**CHAPTER 3: Research Methodology**

**3.1 Introduction:**

This chapter explains the methodological approach and the applied method for the current research. The chapter presents research questions, research characteristic, philosophical assumptions, and an overview of applied methods in the previous research about CSR disclosures. Later, the chapter explains the characteristics of document analysis and presents a picture of research background and the framework of current research. Then the chapter provides an explanation of the Grounded Theory method and characteristics of the constructivist approach that is applied in this research. This chapter continues with an explanation of coding and analysis process, theoretical sampling and theoretical coding of the method. The chapter concludes with the writing process of Grounded Theory, and the evaluation of the method.

**3.2 How I Started to Use the Grounded Theory Method:**

The research did not commence with the aim of using the Grounded Theory approach but the method introduced itself as an appropriate research tool during the research process.

The initial research aim was emerged from a previous background of the researcher in strategic management discipline, career experience, and the researcher’s interest in research about integrating CSR in business decisions by companies.

According to Glaser (1978), the Grounded Theory begins with a question in the researcher’s mind that ‘’ *what is happening?*’’ in the data set. This question comes from an early hunch that the researcher feels there is inconsistency with prior knowledge in the discipline.

At the beginning process of this study the researcher started to read the annual reports to gain insights about CSR engagement of the companies. The researcher did not have any previous experience of dealing with the annual report. The researcher found some mismatch within the contents of reports that were not supported by any explanation in literature. As a result, the researcher continued the research with using Grounded Theory method and a constructivist approach (Glaser, 1978).

The Flowchart of research process (Figure. 3.1) represents the stages of research in the current study.

**Figure 3.1: Research Process Flowchart**

**Open Mind Research Question**

**Basic Literature Search**

**Open Coding**

**Data Collection**

**Developing Categories**

**Theoretical Coding**

**Focused Coding**

**Theoretical Sampling/ Further Data Collection**

**Developing Theory**

**Complete Literature Review**

**3.3 Open-Mind Research Questions:**

The present research mainly focuses on understanding CSR disclosures in the context of the annual report. The researcher adopted an exploring approach within the structure, framework and contents of CSR reporting in the annual report. The researcher was interested in knowing how CSR practices are contextualised, how CSR and business relations are defined in the reporting system of annual report, and the contribution of these aspects to each other.

Charmaz (2006), notes that Grounded Theory method begins without any pre-defined research question. Bryant (2013), asserts this method has an explorative nature and the conventional hypothesis is not appropriate in the method. The question that is originated from the literature review that has occupied the researcher’s mind that does not let the researcher go further from that is not the purpose of this method. However, this does not mean that there is no research question in this method and all research begins with a question in the mind of the researcher. The difference between the Grounded theory and other methods is a deep connection with the data and having an open mind approach to let concepts emerge rather than only focus on a tiny aspect of the research question.

As discussed above, the researcher had a few general research questions in mind but during the research process the researcher’s role was to leave these questions aside to let unexpected concepts emerge from the data (Glaser, 1978). There were two main research questions that are tightly relevant with each other:

**Question 1**: *What are CSR Practices? And* *why companies participate in a particular CSR practice?*

**Question 2**: *What is the relationship between CSR practices and corporate business?*

The researcher’s focus was on finding a pattern that explains the phenomenon in the annual report. This has been done through the exploratory process of the research, the constant comparison between codes, and samples.

During the research process, the researcher was required to take an analytical approach and ask in-process questions from herself. These questions were important because the researcher needed to find answers for them that developed the conceptual aspects and led the researcher through data gathering and analysis process (Charmaz, 2006). Therefore, the research was not limited to research questions and was open to in-process questions. These questions increased attentions in the analytical process and revealed those aspects of data that needed to be looked into. These questions helped to develop the analytical process of research, the researcher’s reflection, and theoretical sampling. These questions are:

*-What are CSR practices of the companies? (Through comparison of disclosures and narratives)*

*-What similarities and differences are between the practices from industry to industry, and in different market capitalization?*

*-What the annual report says and what is the relationships between actions/ practices and statements?*

**3.4 Introduction to the Grounded Theory Approach**

The Grounded Theory has developed as a research method over the last thirty years and has offered a method of gathering, exploring and analysing the data with an open mind of the researcher. Glaser (2002), notes that in the Grounded Theory all come from the data and this method has an exploratory nature to deal with emerging concepts from the data set. In this method, the researcher discovers an explanation through looking into the data in a deep level of analysis and develops a theory that explains ‘’why’’. The Grounded Theory identifies the concepts to unravel an important concern in the research domain (Glaser, 2002), and is an appropriate method when there is not sufficient theory available to explain the phenomenon (Urquhart, 2001), or the available theories do not provide explanation for the issue under study.

The Grounded Theory method has an inductive approach and relies on conceptualization that comes from the data (Strauss and Corbin, 1990).The research is carried out through a systematic analysis, inductive approach and constant comparison between codes, samples and abductive reasoning (Charmaz, 2006). The systematic questions relevant to the concept in the coding process is helpful in this analysis process (Strauss and Corbin, 1990) (Section 3.3).

**3.5 Why the Grounded Theory for This Study?**

The methodology justifies how the method should be selected that related to the ontological and philosophical assumptions of the researcher (Morgan, Smircich, 1980). Additionally, the choice of research method is based on the problem under study (Benbasat, 1984). The role of the researcher is to find and craft an appropriate method for the research aim, and what she intends to understand.

