**Chapter 1: Introduction**

The rationale for this research was shaped by an interest in several areas. First, the current study holds a multidisciplinary approach in understanding CSR and applies Strategic Management perspective. Second, this research has a contribution to the understanding of how CSR practices are integrated within business practices of companies. Third, it applies Grounded theory as an established method in a novel way for understanding social and environmental reporting of companies. A different methodology can open up a new perspective in understanding of Corporate Social Responsibility (CSR) practice of companies.

There has been an increasing interest in investigating CSR practices of companies. This mainly included the type of chosen CSR practices and incentives for participating in these practices. In addition, while there has been more attention in disclosing and engaging in CSR practices; there has not been much improvement in CSR practices of companies (Gray, 2010, Aguinis and Glaves, 2012). Foss (2011), and Aguinis and Glavas (2012), argue that research into intrinsic mechanism is missing; that explains the reason that companies participate in CSR practice and how they focus on a particular practice. According to a research by Kiron et al. (2013), majority of companies admit the importance of social and environmental issues, but rare companies engage in a real practice (MIT Sloan Management Review and The Boston Consulting Group, 2013).

On the other hand, there is a gap between CSR practices and the desired outcome. Ketola (2010), asserts companies may choose to participate in CSR practices, but the real impact of these activities because of separation from the actual business practices of companies, is not clear. There has been emphasize on integrating CSR into the corporate strategy. Waddock (2004), suggests CSR practices of companies should be incorporated in strategies and operations of companies. Aguinis (2011), suggest CSR practices should be contextualized according to specific actions and policies of the company. However, there has been a gap in the literature to investigate the possibility of integration in the real situation. Therefore, the integration of CSR in corporate strategy has been at the level of a recommended framework for developing CSR practices in the organizational context.

The researcher held a professional interest in CSR perspective in strategic management decisions. Therefore, she has a multi-perspective approach from strategic management and corporate social responsibility for investigating CSR disclosures for a deep analysis of the issue under study. Chapman and Kern (2012), recommend the researcher should adopt a combination of two perspectives for the research that can bring a better applicable result to the study.

The current research aims to explore CSR practices and its relationship with the core business plans and objectives and the corporate strategy. Reviewing literature shows that research about CSR and strategy mainly focuses on a tiny aspect of a business strategy (a particular product or market of the company), and the research into relationship between CSR and a broader picture of corporate strategy (that includes companies’ objectives, direction and future prospect) is missing. Andrews (1997), defines that Corporate Strategy consists of the procedures, goals and decisions in the overall system of an organization. Scott (2003), asserts the organizations are ‘rational’ system that are composed of the interrelationships between different parts to make it work as an integrated system. Presumably, decisions in one particular aspect of the organization system impact other aspects of it.

One main obstacle to research in this area is the limitation to choose an appropriate methodology that allows accessing and investigating both CSR and business plans in companies. Available samples, separate departments for CSR and strategy inside the companies and intensive information regarding each of these aspect made it difficult to investigate different samples and compare them. Additionally, corporate strategy is in the realm of top managers and the board of directors that is less accessible for the purpose of multi-perspective research within the organizations and a full comparison between samples.

The current research has an exploratory nature and applies grounded theory as a tool that enables the researcher to discover explanation and develop the theory to an understandable level of the issue. This method was selected during the process that the researcher started reading annual reports for a better understanding of CSR reporting. The annual reports revealed a level of mismatch with the literature and emerged concepts and the researcher continued the research process with the grounded theory method with in the annual report as the main data set for a deeper level of analysis. The annual report, is an official source of organization for reporting business operations and activities to shareholders, investors and those who are interested, contextualise both business performance and CSR practices that is helpful for the aim of this research.

The research samples are from FTSE listed companies and the result of theoretical sampling method of the Grounded Theory. Twenty annual reports for the year 2011 were selected from different cross-industries listed on FTSE 100 and FTSE250. FTSE is a share index of the London stock exchange that gives information to the investors around the world about the performance of their investments. According to the British Company Act of 2006, the companies on the London exchange list are required to report environmental, social, workplace and community issues in the annual report, to a level that the business of companies be understood. For a detailed explanation of the research method see Chapter 3.

The research about CSR disclosures that used annual reports stresses on the difference between disclosure and real CSR performance of the companies. Thomson and Bebbington (2005), state it is not clear why the companies disclose their CSR practice the way that they do. Chapter 2 includes a full review of the research literature in the area. The companies may apply various means of communication for disclosing their CSR practices. One assumption in the literature is that the company disclose CSR practices for answering public concerns (Mahadeo et al., 2011, Deegan, 2002, Deegan, et al. 2000, Newson and Deegan, 2002). On the other hand, some companies may practice social responsibility, but do not feel it is necessary to disclose what they have done (Maughan, 2012).

The current research has focused on two main questions, research questions that *why Companies are interested in doing a particular CSR and what is the relation between CSR practice and corporate strategy?* The literature demonstrates there is little known about the way that companies can concentrate on both corporate strategy and CSR practices equally.With an aim of contributing to filling this gap, the main research focus of this study is analysing CSR practices contextualised in the framework of the annual report. The research compares samples with various situations and this led to the comparison between CSR practices in a cross-industry level. The research has an explorative nature that through the constant comparison characteristic of grounded theory shows consistency, cause and effect relations and multiple perspectives of the emerged concepts. The narrative feature of the reports helps to know the sequence of events and causality relationship between concepts.

This study takes the constructivist grounded theory approach (See Charmaz, 2006). The constructivist grounded theory is in the domain of interpretivist approach and assumes the reality is constructed. The emerged concepts are based on the meaning constructed through cognitive process within the organizational system that is reflected in the language system of the annual reports and is understood by the researcher herself. This interpretative approach guides the researcher from the unexpected results towards the possible explanations. According to Glaser (1978), the Grounded Theory starts by an early hunch of the researcher and the question in mind as; ‘’ *what is happening here?*’’. There were no hypotheses, though concepts were compared to findings in the existing literature. In conformity with the Grounded Theory approach, a further search of relevant literature was completed following a data coding process and analysis.

Using quantitative research in content analysis has been a common approach in research about CSR disclosure. Majority of previous research that selected the annual report for studying CSR participation of the companies have focused on the particular segments of the reports and analysed CSR disclosures or tiny aspects of non-CSR segments. As a result, there was not enough attention for undertaking qualitative research in this domain. The qualitative approach seeks reality within the context of the data and offers in-depth knowledge. It helps answering why and how questions and develops understanding of the issue in an intensive level (Bogt, Helden, 2012). The advantage of the grounded theory over qualitative research is moving from the descriptive level to theory building. Therefore, it is a suitable tool when there is little knowledge of a particular phenomenon, or the theories that have already been developed not appropriately explain what is occurring within the same phenomenon (Parker, 2011). Furthermore, although theories have been offered to explain CSR phenomenon, few have sought to do this based on the data of what is reported.

This thesis begins with a review of literature (Chapter 2) that includes the relevant literature in strategic management and CSR. The methodology is explained in full in Chapter 3. Chapter 4 presents analysing and conceptualising of findings to build the theory. Chapter 5 provides discussion including implications and areas for future research. Then this follows by conclusion.