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A Habermasian model of stakeholder (non)engagement and corporate (ir)responsibility reporting

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ABSTRACT

Inspired by Habermas' works, we develop a prescriptive conceptual model of stakeholder engagement and corporate social responsibility (CSR) reporting against which empirical descriptions can be compared and contrasted. We compare the high profile case of Kraft's takeover of Cadbury with the conceptual model to illustrate the gap between an ideal speech situation and practice. The paper conducts a desk study of documents relating to the takeover and interviews with stakeholders from the local community to gauge their views of stakeholder engagement and CSR reporting by Cadbury/Kraft. The findings lead to policy recommendations for enhancing stakeholder accountability through improved steering mechanisms.

1. Introduction

"...they are keeping a low profile while Great Britain 'forgets' about the takeover" (S12, a local woman).

A growing body of academic accounting research highlights the ways in which non-financial stakeholders are relatively powerless, disempowered and marginalised by corporate decision-making (Cooper & Owen, 2007). The exclusive corporate focus on maximising shareholder value reinforces the disenfranchisement of other external constituencies (Collison, 2003). Companies are being encouraged to engage directly with their stakeholders.[1] The Sustainability Reporting Guidelines produced by the Global Reporting Initiative (GRI) elucidate reasons why stakeholder engagement is important and why it should be disclosed by companies. Where companies engage with diverse stakeholder groups, this engagement tends to benefit company management, serving as a weak mechanism of stakeholder accountability (Cooper & Owen, 2007; Owen, Swift, & Hunt, 2001; Thomson & Bebbington, 2005). Corporate social responsibility (CSR) reporting provides a vehicle for companies to engage, theoretically at least, in an indirect way with their diverse stakeholder groups. Further, CSR reports should include detailed information on the more direct stakeholder engagement processes companies are involved in the GRI. Recent trends in corporate governance and accountability favour a more stakeholder inclusive approach and in the UK context there are strong societal demands for corporate stakeholder accountability and CSR reporting (FRC, 2011). The GRI provides an important (although not mandatory) framework for CSR reporting and by insisting on reporting encourages the development of related, underlying activities, "[S]takeholder engagement processes can serve as tools for understanding the reasonable expectations and interests of stakeholders. Organizations typically initiate different types of stakeholder

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[1] Stakeholder engagement information-gathering methods include questionnaire surveys, interviews, focus groups and public meetings (Owen, 2003).

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engagement as part of their regular activities, which can provide useful inputs for decisions on reporting" (GRI, p.10).[2] Without documentation of underlying stakeholder engagement processes, the GRI stipulates that CSR reports are not assurable. Yet these voluntary recommendations focus primarily on CSR reporting with stakeholder engagement recommended as a crucial but essentially underlying, background process. This paper develops a Habermasian prescriptive conceptual model centring on discursive processes to summarise the processes producing, guiding and interacting with stakeholder engagement and CSR reporting. The model provides a counterfactual against which empirical descriptions can be compared and contrasted.

In the UK, the Modern Company Law Review (MCLR) resulted in a revised Companies Act requiring companies to give consideration to their broader stakeholders, not only their financial stakeholders.[3] Nevertheless, there is scepticism regarding the MCLR process and its outcomes, especially in relation to the abrupt abandonment of the proposed mandatory operating and financial review (OFR) which could have provided a vehicle for enhanced and effective CSR reporting (Cooper & Owen, 2007; Collison, Cross, Ferguson, Power, & Stevenson, 2011; Solomon & Edgley, 2008). In terms of corporate transparency and CSR reporting, ongoing efforts to achieve integrated reporting, such that companies integrate financial, economic, environmental, social and governance information into one primary report for stakeholders are gaining momentum (Eccles & Krzus, 2010; Solomon & Maroun, 2012), with South Africa being the first country to mandate an integrated report through their stock listing requirements (IIRC, 2011; IRCSA, 2011). Companies today are expected by society to discharge accountability to a broad range of stakeholders both for ethical reasons but also because 'good' governance, stakeholder accountability and a socially responsible approach nurtures long term value and reduces reputation and operational risk. A broader, multi-theoretic view towards corporate governance and accountability is becoming increasing relevant to society (Christopher, 2010). Indeed, a continuing stream of academic research has found a positive relationship between CSR and corporate financial performance thus strengthening the business case for corporate stakeholder accountability (Armour, Deakin, & Suzanne, 2003; Belkaoui, 1976; Bowman & Haire, 1975; Brennan & Solomon, 2008; Cobb et al., 2005; Cochran & Wood, 1984; Griffin & Mahon, 1997; Scholtens, 2008).

A high profile case which can be used to illustrate the current state of stakeholder engagement and CSR reporting in practice is that of the takeover of Cadbury's by Kraft. In 2010 Cadbury, a company with a renowned tradition for social responsibility, well-known for caring for its workforce, was taken over by Kraft in one of the most highly publicised cases in recent history. Kraft is not associated with outstanding CSR and has in fact received the lowest rating in the latest Carbon League Table.[4] One of the most poignant aspects of the takeover was the fate of Cadbury's Somerdale factory in Keynsham. Despite Kraft's stated intention to keep Somerdale open before the takeover, the decision was reversed as soon as Cadbury was sold. Analysing the documentation surrounding this illustrative case allows us to compare practice with our theoretical counterfactual model. Those stakeholders most directly affected by this decision were the local community of Keynsham and employees of the Somerdale factory. The perceptions of this community of non-financial stakeholders towards both companies' behaviour may provide insights into the extent to which companies are in practice incorporating less powerful stakeholders into their decision-making and communicating with them in a transparent manner through engagement and corporate social responsibility (CSR) reporting. Canvassing the views of relatively powerless stakeholder groups, such as members of the local community, is notoriously difficult (Tilt, 2007). However, studies which seek to include these disempowered stakeholders are crucial if corporate governance and accountability are going to evolve to encapsulate the needs and demands of diverse external constituencies. In this paper we analyse a wide range of documentation relating to the Cadbury takeover (including media articles and Government reports) and we supplement this research by soliciting views from members of the local Keynsham community in order to:

- Assess the nature of stakeholder engagement which took place around the takeover
- Expand research into stakeholder engagement and CSR reporting by soliciting the views of wider stakeholders such as members of the local community, local councillors
- Assess perceptions of stakeholder engagement processes and CSR reporting among members of the local community
- Draw insights on stakeholder engagement processes during the Cadbury takeover from the work of Habermas and the use of his theoretical framework as a counterfactual.