The research aim was to explore CSR practices of companies in the context of business practices of companies. In order to investigate CSR disclosures and its connection to business activities in the annual report that presents a complex context the researcher was required to use an appropriate research method**.**

Majority of research in CSR practices are based on ''de-contextualised" empirical research (Bogt, Helden, 2012, Guthrie and Parker, 2012) that studied CSR implementation out of the business context. For the purpose of this study a research tool that facilitates a contextualised research is of benefit to the current research. Strauss and Corbin (1990), claim that different themes emerge from the data and the Grounded Theory method can find an assumption to explain what is happening. In addition this method offers a multi-dimensional approach that pays attention to the multi-voice of organizations.

The research about CSR and the link with corporate business and corporate strategy is missing. The research gap in CSR domain and the relation between CSR and strategy needs more attention.

Aguinis and Glavas (2012), claim there is little understanding of companies’ reasons that participate in CSR activities and they recommended in order to shed light over CSR engagement of businesses the future research need to focus on underlying mechanism of these practices in the organizations.

The Grounded Theory is subjective in ontology and interpretive in epistemology and offers a broader understanding than other methods for the aim of this research and develops the knowledge of the issue through an interpretive approach. A great advantage of this method is that it provides a close connection with data to explore them through a multiple comparison process (Orlikowski, 1993, Charmaz, 2006) this offers an opportunity to represent a coherent portrait of recognised and unrecognised facts about the issue.

A major difference between the Grounded Theory method and other qualitative research methods is the theory development in this method. This method moves from a simple level of analysis in the qualitative research to a level that enables the researcher to compose the conceptual categories and link the related categories to each other. Wuest (2007), argues that the Grounded Theory is a helpful tool when there is little knowledge about a particular phenomenon. Unerman (2013), suggests that new theories are helpful to explain CSR phenomenon and answer questions that are unanswered within the current theories. The Grounded Theory method is applicable when an existing developed theory does not appropriately explain the process that is happening within the same phenomenon (Parker and Myrick, 2011; Parker, 2011).

According to Lock (2011), the Grounded Theory has an advantage over other qualitative research method that helps the researcher see some aspects of the social world through conceptualization. A few recent studies have used qualitative research to study CSR disclosure in the annual reports in the form of discourse analysis and narrative analysis (Jameson 2000, Coupland 2006, Tregidga et al. 2007, Livesey 2002a, Livesey 2002b, Merkl-Davies et al. 2011). Many of these studies only focused on the single perspective of CSR disclosure in the annual report.

The Grounded Theory originally was introduced in the sociology discipline (Glaser and Strauss, 1967). Studies have used the Grounded Theory method in a wide range of disciplines in social science; and, despite the advantages and potential that are offered by this method it has not received enough attention in management and business discipline (Locke, 2001). Similarly, in CSR reporting research that qualitative research rarely has been used, the Grounded theory method is a novel approach.

**3.6 A Review of Previous Methods in CSR Disclosures Research**

This section presents a review of methods that have been applied in CSR research. To study CSR engagement in relation to business of companies the researcher is required to use an appropriate tool that enables her to access both aspects of the companies.

Using the annual report as data field gives an opportunity to evaluate CSR practices in relevance to other activities of companies in a contextualised framework concurrently. In recent years, there has been a growing expectation from companies to participate in CSR activities. Therefore, companies have used different means to communicate their CSR achievements to the general public (Gray et al., 1995). As a result of increasing attention towards CSR implementation among organizations there has been a growing tendency among organizations to disclose their CSR practices (Gray, 2001). Many scholars have used the CSR disclosures to evaluate the quality of reporting and measure the improvement of these disclosures within the companies (Gray, 2001, Ballou et al. 2006). A great number of research has focused on a broad understanding of the relationship between disclosures and performance (Ullmann 1985, Hughes, Sander et al. 2000, Clarkson et al. 2008).

Organizations use different means of communication to report CSR practices such as: websites, stand alone and annual reports. The annual report has been selected as data set by researchers in different studies in this discipline (Wanderley et al. 2008, Cormier et al. 2009, Biloslavo and Trnavcevic 2009, Jose and Lee, 2007). Much research has focused on the types of practices, trends, qualitative and quantitative features of CSR disclosures in organizational reports and websites.

As a major source, the annual report has been used to study CSR disclosures in various forms of analysis and based on different factors (For example, Hughes, et al. 2000, Savage, A. and J. Rowlands 2000, Deegan, Rankin, 1996, Gamble, et al, 1996, Fekrat, et al, 1996, Gray, et al 1995). The annual report is an official communication source of organization that has been supported by top managers to report the business performance of the organization. In addition to this, the annual report is the only organizational report that is forwarded to all shareholders every year (Sweeney and Coughlan, 2008).

Much of the previous research undertook the positivistic perspective and content analysis has been a common research method to analyse the annual report (Guthrie and Mathews, 1985, Guthrie and Abeysekera, 2006, Jose and Lee 2007, Deumes, 2008, Beck et al., 2010).Their aim was to find out types, trends and quantity of CSR disclosures and the relationship with various factors such as country and business sector have been examined.

The relationship between the business sector and CSR disclosure have been investigated in many studies. For instance, a great focus was on high impact industries and their disclosures of environmental performance (Clarkson et al. 2008).CSR disclosures in cross-industry sectors (Hackston and Milne, 1996, Adams et al. 1998, Clarkson et al. 2008), and cross countries have been investigated by researchers (Adams et al. 1995, Fekrat, et al, 1996, Holland and Boon Foo, 2003, Chen and Bouvain 2009). To investigate CSR practices and business perspectives in the annual reports, Bouten et al., (2011), applied quantitative approach to evaluate the disclosures about managerial approach, vision, and mission of the companies. They found a low level of CSR embedding within vision, mission and managerial approach of the selected annual reports. In another research by Toppinen et al. (2012), they categorise companies in Forest Industry according to size and financial performance to compare their strategies in CSR disclosures.

