORTING GUIDELINES CATEGORIES

ECONOMIC

Profit	Intangible Assets	Investments
Wages and Benefits	Labour Productivity	Taxes
Community Development	Suppliers	Products and Services

SOCIAL

Workplace	Suppliers	Products & Services
Human Rights		

ENVIRONMENTAL

Energy	Suppliers	Land Use / Biodiversity
Materials	Transport	Compliance
Water	Products & Services	Emissions, Effluents, and Waste

Global Reporting Initiative (2000) *Sustainability Reporting Guidelines*.

APPENDIX 4

COMPONENTS OF GRI – SUSTAINABILITY REPORTING GUIDELINES CATEGORIES REPORTED BY BRITISH AMERICAN TOBACCO

SOCIAL

Workplace	Suppliers	Human Rights
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ENVIRONMENTAL

Energy	Suppliers	Land Use / Biodiversity
Materials	Transport	Compliance
Water	Products & Services	Emissions, Effluents, and Waste

British American Tobacco (2002 (a)) *Social Report 2001/2002*.

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