[2] Note that this quote is reproduced on p.16 of the current exposure draft of the G4 GRI Sustainability Reporting Guidelines which are currently undergoing a consultation process.

[3] "A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to – (a) the likely consequences of any decision in the long term, (b) the interests of the company's employees, (c) the need to foster the company's business relationships with suppliers, customers and others, (d) the impact of the company's operations on the community and the environment, (e) the desirability of the company maintaining a reputation for high standards of business conduct, and (f) the need to act fairly as between members of the company" (Companies Act 2006 S172: Duty to promote the success of the company).

[4] The Carbon League Table was published in November 2011 by the UK Environment Agency's CRC Energy Efficiency Scheme. Kraft was ranked joint 1301 in this league table, the lowest ranking attained by any company.

Section 2 critically assesses the media coverage and documentary evidence relating to the Cadbury takeover with particular emphasis on discussions of stakeholder engagement and CSR during that period. Section 3 outlines a theoretical framework derived predominantly from the work of Habermas, which can be used to draw insights regarding stakeholder engagement in theory and in practice. In Section 4 we present our illustrative evidence from interviews with members of the local community in Keynsham and the paper concludes with a discussion and some policy recommendations in Section 5.

2. The Cadbury takeover: events and societal context

Takeovers can have mixed effects on direct stakeholders especially employees (Amess & Wright, 2007; Lichtenberg & Siegel, 1990; McGuckin & Nguyen, 2001). However the negative effects of takeovers on employees and social welfare are well documented (Calem, Dor, & Rizzo, 1999; Conyon, Girma, Thompson, & Wright, 2001; Girma & Gorg, 2004; McAfee & Williams, 1992). Recently the views of stakeholders have become increasingly important in promoting long-term sustainability and this has led to the support of a stakeholder model of business. There are many definitions of a stakeholder but generally a stakeholder can be defined as anyone who can affect or be affected by the actions of a company (Solomon, 2010). Stakeholders include shareholders, customers, creditors, local communities, the general public and suppliers. Stakeholder theory is based on the argument that companies, although owned by shareholders create direct effects on many other sectors of society and thus have a responsibility to those other constituencies (Freeman, 1984). In expanding the stakeholder view, Quinn and Jones (1995) argue that companies have a purely moral responsibility to act in an ethical manner even though their ethical behaviour may not be profitable. It has also been found that companies are now under greater external pressure to become stakeholder-orientated. Waddock, Bodwell, and Graves (2002) found that general social trends and institutional expectations are making companies more stakeholder-orientated which goes beyond the view that stakeholder pressure comes just from direct stakeholders. It was also found that non-shareholding stakeholders are gaining more power in corporations, for example Luoma and Goodstein (1999) highlight that corporations are more likely to have non-shareholding stakeholders on their board of directors today in comparison to 20 years ago. Globalisation has also had a part to play in increasing stakeholder influence as Hart and Sharma (2004) found that so called “fringe” stakeholders such as the poor and illiterate who have had little influence over corporate decisions have now become a powerful voice due to the expansion of the internet and their ability to gain the support of non-governmental organisations (NGOs). Nevertheless, although there have been pressures to involve wider stakeholders in company decisions, company law as a whole, although acknowledging the need to be more socially responsible has stated that such practices should only be undertaken if they have a positive effect on the company’s bottom line (Modernising Company Law, 2002). Indeed, Edmans (2008) found a positive relationship between stakeholder satisfaction and long-run stock performance.

Given the controversial nature of the takeover of Cadbury by Kraft, the potentially negative impacts may have been exaggerated. The Cadbury takeover by Kraft in an £11.6 billion deal (Wiggins & Saigol, 2010) was one of the most highly publicised takeover bids in recent history. There were many reasons for such publicity. The idea that Cadbury’s, the second largest confectioner in the world and a British institution in the eyes of many people was sold to Kraft, an American food company, ‘best known for processed cheese’ (Clark, 2010) was controversial. Cadbury’s had a rich history, stemming from early 19th century Birmingham where John Cadbury sold tea and drinking chocolate. By the end of the 20th Century the company was a confectionary powerhouse of global reach (Cadbury, 2010). Kraft had similar beginnings to those of Cadbury’s starting as a wholesale cheese business in 1903, growing through mergers and acquisitions through a wide range of sectors into the world’s second largest food and beverage company (Kraft, 2010). The takeover of Cadbury’s differed from the majority of other publicised takeovers because of the company’s Quaker ethos and their long-standing care for employees since the early 20th century. For example the village of Bourneville was built by Cadbury’s and by 1900 it included 313 houses set on 330 acres of land to house its local workers to prevent them living in the deplorable conditions of most workers at that time (Bradley, 2008). The company’s famed responsible behaviour continued through time with CSR initiatives such as their sourcing of only fair-trade chocolate (Cadbury CSR report, 2007/08, p.10). The traditionally ethical ethos of the Cadbury brand contrasted sharply with Kraft’s decision to close the main UK manufacturing site of Terry’s when they bought the company in 1993 (Pitel, 2010). Nevertheless, Kraft committed themselves to keeping the Cadbury Somerdale factory open following the planned takeover. The factory was originally built by the chocolate company Fry and was then taken over by Cadbury in 1919 (Bradley, 2008). It was the main employer for the town of Keynsham in the mid-20th century and continued to employ in numbers. Thus when Cadbury stated they would be closing the plant in 2008 to move production to Poland there was local uproar with members of the local community concerned about future employment and future of the site itself. Kraft’s decision to keep the Somerdale factory open (Wood, 2010) signalled one of the few perceived ‘positives’ of the Kraft bid. However, following the takeover, Kraft reneged on their decision and continued with the proposed closure. This misstatement by Kraft was subsequently investigated by the Government as well as the takeover panel who punished Kraft with the first public censure in over three years (Duke, 2010). There has been no attempt in the academic literature to date to investigate the level of stakeholder engagement and CSR reporting during this takeover process from the perspective of the companies’ non-financial stakeholders.