Ness and Mirza (1991), examined 131 of UK companies based on their turnover and analyzed frequency of disclosures about different CSR practices. In a cross industry research by Clarke and Gibson-Sweet (1999), they evaluated environmental and community disclosures quantity of 95 top UK companies according to their turn-over.

The assumption behind the importance of CSR disclosure research is to help encourage participation in CSR practices (Gray, 2001, Ballou, Heitger et al., 2006). Therefore, much research focus on a better understanding of the relationship between disclosures and performance (Ullmann, 1985, Hughes, Sander et. al. 2000, Clarkson et al. 2008).

A main assumption is that CSR disclosures are different from real practices of companies (Gray 2001, Branco and Rodrigues 2012, Deegan and Rankin, 1996). For instance, Patten (2002), in an empirical study from environmental disclosures of 131 American companies, found a negative relationship between disclosure and performance. Similarly, Deegan and Rankin (1996), found a minor relationship between disclosures and performance.

Gray (2010), and Aguinis and Glavas (2012), claim that there has not been much improvement in CSR practices during the years. Many studies have note addressed the reasons why companies are interested in particular social and environmental disclosure (Gray et. al. 2001, Murray et al. 2006). Research in environmental issues emphasized more environmental behaviour rather than environmental attitudes of firms (See Tilley, 1999).

From the strategic viewpoint, how companies use their equipment and facilities, provide awareness, or manage policies and procedures indicate responsible attitude of companies (See Priest, edited by Pohl and Tolhurst 2011). However, there has not been enough studies to explore strategic and business activities and responsible practices of companies concurrently.

Positivistic stance in the CSR reporting research has been a dominant approach and on rare occasions researchers have used qualitative methodology. Despite the potential of qualitative methodology in this respect, it has been less used by the researchers in this domain. In particular contextualised studies that is close to the event has not received enough attention. Patten (2002), explains the aim of qualitative research is to present a broader understanding of the phenomenon under investigation, and it is different from quantitative methodology that focuses on a tiny aspect. Qualitative research seeks reality within a contextualized framework and provides in-depth knowledge of the issue under study (Bazeley, 2007). The only research stream in the qualitative approach towards social and environmental disclosure used discourse analysis and studied applied language (Coupland, 2006, Tregidga et al. 2007, Livesey, 2002a, Livesey, 2002b). It should be given more weight on different methods to show a wider picture of the phenomenon (See Foss, 2011; Aguinis and Glavas, 2012).

In order to study CSR disclosure in a deeper level some studies focused on quality of these reporting by using quantitative techniques. For instance, Beattie et al (2004), propose a multi-dimensional framework within the content analysis methodology to investigate the quality of disclosures. Their framework attempts to categorise disclosures indicate future trends of the practices that include quality, quantity, financial and non-financial issues. Similarly, Gray et al., (1995) argue that assessing the quantity of CSR disclosure is not enough and suggest a framework for evaluating the quality of practice by categorising them to good news, bad news or neutral. In contrast, Bewley and Li (2000), argue that because of a subjective interpretation about the same news by different stakeholders this framework is not helpful (Branco and Rodrigues, 2007).

In the literature there has been an unanswered question why and how companies decide to disclose their CSR practices in the way that they do (Solomon and Lewis, 2002, Moneva, Cuellar, 2009, Cormier and Gordon 2004, Gray et al. 2001, Hughes et al. 2000, Patten, 2002, Magness, 2006, Tilt, 2006, Ziek, 2009, Bebbington et al. 2008).

Thomson and Bebbington (2005), claim that there is still not a clear understanding of disclosures and the purpose of companies to report them. Much research that has been using quantitative methodologies. Hence the findings have been limited to quantitative comparison of social and environmental practices in different companies and countries (Williams & Aguilera, 2008, Golob & Bartlett, 2007, Brammer & Pavelin, 2005).

Evaluating disclosures and finding the purpose behind them has been challenging (Cho and Patten, 2013). In addition these disclosures do not necessarily show the real practices of companies. However, some researchers consider the CSR disclosures as the real practices of companies (For example, Ballou, et al, 2006, Dhaliwal et al, 2012). Similarly, Alazzani and Wan-Hussin (2013), claim that there is misunderstanding of the content of reports that indicate transparency, credibility and comparability. Tang et al., (2012) suggest that the researcher should pay attention to broader understanding of actual CSR practices of the companies than disclosures. In addition to this CSR practices consist of wide range of activities that companies are expected to concentrate on implementing them in an appropriate way. According to Minor and Morgan (2011), even good practices do not mean the companies necessarily avoid harm to the society and environment. Heslin and Ochoa (2008), claim that some companies show good performance in some practices but weak performance in other aspects (Heslin and Ochoa, 2008). Therefore, understanding CSR disclosures and linking them to actual CSR practices of companies is even more difficult. (Thomson and Bebbington, 2005)

**3.7****Research Characteristics:**

Research in management and business domain is required to consider a multiple-disciplines In order to develop a theoretical framework and explain the phenomenon properly. Mangion (2006), argues that CSR research is influenced by the knowledge from marketing, accounting and general management discipline; however, the new perspectives from other disciplines are required to develop the understanding of issue. This is in line with the approach of the current study to use strategic management discipline to gain insights about CSR participation of companies.

In addition to above, Pfeffer (2012), suggests that the main concentration of any research in management discipline should be on what is true, and what is happening in the organization system (Management and Business Portal, British Library, 2012).

The current study has a multi-disciplinary approach to evaluate CSR practices and business practices in the context of annual report. The research applies an appropriate tool to conduct the analytical process and adopts the Grounded Theory method in the domain of interpretive tradition (Section 3.10)to develop the research within a subjective methodological underpinning.

The Grounded Theory enables the researcher to explore and analysis data in a deeper level, and generate a new theory within the multi-discipline approach that throws a light on the aspects cannot be explained within a single discipline (Locke, 2001). Most importantly, using two perspectives can help seeing overriding problems in CSR implementation by companies (Chapman and Kern, 2012).

The following sections present an overview of previous research methods in CSR and context of the annual report, the Grounded Theory and application for the context of the current study.

**3.8 Document Analysis: A Different Source for the Grounded Theory**

Applying different methodologies in a discipline open a new angle to understand the issue under study. Grounded Theory method is an established method that is used in a novel way in order to analyse the annual reports is important for two reasons: understanding CSR disclosures within the business context of the annual report, evaluating the link between CSR practices and business of companies.

The annual report is a formal report that is written with the agreement of CEO and the board of directors. Additionally, the annual report is the official voice of the company and presents information of various aspects in one report and the same context. Other means of communication such as standalone CSRreport does not represent the business perspective of the company. The annual report presents business practices over the past year, main business decisions, business orientation, and anticipation of the company for the future of business. The main target audiences of the annual report are shareholders (Charles, et al 2002) and investors.

In addition to above, the expectation from the annual report is different from other sources including those report social and environmental disclosures. For instance, the annual reports are required to be published annually and have a ‘’fixed deadline’’ (Neimark, 1992).

In the Grounded Theory method data collection can be from a large range of sources such as: internet, texts, secondary data, and interview (Charmaz, 2006). Although, interview has become a common tool in the Grounded Theory approach; however, text document has been less considered. Some research used documents as the major source of data (Bowker and Star, 1999; Clarke, 1958, Clarke, 1998; Engles, 1986, Mark and Engles, 1970, Selznick, 1949, Star, 1989; Star and Griesemer, 1989). However, textual analysis of organizational document in the management discipline received less attention from the researchers.

Using the Grounded Theory approach in the annual report has two main characteristics: document analysis presents a large and widespread data; the annual report requires to be read and analyzed carefully because different data collection can affect understanding of the emerged concepts (Charmaz, 2006). Considering multiple segments in the annual reports, this brings a multi-dimensional level of interpretation. This is different from interview and it includes a broad range of information that is not structured and guided within questionnaires; therefore, it needs a different data managing approach.

Text analysis helps investigate the data in the context of creation (Charmaz, 2006). This is significantly important because much of research in the CSR disclosures extracts CSR section from the rest of the report for the purpose of analysis. In the current research it was crucial to consider the connection of CSR section with the rest of the annual report that generates a coherent document. According to Bazeley (2009), relying on the selected narrative from some sections does not bring proper understanding of the phenomenon under study. In fact, different segments together can reveal a broader and present logical evidence of the issue**.**

Companies may use various sources to answer the public concerns and demands about social and environmental issues (Mahadeo et al, 2011, Deegan et al, 2002, Deegan, et al. 2000; Newson & Deegan, 2002). There are studies that only have used annual reports for CSR analysis (Abbott and Monson, 1979; Brammer and Millington, 2004). Some researchers discuss that the annual report is not the only communication means of organizations and might not be a sufficient source in order to investigate CSR practices of companies. As a result, they suggest other sources of communication to inform social and environmental disclosures. Therefore, it has been recommended that all these tools (web sites, stand alone, CSR reports) need to be considered for the research (Unerman, 2000, Zeghal &Ahmed, 1990, Roberts, 1992).

However, in reality it is not possible to ‘’monitor’’ all social and environmental practices of each company and analyse the CSR communication of companies through different means (Branco, Rodrigues, 2007, Issues in Corporate social and environmental Reporting Research: An Overview). At the same time, all of these reports represent disclosures that are different from actual practices of companies. On the other hand, according to some research, all companies that participate in CSR practices are not be interested in reporting these activities in any form (Maugham, 2012).

For the purpose of the current study, the annual report has particular characteristics that made it a sufficient data source. The annual report is produced for the purpose of communicating business situation and relevant aspects with intended or unintended audiences (Schwartz-Shea, Yanow, 2012). Additionally, as an official report of the company, the annual report is likely to provide a broader picture of management perceptions and orientations towards different issues such as corporate social responsibility (See O’Donovan, 1999, Deegan et al, 2002).

The main characteristic of the corporate annual report is the narrative feature that composes a high percentage of the report. Narratives make the social reality either in the verbal or written form. The researcher is required to be aware of the characteristics of the research tool that may affect the research process and results. The narrative feature of the reports represent events and causality relationships between items. Duringall stages of research analysis, the researcher needed to be aware of the difference between text analysis and other tools such as interview or observation. In interviews, control and awareness exist to a considerable level (See Markham, 2004). However, the text in the annual report is constructed for a specific purpose (Charmaz, 2006). According to Holsti, (1969), the communication has three main elements: the message, the sender, and the audience. Considering the potential audiences, the researcher can gain broader understanding of how the narratives are shaped (Charmaz, 2006). Based on the instructions by Charmaz (2006), the researcher needs to ask herself a range of helpful questions that come from careful attention during the document analysis process. The questions such as: *who created the report? What is the unstated purpose of the report? How does the content of the report construct the image of reality? Which rules construct the image of reality? How can the research observe them in the narrative? What comparison can be performed within the texts, and between similar texts on the same topic? Who can benefit from the report and why?*

**3.9 Constructivist Grounded Theory**

The Grounded Theory can take various approaches to interpret data. The current study applies Constructivist Grounded Theory instruction that has been developed by Kathy Charmaz, and is compatible with the assumption of social constructionism (Charmaz, 2006). Therefore, the analytical process and inductive approach of the method are based on this philosophical assumption.