The UK Government’s Business, Innovation and Skills Committee decided to consider the takeover of Cadbury by Kraft because of the strong public reaction to the event and the potential for the takeover to shape public policy in the future.

The report issuing from their enquiry presented evidence given by Kraft concerning its plans for Cadbury.[5] The Committee's overall impression was that they, "...believe[d] that Kraft acted both irresponsibly and unwisely in making its original statement that it believed that it could keep Somerdale open. A company of Kraft's size and experience ought simply to have acted with better judgement. By making its announcement and the subsequent reversal Kraft has left itself open to the charge that either it was incompetent in its approach to the Somerdale factory or that it used a "cynical ploy" to cast a positive light on Kraft during its takeover of Cadbury. We can neither prove nor discount either conclusion" (Business, Innovation and Skills Committee, 2010, p.28).

Given the significant and often detrimental effects of takeovers on employees and other less powerful stakeholders it is reasonable to consider that companies may communicate at such times of 'crisis' with their stakeholders. However, the Business, Innovation and Skills Committee identified a *lack of engagement* with the company's stakeholders to be a significant failing in the takeover process. Specifically, the Committee found there had been hardly any engagement between Kraft and the employees' union, "We are disappointed that while there has been frequent contact between Unite the Union and Kraft's UK human resource team, Kraft's American senior management have yet to engage in any meaningful dialogue with the Union. We believe that it is vital that Kraft's senior management from the US meet representatives from Unite the Union and the workforce as a matter of urgency in order to start to restore trust" (Business, Innovation and Skills Committee, 2010, p.28). In the evidence given to the Committee, Unite also asserted that even after the conclusion of the takeover, there had been little contact between senior management from Kraft and workers, "Mr Firestone has very recently, but only very recently, visited the Somerdale plant to talk to the shop stewards, but several weeks too late as far as we are concerned and certainly as far as our members are concerned there. Other than that, Kraft executives have been seen walking around the Bourneville site" (Business, Innovation and Skills Committee, 2010, p.14).

In the recorded dialogue from the Committee's questioning, this apparent lack of stakeholder engagement was an issue of deep concern, "What direct discussions has the union had with Cadbury and Kraft? [union representative] To be blunt, we have had great difficulty in talking to either company. We have tried to get disclosure of more information and they have said the takeover code prevents them from talking to us in detail about anything that potentially could be deemed to be price-sensitive. In this situation just about everything is price-sensitive. We have seen the shares of both companies go up and down on a daily basis. *We have been pretty much kept in the dark.* I have had several conversations with Kraft and a meeting with its senior management, but they have not said anything to us that is not in the public domain (Business, Innovation and Skills Committee, 2010, p.49, emphasis added).

Indeed, it seemed that concerns about price sensitive information were presented as reasons (excuses?) for such a lack of engagement. The Committee's Report queried this rationale, "...both Cadbury and Kraft argued that the Takeover Code prevented them from discussing anything that would be deemed price sensitive, which included details of future plans for the workforce. However, ...Unite's Deputy Secretary General, provided us with examples of where companies engaged in takeovers had sought early positive engagement with the Union: We can give you two examples: one was Jaguar Land Rover where the prospective buyers – and there were a number – the union was able to meet with each one of them and talk to each one of them about their intentions for the future and guarantees for the future. Another example is TNT Logistics, when that was disposed of. It is not true that the takeover code stops you from having constructive discussions; it is just that *Kraft sought to hide behind the takeover code*" (Business, Innovation and Skills Committee, 2010, pp.13–14, emphasis added). In the Committee's Report, Mr. Dromey reflected on the human impact of inadequate stakeholder engagement, "To return to the cloak of secrecy, you can imagine what it is like at the sites concerned where people ask the whole time what is happening. The answer is that we do not know. If we are looking at the approach in future that must be tackled. There are some interesting precedents from the past. For example, we have deployed people who have then signed confidentiality clauses to be part of a big assessment process on the one hand or have handled very sensitive information relating to pension funds on the other. We simply do not accept this. Where there is a will there is a way to ensure that workers' voices are heard. At the moment we are effectively knocking on a closed door because of the way the Takeover Panel works" (Business, Innovation and Skills Committee, 2010, p.49).