The ontological assumption behind the constructivist grounded theory is multiple views of realities (Charmaz, 1990, Charmaz, 2006, 2008, Merkl- Davies et al. 2011). Accordingly, every action has a meaning that is socially constructed. This perspective underpinned my desire to explore the research aim in full aspect and consider the characteristics of the context of data set (annual report).The text in the annual report is presented within a contextualized framework to illustrate reality that is constructed by producers of it.

Constructionism is based on the assumption that our understanding from the reality is through the meanings that are constructed through interactions and how people construct the meaning of experience in the world around them (Berger and Luckmann, 1991). Social constructionism believes in multiple truths and knowledge of possible realities are constructed by both the creator of the text, and the researcher. Organizational actors create the annual report that presents important aspects of organization. Constructivist approach explains how both the creator and the researcher have roles in this process through the picture made by the creator and interpretation of the researcher. Social constructionism believes that concepts are not discovered but constructed the knowledge came through interaction with the surrounding environment (Andrews, 2012). Social constructionism is compatible with organizational experience and their interaction with the society as explained in the literature review chapter. Therefore, from the view of the researcher social constructionism explains interpretive understanding of the research.In the constructivist grounded theory approach the concept and theories are constructed but they are not created by researchers out of stories (Corbin, 2008; ed. Morse, 2008). In fact, what social constructionism offers to the current research is that the researcher should be aware of what affects the phenomenon under study.

The other main feature of the method is abductive reasoning that lets the researcher gain an idea and refers back to data to see how the codes are and how these codes represent that idea (Charmaz, 2012). The abductive approach indicates a surprising result and with a ‘circular-Spiral’ technique that connects multiple pieces to reach a workable explanation for the phenomenon (Schwartz Shea and Yanow, 2011).

**3.10 Interpretivist Approach**

Interpretivism is the philosophical assumption of the used research method. The interpretive approach looks at actions as a system that through symbols represent the layers of interconnected meaning (Walsham, 2006). The role of the researcher is to undercover this meaning and understand the reality through interpretation of the phenomena.

The interpretation process is based on various aspects. Previous knowledge and experience are intrinsic to the interpretive approach (Schwartz and Yanow, 2012) and have a significant leading role in the research process. Suddaby, 2006, argues that there is a misunderstanding about the grounded theory that it is without prior knowledge or literature review (Section 2.2.1).In fact**,** the perspective of theresearcher is not ignored and is merged as more data for further constant comparison in the analysis stages. (Glaser, 2002).

This previous knowledge from another discipline and work experience adds to the researcher’s insights from phenomena under study. As a result, this interpretive tool through a solid analytical process of the research method bridges the practical experience and emergent concepts of data field.

Qualitative research is addressed through subjective or interpretive approach. Qualitative position provides a basis for deep understanding and answering ''why'' and ''how'' questions, and the reasons behind organizations’ actions through interpretation (Bogd, Helden, 2012).

Gasson, 2005 argues that interpretation is a human behaviour that requires insights from the data set, relationships and their meaning, otherwise there would be no understanding. In this regard, the prior practical experience and knowledge of discipline provide understanding that through entering a new context of data set the relationships between data are understood by the researcher in the grounded theory; otherwise, the interpretation does not have meaning in this method.

Suddaby, 2006, argues the interpretive process in grounded theory relies on the attention of researcher various aspects of the data that arises possibility of 'surprises' in this approach. The interpretive researchers are not interested in studying concepts that are defined or created before but they are looking for understanding the concepts in a different framework (Goertz, 1988). Therefore, the intention is to interpret how concepts are used and what are the purposes behind their usage rather than to test whether or not the concepts are true (Schwartz and Yanow, 2012). In addition what, a thing ‘does’ and how it is used in its context, leads us to the reality about it.

In addition, although the current research considers social construction position because of the way reports are being produced; however, annual reports have been used as the source for positivistic research. But what is different is the way of looking into the data and disclosures that considers context, whole data, and relationships between concepts.

**3.11 The Grounded Theory Research Process**

This section provides explanation for different stages of the constructivist grounded theory that utilised in the current research

**3.11.1 Sampling Framework:**

In the Grounded Theory, data show a contextualised situation of the phenomenon under investigation (Dey, 1999). Sampling in Grounded Theory has three main characteristics. It is purposive sampling. It is theoretical and the researcher according to analytical process selected further samples. It continues until the saturation level that means the researcher has had enough samples that show a similar pattern in all of them. According to the characteristic of the qualitative approach, purposeful sampling is studying in the real situation and flexible emergent design (Patton, 2002). The aim of Grounded theory is not generalisation but presenting a deep insight into the phenomenon. Thus, the samples were selected according to various possible situations in the data set framework. The researcher continues data gathering until the level of data saturation, then stops collecting more data (Charmaz, 2006).

The researcher started purposive sampling from multinational companies listed on FTSE that is a share index of the London stock exchange and gives information to the investors around the world about the performance of their investments (http://www.ftse.co.uk). FTSE 100 represents 81% of the UK market, and FTSE 250 shows 15 % of the UK market. Aside from business position of FTSE, according to the British Company act of 2006, the companies on the London exchange list are mandated to report environmental, social, workplace and community issues in the annual report, to a level that the business of companies can be understood ([www.CSR.gov.uk](http://www.CSR.gov.uk) ). In addition, the London stock exchange had a role in socially responsible investment (SRI) and helped establish the FTSE4Good Index Series in 2001 and has been as '' an example for guidance'' SRI worldwide (Lydenberg & Grace, 2008).

Glaser (2012), asserts that sampling is based on its accessibility; that means the researcher should seek data from available resources in the time framework and the theory generated within the data boundaries that are selected for the research. In so doing, I selected annual reports that were more accessible for studying CSR practices and business perspectives of the companies simultaneously.

Using the annual report as data set has three main advantages for the purpose of this research. First, it presents a unique opportunity for simultaneous access to business perspective and CSR practices of the company. That in the real organization system, access to both relevant departments is not easy. Second, it was easier source to access. Nowadays, multinational companies use their websites for uploading their latest annual reports. Finally, it has a great advantage in saving time for sampling process as the Grounded Theory itself is a time consuming analytical method. Indeed, the Grounded theory method has an intensive process in all stages including data collection, data analysis and constant comparison between codes, various stages of codes and finally generating the theory. Furthermore, data saturation is difficult to reach especially when enormous and rich data are required, and many researchers prefer to adopt other similar methodology that do not require data saturation or generating a theory.

**3.11.1.1Selected Companies**

The samples were taken from both FTSE 100 and FTSE 250 lists and different business sectors. The data collection continued to reach the data saturation level. Therefore, it caused a relatively large data sampling of twenty companies that were bigger than average data samples used in the Grounded theory method.

Selected companies from cross industry are shown in Table (3.2). The initial attempt was to focus on cross industries and companies with different business situation. The samples include multinational companies from different business sectors, industries with high impact and medium impact on environment, companies listed on FTSE 100 and FTSE 250, different year of establishment, geographical area of focus and market position. The sampling selection was an analytical approach based on the coding process. During comparisons between codes, the arising questions for the researcher led her to look in other samples to see *what is happening there?* (Section 3.3).

**Table 3.2 Selected Companies**

|  |  |  |
| --- | --- | --- |
| **Company** | **FTSE 100/FTSE 250** | **Industry Sector** |
| **Company B** | FTSE 100 | Oil and Gas |
| **Company TO** | FTSE 100 | Oil and Gas |
| **Company G** | FTSE100 | Oil and Gas |
| **Company AF** | FTSE250 | Oil and Gas |
| **Company PO** | FTSE 250 | Oil and Gas |
| **Company S** | FTSE 250 | Oil and Gas |
| **Company HEO** | FTSE 250 | Oil and Gas |
| **Company AA** | FTSE100 | Mining |
| **Company H** | FTSE250 | Mining |
| **Company DC** | FTSE 250 | Food Industry |
| **Company DV** | FTSE 250 | Food Industry |
| **Company A** | FTSE 250 | Chemical Electronic |
| **Company C** | FTSE 100 | Chemical |
| **Company AS** | FTSE 100 | Pharmaceutical |
| **Company TG** | FTSE 250 | Pharmaceutical |
| **Company GK** | FTSE100 | Pharmaceutical |
| **Company JM** | FTSE100 | Chemical |
| **\*Company DR** | FTSE 250 | Power Generation |
| **Company AGK** | FTSE100 | Power Generation |
| **\*Company EC** | FTSE 250 | Power Generation |

**3.11.2 Grounded Theory Analysis Process:**

The coding process in this research follows the instruction was proposed by Charmaz (2006). Therefore, coding process include: Open Coding, Focus coding, and Theoretical coding (Figure. 3.3). The Constructivist Grounded Theory offers a systematic way of coding and the researcher found it is helpful for managing the large data and fragmented data in the annual report.

Charmaz (2006), asserts that it is important the researcher uses the grounded theory finds her way for doing the research. Data field characteristic offers challenges that the researcher should have a flexible approach for dealing with data and managing them in the research process. Every research has its own unique situation. In the current research, because of the characteristic of the annual report that explained earlier, the researcher needed to find her way for managing and coding the data.

Graneheim and Lundman (2004), argue that analysing the meaning within the context needs an appropriate approach for looking at the whole and having a clear picture in mind during the analysis process. In this research, the grounded theory method therefore helped me to preserve the sense of the whole story of the companies as they disclosed in their reports. The annual report is large document; therefore, in order to manage the analysis process, I did the analysis for each segment separately (Graneheim and Lundman 2004), and then I constantly compared the segments to each other to see whether there are similar codes or a new form of description is required.

**Figure 3.3 Three Stages of Coding and their Definitions**

|  |  |
| --- | --- |
| **Three stages of Coding** | **Definition** |
| Open Coding | Initial line by line coding |
| Focused-Coding | Categories that have something common within open codes |
| Theoretical coding | Further Conceptual codes derived from Focused Codes |

**3.11.2.1 Open Coding:**

The coding process began as Charmaz (2006), recommends. During open coding process, the researcher can find out what is happening in the data and begin to understand the data (Charmaz, 2006).

The annual report is produced in a highly organized structure, and each sentence creates new information or supports the preceding sentence. Sentence by sentence coding made the researcher certain that she did not miss any information. This was of importance as the research focuses on CSR practices and business perspective that are contextualised in the annual report and the researcher needed to code all relevant narratives. In the case of a long sentence that provides multiple information the sentence was broken to shorter sentences for being coded.