Companies are encouraged to engage directly with their stakeholders. The GRI's Sustainability Reporting Guidelines steer companies not only on the reporting of stakeholder engagement processes but on the need for these underlying processes to be developed for corporate accountability purposes. Where companies are encouraged (even through voluntary guidelines such as GRI) to carry out the actions and behaviour, they can then report on their engagement activities. Thus even voluntary reporting guidelines have the potential to change corporate behaviour. The GRI's attitude and approach towards stakeholder engagement as well as its recommendations for engagement are expressed as follows, "The reporting organization should document its approach for defining which stakeholders it engaged with, how and when it engaged with them, and how engagement has influenced the report content and the organization's sustainability activities. These processes should be capable of identifying direct input from stakeholders as well as legitimately established societal expectations. An organization may encounter conflicting views or differing expectations among its stakeholders, and will need to be able to explain how it

[5] On 12 January 2010, before the takeover was completed, the Committee took oral evidence from Professor Christopher Bones (Henley Business School), Jack Dromey (Deputy General Secretary from Unite the Union) and Jennie Formby (National Officer, Food and Drinks Sector from Unite the Union) inter alia. On 16 March 2010, the Committee took further evidence from Unite the Union and from Marc Firestone (Executive Vice President, Kraft), Trevor Bond (President, Cadbury, Britain & Ireland) and Richard Doyle (HR Director, Cadbury, Britain & Ireland).

balanced these in reaching its reporting decisions. Failure to identify and engage with stakeholders is likely to result in reports that are not suitable, and therefore not fully credible, to all stakeholders. In contrast, systematic stakeholder engagement enhances stakeholder receptivity and the usefulness of the report. Executed properly, it is likely to result in ongoing learning within the organization and by external parties, as well as increase accountability to a range of stakeholders. Accountability strengthens trust between the reporting organization and its stakeholders. Trust, in turn, fortifies report credibility" (GRI, 2000–2011, p.10). The GRIS' focus is predominantly on corporate reporting of stakeholder engagement rather than on providing guidelines for stakeholder engagement practices per se.

Stakeholder engagement processes in practice have been heavily criticised in the academic accounting literature. Criticism tends to involve the quality and effectiveness of stakeholder engagement as a mechanism of corporate governance and stakeholder accountability. In the case of Cadbury it seems from deliberations in the wake of take-over, there was little stakeholder engagement to criticise. Non-financial stakeholders have been deemed to have little power over corporations and thus corporations have little reason to become accountable to them. Cooper and Owen (2007) state that although companies are becoming more forthright in their release of accountable materials such as CSR reports this has no real effect on their performance as a company because only shareholders have the rights to enforce any kind of actions upon them and thus stakeholders have relatively limited influence over the company. Owen (2003) argued that in the current business climate, it would be better to promote corporate accountability through giving attention to the capital markets where institutional fund managers have unaccountable power rather than looking at corporate controlled stakeholder dialogue processes which have little or no effect on the company. An acknowledged accountability requirement of the developing social and environmental engagement process between companies and stakeholders, and especially the process of social and environmental disclosure, is the emergence of dialogic engagement (Owen et al., 2001; Thomson & Bebbington, 2005). However, Thomson and Bebbington (2005) found little evidence of genuine dialogue in stakeholder engagement processes. If the process is to lead to improved corporate accountability and enhanced CSR, then it needs to become dialogic in nature. Indeed, the emerging literature focusing on the role of stakeholder engagement in the social and environmental field tends to be sceptical of the accountability benefits of stakeholder engagement and considers the process to be undeveloped and sporadic (Owen et al., 2001). There is scepticism concerning the true value of the engagement process to the stakeholders themselves. Companies seem to be gaining considerable information from stakeholder engagement and are probably using the process to their advantage by gaining information for public relations and marketing (Owen, 2003). However, stakeholders seem to be gaining relatively little. The extent to which stakeholder engagement could enhance corporate accountability has been seriously questioned (Owen et al., 2001). It may be that the focus on stakeholder engagement is misplaced, as its impact is limited and companies have captured the process and turned it to their own advantage, as, "Within the engagement processes we have been involved in, the scope of engagement was largely controlled by the organisation. . .Whilst there was scope for active participation by stakeholders the dialogue was in the direction of stakeholders to the organisation. They appear to be a way for the organisation to learn about those outside, not for the stakeholders to learn about the organisation. These were not mutual learning exchanges and they did not develop meaningful dialogic exchanges" (Thomson & Bebbington, 2005, p.29). Recently, Archel, Husillos, and Spence (2011) provided evidence from stakeholder engagement processes in Spain, concluding that they represent merely simulacra of dialogic exercises. Their study concluded that stakeholder engagement processes appeared to institutionalise unaccountability, failing to act as mechanisms of enhancing accountability between companies and their diverse stakeholders. We now turn to developing a prescriptive conceptual model to act as a comparator for practice.