In the Grounded theory method reading the data and open coding happens simultaneously. Therefore, the researcher started reading through annual reports and highlighted the texts about CSR and relevant information about corporate business. During this process, the researcher has written the comments and reflected thought as Memo. This was helpful in the later stage in order to connect with the data and emerging concepts. During this stage, the researcher also applied in vivo coding when there was a special word in the sentence from data that could define the situation in a better way.

Following the instruction by Charmaz (2006), the researcher was required to have in mind the arising questions during the coding, reflected thoughts and sampling as these questions led the researcher through the research process and helped her to look at the data from various perspectives. In fact, the researcher needed to think actively about the data and ask herself questions to explore various aspects about the data. The questions such as: *What is organizational characteristic of that particular sample? What is pretended purpose within the texts of the reports? What are unsaid purposes? What are the relationship between them and other practices? What is embedded meanings within the reports? How does a meaning show a particular aspect of the situation? , What is its contextualized the meaning? What is the relationship between the content, disclosures and construction of the reality? Which realities do the report claims to represent? How does it represent them? , Which rules affects the construction of the text? How these rules can be observed within texts? What is the interrelationship with other data on the same topic? , What kinds of comparisons can you make between texts and between similar texts on the same topic? , Who benefit from the actions/ practices and why?*

The sentence by sentence coding can be stopped when there is repetition of the same idea again and again and the sentences do not give any new concept (see Khandkar, 2009). In the annual report, the repetition of the same information is a common feature and the role of researcher is to grasp the important information and ignore the repeated one. At the same time, the various form of disclosing the same information is important and is required to be considered by the researcher.

**3.11.2.2 Focused Coding**

The first stage of the coding process is open coding that is useful to identify categories (Dey, 1999). This first stage of coding is at the descriptive level and then moves to the analytical level of focused coding. Dey (1993), suggests that the analysis in the qualitative method needs to be carried out at three levels of Description, Classification, and Connection. He argues that the coding process should continue at the analytical level, and should not be limited to the descriptive level.

After finishing open coding the focused coding process began, with the aim of categorising similar codes. This stage refers to the conceptual process that comes from the relationships between codes (Charmaz, 2006). The key point here is causality relationship between different themes that indicates goal orientation of activities and processes in the phenomenon under study. Some samples present multiple layers of causality relationships between the coded categories that needed to be considered in the focused coding.

**3.11.2.3Theoretical Coding:**

This analytic process is helpful to connect the various codes and find a coherent understanding between codes. In fact, at this stage the researcher can interpret a story of the meaningful codes. The Grounded Theory relates contradictoryfacts and shows those clear and unrecognized facts in a detailedand ‘coherent’ construct. It creates possible explanation until a perfect fit that explains the phenomenon most clearly. (Morse, 1987).

**Figure 3.4 Coding Process**

|  |  |  |
| --- | --- | --- |
| Open Codes | Focused Codes | **Theoretical Codes** |
| Open Codes |
| Open Codes | Focused Codes | **Theoretical Codes** |
| Open Codes |
| ... | ... |  |
| .. |

**3.12 Dual Coding Process**

Twenty annual reports were coded and analyzed. The coding process were performed in two stages from CSR perspective and Business Perspective. The concepts are the result of the interrelationship between these two aspects. Business perspective includes disclosures about corporate strategy, risk management, business operation, and other relevant statements. For the CSR perspective, disclosures from CSR segments of the annual reports were considered. Therefore, the researcher looked into the related segments in the annual report. The researcher looked into relevant disclosures to each perspective in

**3.13 Data Collection**

The researcher started from January 2012 for collecting the annual reports for the year 2011. The researcher downloaded the annual reports from the websites of companies and saved them in a separate file. Although, data collection was easier than other forms of data collection; however, this was a slow process because the companies uploaded their new annual reports on the website in different time between one to four months after the beginning of 2012. This made the coding process and theoretical sampling slower because the researcher needed to wait for further samples that were not ready that time.

**3.14 NVIVO Software: Not a Helpful Experience**

At the beginning of the research process, the researcher used NVIVO for the coding process. After downloading the annual reports, the researcher converted the selected segments to word document in order to code them by NVIVO software. After a while, the researcher did not find this software is a useful tool for the current research. One significant shortcoming in using the software is detaching the researcher from the main context of the reports through extracting pieces of the selected text. This was especially important at the beginning stage of the study that the researcher needed to have more understanding of the data set. In this study the researcher was required to move back and forth between data and codes in order to determine the relationships between them; therefore, the researcher applied manual coding process that provides more connection to the data in their setting. Seeing the sentences in their contexts, viewing, and reviewing the connection between various codes and categories offered more deep connection in manual coding method that the researcher missed them in using NVIVO version; therefore, she started to code manually again.

The other disadvantage of using Nvivo for the current research was large file of annual reports that managing them through manual method was easier than using the software. In addition to this the researcher notices during converting large files from pdf to word some parts of them were missing.

**3.15 Individual Sample Coding and Code Maps**

Moving from Open codes to final theoretical codes was performed in several stages. As described in Section (3.11.2), the coding has been done in three stages of open coding, focused coding, and theoretical coding. The researcher extracted the selected narratives after reading and open coding process and typed them in word format file. Therefore, each sample had a file for extracted text, open codes, focused codes, and theoretical codes.

The focused codes from each document were organised to form theoretical codes. This process required the researcher going back and forth to the data and doing constant comparison between codes. The annual report is a large document that composed of various segments in the report; therefore, reading and coding the annual report needs a careful consideration. After identifying theoretical codes, a code map was created for each case. Figure 3.5 shows the narrative and coding process of the annual report extract from company CR. This figure demonstrates the coding process from open coding to focused codes, theoretical codes, and codes maps.

|  |  |  |
| --- | --- | --- |
|  | | |
| **Figure : 3.5 Example of Coding Process** | | |
| **Narrative extract including codes from CR** | **Open Codes** | **Focused Codes** |
| I am delighted to report another outstanding set of results. This continued success is testimony to the effectiveness of our strategic focus on market led innovation in fast growing sectors and economic worldwide, | *Our strategic focus is on market led innovation*  *Fast growing sectors…* |  |
| and an unrivalled understanding of our customers. | *Understanding Customer* | *Focused on customer* |
| We achieved strong performances in both consumer care and industrial specialties during the year. | *Strong achievement in consumer care and industrial specialties…* |  |
| In the longer term, our focus on innovation and technology, and our increasing exposure to the growing economies of Asia and Latin America, give me great confidence in the future prospects of the group. | *As we focus on innovation and technology ,*  *our exposure to the growing economies of Asia and Latin America, provides good opportunity for the group* | *Innovation led business*  *Emergent Market Opportunity* |
| We are again likely to generate surplus cash from trading in 2012. We intend to invest this in acquisitions and further organic investment if suitable opportunities arise. Any future buybacks will be reviewed in the light of the above. | *Speaking a suitable opportunity for acquisition* |  |
| Cr has delivered another year of record sales, profits and margins; despite a challenging economic environment in 2011….this continued strong performance underlines the resilience of our unique and highly innovative business model which is focused on fast-growing niche markets and high margin businesses where we can utilize our global reach. | *Our innovative business model with its focus on niche markets helped us in current economic situation*  *Fast growing niche market* | *Looking for suitable niche market* |

**3.16 Integrating the Individual Code Map of Samples and Creating the Overall Code Maps**

After producing the code map of each individual sample, finally twenty code maps were created. At this stage, all these code maps were compared with each other. The purpose was to gain patterns within these samples. During this process the researcher was required to go back to open codes and then focused codes to get clarification and ensure the codes were understood in the right way. Memos were very helpful as they reminded reflection thoughts of the researcher during different stages of the research.

**3.17 Writing Process in the Grounded Theory**

The writing process of this research using Grounded Theory method had two specific features. First, it was a systematic arrangement of reflected thoughts and memos, second, the interval in the research process in order to develop reflection in the researcher’s mind.

Charmaz (2006, 2008), statesMemo writing is a continuous action in the whole research process. During the research process whenever a new thought, reflection or even question about the codes came to the researchers’ mind, she wrote them for further consideration. The Grounded Theory began with memo writing but at finalising process the reflected thoughts are require to be ''sorted''. (Glaser, 2012).

The distance with the data has a main role in the Grounded Theory method. In his Book, *Theoretical Sensitivity*, Glaser (1978), suggests during the Grounded Theory process the researcher needs to get closer and further from the data. Getting closer to the data helps emerging and deep understanding from data, and getting distance from the data helps the researcher reflect towards coding and memos. Therefore, during this process of analysis keeping a space with data analysis and working on other parts and then going back was helpful to gain insights from data and to write the research. In the current research this was of high importance as the researcher has worked on two perspectives concurrently.

**3.18 Evaluation of the Grounded Theory Method**

This section describes evaluating the Grounded Theory method at two stages of. One evaluates research process and theory building. Guba and Lincoln (1994), propose four criteria to test qualitative research that are Credibility, Dependability, Transferability and Conformability. Grounded Theory has a different approach from usual qualitative method in terms of developing theory that is grounded in data and needs specific evaluation criteria. According to Charmaz (2006), in order to evaluate Grounded Theory studies four criteria should be considered: Credibility, Originality, Resonance and Usefulness.

Credibility

* How strong is the link between gathered data and the argument?
* Are there sufficient data for the argument?
* Do categories present a broad range of research observation?

Originality

* Is a new insight emerged from categories?
* What is the theoretical importance of this study?

Resonance

* Do categories show fullness of the studied experience?
* Does analysis offer a deeper insight about the topic?

Usefulness

* Can the analysis inspire the further research in other applicable area?
* How does the work contribute to the knowledge about the discipline?

According to Strauss and Glaser (1976), a useful theory is required to have four criteria: it should match with the real world situation, work in different contexts, be applicable to the issues under study; and be ‘’modifiable’’ (Partington, 2000). In the current research the annual report offers a relevant context in order to investigate CSR practices. Furthermore, the researcher used samples from cross-industry and companies in various market situation to reach a conceptual level and build a theory that work in different contexts.

Hambrick (2007), noted a theory ‘’ organises our thoughts, generates coherent explanation and improves our prediction’’. The theory enables explanation about the way things work (Lynham, 2002) in the relevant contexts. However, a theory should not necessarily be used to answer all the questions in a discipline and in all contexts (Unerman, 2013).

**3.19 Subjectivity:**

The researcher needs to be aware of subjectivity in the qualitative research because definite research question and systematic literature review can interfere the research process. In contrast, the Grounded Theory method starts with emerged concepts that capture the attention of the researcher that others may not pay attention to them. Holtman (2009), noted that the Grounded Theory method is not about the correctness of interpretation but it shows a common pattern among the data to give a conceptualized explanation.

Then the researcher continues the constant multi-comparison between codes, codes from samples and samples with each other and emerged codes and literature review at a later stage. As a result, this multiple perspective in the comparison process made the Grounded Theory a rigorous systematic process.