3. Theoretical insights from Habermas: a framework for understanding and potentially *changing* stakeholder engagement?

In order to assist the analysis of stakeholder engagement in the case of the Cadbury takeover and potentially in other cases of corporate 'crisis' regarding CSR, Habermasian theory and its prior applications to accounting theory and practice provide useful insights. Such theoretical insights also allow the development of recommendations for improvements. A salient body of work has sought to theorise processes of accounting change with reference to the work of the 20th century German philosopher, Jürgen Habermas. Habermas' critical theory has been used as a basis for developing a research methodology and practical intervention approach for accounting systems design (see Laughlin, 1987). Specifically Habermas (1974, 1976, 1979, 1984, 1987) provides a framework for understanding societal change with a particular emphasis on the role of language and communication. Accounting, when interpreted as a technology and a language, can be viewed through a Habermasian lens. A primary tenet of Habermas' framework is the 'ideal speech' situation, "The defining feature of the ideal speech situation is that any consensus attainable under its conditions can count per se as a rational consensus" (Habermas, 1984, p.97). Further, "[T]he ideal speech situation excludes systematic distortion of communication. Only then is the sole prevailing force the characteristic unforced force of the better argument, which allows assertions to be methodically verified in an expert manner and decisions about practical issues to be rationally motivated" (Habermas, 2001, p.97). Prior literature has suggested that Habermas' framework could be used to arrive at a consensus view among diverse stakeholders through the use of communicative discourse (Unerman & Bennett, 2004; Unerman, 2007). This framework is characterised by transparent dialogue with all parties having equal power of expression and equal ability to express their views and to be heard, "[I]f all participants in dialogue have the same opportunity to employ communicatives, that is, to initiate communication and continue it through speaking and responding of asking questions and giving answers, then equally distributing opportunities for employing constatives. . .that is, equally distributing the opportunities to put forth interpretations, assertions, explanations, and justifications and to establish or refute their claims to validity – can be a way of creating a basis on which no prejudice or unexamined belief will remain exempt from thematization and critique in the long run" (Habermas, 2001, p.98). Further an ideal speech situation, ". . .ensures not only unrestricted, but also nonhegemonic discussion" (Habermas, 2001, p.98). The lack of controlling hegemonic power over discourse is crucial to achieving an ideal speech situation, "The freeing of discourse from coercive structures of action and interaction, which is required for the ideal speech situation, is apparently conceivable only under conditions of pure communicative action" (Habermas, 2001, p.98). Indeed, all speakers must be, ". . .transparent to themselves and others in what they actually do and believe and, if necessary, can translate their non-verbal expressions into linguistic utterances" (Habermas, 2001, p.99).

It has been suggested that in practice stakeholder dialogue falls short of an ideal speech situation (Unerman & Bennett, 2004). However, this is hardly surprising as Habermas' intentionality was to provide a counterfactual which could be achieved but which usually is not,[6] ". . .there is no historical society that corresponds to the form of life that we anticipate in the concept of the ideal speech situation. The ideal situation could best be compared with a transcendental illusion [Schein] were it not at the same time a constitutive condition of possible speech instead of an impermissible projection" (Habermas, 2001, p.103). Interpreters of Habermas' work emphasise the useful and potent nature of presenting a counterfactual, ". . .[t]he idealizations required by this model of communication may fail. However, the idealized model allows for a systematic understanding of the different *sorts* of failure and provides the norms or standards for *criticizing* them" (Fultner, 2001, p.xxi). In the 'real world' not only do aspects of the ideal speech situation fail but also people can strategically design and maintain a 'pseudo-consensus', a simulacrum of ideal speech, probably to serve their own ends (Fultner, 2001, p.xxii). This suggestion resonates clearly with the way in which stakeholder engagement exercises appeared to be a simulacrum of genuine accountability in Archel et al. (2011). We can anticipate that attempts to validate empirically the existence of an ideal speech situation will fail, ". . .There is a clear recognition that empirical circumstances – even in communicatively structured contexts – diverge significantly from the ideal speech situation" (Fultner, 2001, p.xxii). Indeed, Habermas' framework has been criticised for being far too ideal, involving conceptual difficulties (Cooke, 2002). Habermas himself acknowledged and predicted critique of his framework, "We know that institutionalized actions as a rule do not correspond to this model of pure communicative action, although we cannot help but always act counterfactually as thought this model were realized. On this inevitable fiction rests the humanity of social intercourse among people who are still human, that is, who have not yet become completely alienated from themselves and their self-objectifications" (Habermas, 2001, p.102). "The conditions under which arguments actually occur are clearly not the same as those of the ideal speech situation – at least not often or usually. Nevertheless, it is part of the structure of possible speech that in performing speech acts (and actions) we act counterfactually as though the ideal speech situation (or the model of pure communicative action) were not merely fictitious but real" (Habermas, 2001, p.102).

As a theorist who clearly wanted to change practice and to explore ways of achieving improvements using theory Habermas commented, "[T]he question remains of whether it is possible to design [*entwerfen*] an ideal speech situation. If, first of all, all speech requires that at least two subjects reach an understanding about something or, if necessary, discursively arrive at mutual understanding about disputed validity claims; if, second, mutual understanding means bringing about a rational consensus; and if, third, a true consensus can be distinguished from a false one only by reference to an ideal speech situation – that is through recourse to an agreement that is conceived counterfactually as though it had come about under ideal conditions – then this idealization must involve an anticipation that we *must* make every time we want to engage in argumentation and that we are also able to make by means of the tools that every speaker has at her disposal by virtue of her communicative competence" (Habermas, 2001, p.97). This counterfactual framework could be used a means of comparison to assess the way in which true life discussions involved communicative action and discourse, "[T]he counterfactual conditions of the ideal speech situation can also be conceived of as necessary conditions of an emancipated form of life. . .a form of life that allows the maxim that all publicly relevant issues are to be dealt with by entering into discourse and that in doing so, we must presuppose that if we were to engage in communication with this intention and persist long enough, we would necessarily arrive at a consensus that would count as a rational consensus" (Habermas, 2001, p.99). Habermas' framework rests on assumptions including the Kantian Categorical Imperative which may be summarised such that, ". . .actions which are considered acceptable to someone with power, wealth and privilege would only be considered morally acceptable if that person would consider these actions to be equally morally acceptable if their lost their power and wealth, and were looking at (and experiencing) the outcomes of these actions from the position of the least privileged members of society" (Unerman, 2007, p.95). If we apply such thought processes to the context of corporate directors and their diverse stakeholder groups, the decision makers (executive board members) 'should' adopt practices which are 'ethical', by empathetically considering whether their decisions would be the same were they to be demoted from positions of power, i.e. if they were to become the least powerful stakeholders. Whether they do in practice is another matter entirely.

Regarding the illustrative case under study, we can reflect on whether Kraft would have closed the factory if the senior management could truly empathise with the situation of employees and families within the local community? If they were in a position of weakness, relying on the Keynsham factory for employment, would they then close the Summerdale plant,

[6] 'It is important to acknowledge that the ideal speech situation, although a counterfactual, I believed to be attainable in practice, i.e. it is not an impossible state but one in which all accountable subjects act in a responsible manner and that this entails a 'mutual understanding that is in principle attainable in practical discourses' (Habermas, 2001, p.102).

prioritising financial considerations over those pertaining to the local community? This aspect of the theoretical framework can be seen as useful for at least theorising the reasons why socially *irresponsible* decisions are made: clearly directors do not empathise with their least powerful stakeholders. Further than that, the ideal speech situation and its reliance on Kantian ethics can be used as a comparator of what 'could' happen. Indeed, the concept of an ideal speech situation is utopian, making its manifestation extremely difficult in the process of corporate engagement with stakeholders. However, we would normatively imagine the potential for the ideal speech situation to evolve in practice. As we know from prior research, corporate capture and hegemonic control over non-financial stakeholders appears common and the most recent evidence concludes that corporate efforts at stakeholder engagement amount to little more than a simulacrum (Archel et al., 2011). Therefore to attempt to conceptualise stakeholder engagement as a Habermasian ideal speech situation establishes a high hurdle for corporate accountability to clear. The model is useful as a counterfactual, as a means of highlighting and illuminating the deficiencies of the stakeholder engagement process as it is and is deemed a potent tool for critical accounting research (Broadbent, Laughlin, & Read, 1991; Power & Laughlin, 1996).

There are broader applications of Habermas' varied works, specifically to the context of accounting theory and accounting policy change, which are helpful for providing a means for assessing 'where we are' in terms of stakeholder engagement and its relation to society and for structuring a way forward for implementing improvements both in the technology of stakeholder engagement (the process) and in terms of reconciling societal desires and calls for stakeholder accountability from corporations with corporate practice. Habermas' critical theory sought to provide a means of understanding the relationship between the social world and technology. Specifically, Habermas talked of the interrelationship between 'life-world',[7] technical systems[8] and steering mechanisms.[9] Bringing these concepts together, ". . .it is the social reality which gives these systems meaning and attempts to guide their behaviour through 'steering mechanisms' (Laughlin, 1987, p.486). Habermas provides useful insights for accounting as his implicit methodology allows not only an understanding of the social and the technical but also about the ways in which change and development may be progressed (Laughlin, 1987).

Habermas' (1987) argument is that modern society can be theoretically defined as an amalgam of these concepts of lifeworld, steering institutions and mechanisms, and systems (Broadbent et al., 1991). The technical 'systems' may be seen as expressions in terms of functioning definable, tangible organisations (Broadbent et al., 1991). As society evolves, Habermas suggests that communication (communicative action) and discursive skills evolve, with society and organisations (and their systems) becoming more 'discursively able' (Broadbent et al., 1991). In other words, the prescribed way that societies (lifeworld), societal institutions and their steering mechanisms and societal systems should develop is through evolution using defined discursive processes (i.e. the ideal speech situation). This ideal speech situation-driven evolution should lead to changes in the societal lifeworld, interpretative schemes (micro-lifeworlds) and engender consequent changes in steering institutions and systems (at societal level) as well as in the design of archetypes and sub-systems (at the steering and organisational levels). Within the context of this prescriptive conceptual model the ideal speech situation metamorphoses from a utopian ideal into a powerful mechanism of change and a feasible means of attaining rapprochement between societal values, societal institutions, their steering mechanisms and organisations (and their accountability mechanism). However, as discursive and communicative skills become more evolved, there can be an increasing differentiation between the lifeworld, the technical systems and the steering mechanisms which can result in organisation's steer. The increasing complexity and diversity of organisations results in significant gaps between these three theoretical constructs. Indeed, steering within organisational space can evolve such that they 'get out of hand' (Broadbent et al., 1991, p.5) and can become totally disassociated from the societal lifeworld and context which the inhabit and the systems in place. This typifies a situation of colonisation whereby the organisational context comes to dominate and 'colonise' the lifeworld and systems. Such a situation represents the opposite outcome from a rapprochement which 'should' occur through discursive communicative processes.

Using this Habermasian policy-driven framework, we can develop an interpretive understanding of stakeholder engagement, combining the notion of stakeholder engagement as a potential ideal speech situation with the conceptualisation of systems, steering and lifeworld. Although accounting is never mentioned specifically by Habermas (Laughlin, 1987)[10] his theory provides useful insights into the understanding of accounting in relation to society as well as an important means of developing recommendations for improvements in accounting policy. Stakeholder engagement may be viewed as a form of direct accounting and communication between companies and their stakeholder groups. In the context of Habermasian theory, stakeholder engagement may be described at the systems level. In other words, stakeholder engagement and CSR reporting may be interpreted as systems' organisational accountability mechanisms which are guided by particular organisational and organisationally interpreted societal steering mechanisms. For example, the GRI's Sustainability Reporting Guidelines provide some steering and guidance on stakeholder engagement. Admittedly in a voluntary environment there is very little guidance for companies on stakeholder engagement, however those which exist are tangible elements of the

[7] The life-world may be interpreted as a ". . .type of cultural space which gives meaning and nature to societal life", Laughlin (1987, p.486).

[8] Systems are the 'self-regulating action contexts which co-ordinate actions around specific mechanisms or media, such as money or power' (Thompson, quoted in Laughlin, 1987, p.486).

[9] Steering mechanisms may be interpreted as mechanisms designed by society to guide the behaviour of the systems/technology.

[10] "Where Habermas does apply his thought they are in the context of political processes. Yet he is, to a certain extent, ambivalent as to the actual domain of reality for the application of his ideas. Habermas and, in the main, the other critical theorists, are concerned with ". . .the complex factors which hinder people coming to consciousness of themselves as capable of different action". . .. Without defining necessarily the specific nature of this action. Thus accounting being a social activity is just as legitimate as a domain of interest as any other" (Laughlin, p.490).

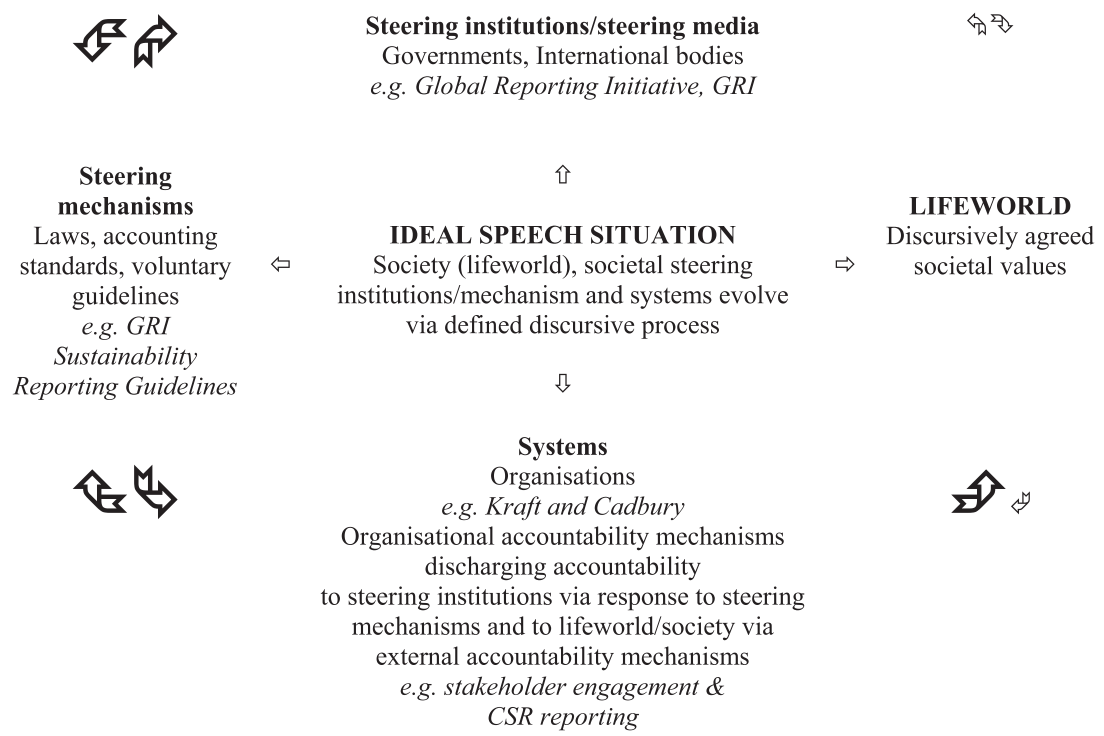

Fig. 1. A Habermasian prescriptive conceptual model incorporating stakeholder engagement and corporate social responsibility reporting.

framework. In the context of stakeholder engagement, there is also an underlying discursive lifeworld guiding these tangible elements. This lifeworld is driven by a discursive set of arrangements which may (or may not) give dominance to the voices of particular participants (i.e. company management). This lifeworld can be evaluated against the counterfactual lifeworld that may arise from an ideal speech situation and the ideal lifeworld may in turn create a new set of steering mechanisms guiding stakeholder engagement and new systems of stakeholder engagement. We represent our conceptual model in Fig. 1.

The straight arrows flowing from the centre of Fig. 1 attempt to represent the way in which, in our counterfactual scenario, the ideal speech situation operates as defined discourse to engender a balance between the societal expectations of the lifeworld and the actions of the steering institutions, their mechanisms and the societal systems (in this case Cadbury/Kraft). We also include the accountability mechanisms developed (or not) by organisations in order to discharge accountability to societal steering institutions through their response to steering mechanisms as well as their response to external lifeworld expectations through stakeholder engagement and CSR reporting, in this illustrative case. The circular arrows flowing around the outside indicate the relationships between the parties and differ in size and strength according to their tangibility. For example, the smaller circular arrows represent a less tangible linkage of the lifeworld to the steering institutions and the systems whereas the bold, larger arrows represent a more tangible linkage between the steering institutions and systems through the steering mechanisms. Similarly, the implicit accountability of the systems to the societal steering institutions via their response to the steering mechanisms is demonstrated by larger, bold circular arrows as is the more explicit accountability (theoretically) discharged by the systems to society/lifeworld. These normative conceptual linkages can then be compared and contrasted with empirical illustrative cases in order to reveal the strength of these linkages in practice.

As with accounting, stakeholder engagement is a process which cannot be viewed simply as a technical exercise: thus it cannot, and should not, be divorced from the social. Unlike financial accounting, stakeholder engagement and CSR reporting in the UK are voluntary. Stakeholder engagement and CSR reporting are encouraged by voluntary guidelines such as the GRI's Sustainability Reporting Guidelines. Although the Modern Company Law Review led to changes in UK company law which call companies to take non-shareholding stakeholders into consideration, stakeholder engagement per se was not emphasised. Further, the original efforts to embed stakeholder accountability within UK company law were diluted throughout the Modern Company Law Review process (Collison et al., 2011; Cooper & Owen, 2007). In relation to stakeholder engagement, the engagement process (meetings with stakeholders, fora, and other diverse forms of direct, face-to-face communication with corporate stakeholders) and CSR reporting may be interpreted, for the purposes of this study, as the system, or organisational mechanisms of corporate stakeholder accountability.

Our research attempts to expose the actual elements of the social context (the lifeworld) and the processes which guide the technical elements (the steering mechanisms) giving rise to the present tangible aspects of stakeholder engagement in the case of the Cadbury takeover (in a similar way to Laughlin, 1987). The Cadbury takeover, for certain stakeholder groups at least, may be viewed as a crisis situation and Habermasian theory is especially apt in a time of crisis (Habermas, 1976). Further there is an acknowledged call for corporations to produce CSR reports and to discharge accountability to diverse stakeholders and to society, "...one of the potential reasons for this is social pressure making it difficult for a company to disregard specific CSR areas, regardless of the importance of each area to its particular business" (FRC, 2011, p.29). Indeed, the social pressure on companies suggests that the societal 'lifeworld', certainly in the UK context, is demanding corporate CSR reporting and accountability. It appears that with reference to Habermasian ideas, there is currently weak (and only voluntary) steering for stakeholder engagement (whereas in accounting there are formal accounting policies and standards). The main steer is perhaps best explained as peer pressure, mimetic pressures on companies to emulate best practice in stakeholder engagement as well as via non-mandatory guidelines from the GRI for reporting of stakeholder engagement practice, which thus affect corporate practice. The life-world regarding stakeholder engagement is complex but it is possible to make some suggestions regarding societal views towards stakeholder engagement in the case under study. Our initial analysis of the Cadbury takeover, from studying media articles and the Government enquiry, suggests that there is a societal expectation that Kraft 'should' be engaging with stakeholders, especially employees. Unite especially discusses the dissatisfaction with the apparent lack of engagement during the takeover process and beyond. From our desk analysis of relevant documentation it would appear that in the case of the Cadbury takeover there is a disjoint between the societal life-world and the technology of stakeholder engagement and that this may in part be as a result of inadequate steering. Kraft have failed to carry out stakeholder engagement in line with societal expectations and because there is no mandatory requirement, only intangible accountability reasons for engaging, the company has chosen to minimise such direct contact with employees and the local community. Interviewing members of the local community is a means of researching further the nature of this separation. Using this theoretical frame of reference and assessing our research findings should allow us to make recommendations for stakeholder engagement and CSR reporting. Habermas' main concern was that there was domination of the technical over the social and that this concern was applicable to accounting as a developing technical area of expertise and policy (Laughlin, 1987). However, in relation to stakeholder engagement, our initial thoughts suggest that the problem is the reverse: that the technical is divorced from the social but it is lagging the lifeworld rather than pushing forward and leaving the societal context behind. In the case of the Cadbury takeover it appears that the dearth of steering mechanisms relating specifically to stakeholder engagement has opened a space which a hegemonic corporate discourse has been able to colonise. In Habermasian terms, the corporations have produced their own interpretation of a weak steering mechanism, based on financial profit and shareholder wealth, thereby colonising any discourse and decision-making and thus becoming differentiated from both the unevolved and insufficient systems of stakeholder engagement and from the societal lifeworld context in which they are operating.

Although our discussion does not replicate the Habermasian research method and praxis outlined by Laughlin (1987), our conceptual model provides insights into stakeholder engagement and CSR reporting and their relationship with the lifeworld, which could then form the basis of further research and, hopefully, policy-making, with access to an organisation, where this methodology can be applied rigorously. In this way ours represents a pilot study to set the scene for further investigation. This study also aims to fill an apparent gap in the extant accounting literature by exploring the views of relatively unempowered, non-financial stakeholders towards a company's stakeholder engagement, corporate responsibility and CSR reporting in the event of a takeover.

4. Data collection methods

To supplement our desk study of documentary evidence, especially the public enquiry, we carried out face-to-face interviews. Documentary evidence is crucial to understanding the events surrounding our illustrative case and especially in illuminating what, if any stakeholder engagement processes were undertaken. However, we also felt that interviews could provide information which could amplify the insights arising from our documentary desk study. We therefore investigated the perceptions of non-financial stakeholders, not influential in the takeover, towards stakeholder engagement, accountability and CSR reporting throughout the Cadbury takeover, via interviews with members of the local community affected by the takeover. We employed semi-structured interviews at a range of locations in the town of Keynsham in the vicinity of the Cadbury Somerdale factory. Altogether, twelve people were interviewed who fell into three distinct groups: local town councillors, town locals and ex-workers at the Somerdale plant (see Table 1). The academic research acknowledges the difficulties in canvassing the views of stakeholder groups such as 'the general public', although the literature emphasises the importance of their views and attitudes in motivating social and environmental reporting and stakeholder accountability, "[T]he attitudes and expectations of the general public, however, are difficult to assess" (Tilt, 2007, p.114). The interviews were conducted using a tape recorder in a quiet environment and each lasted approximately thirty minutes. Participants were asked a wide range of questions regarding their feelings towards the takeover, for example, how did they feel about future employment prospects after the factory closure? We also asked them about their understanding of stakeholder accountability and engagement and sought to discover their knowledge and understanding of CSR reporting. After conducting each interview, the data were transcribed and coded to ensure confidentiality. The interviews aimed to analyse the effects of the takeover on the local community and the current and future impacts that may arise from it. The interviews also analysed the participants' knowledge and thoughts towards CSR, stakeholder engagement and accountability more generally, and CSR reporting. We encouraged interviewees to talk broadly about their feelings, reactions and general perceptions relating to the takeover.

Table 1
Interviewee details.

Stakeholder	Role in local community
S1	Councillor
S2	Councillor
S3	Minister from local church
S4	Local woman
S5	Local woman
S6	Councillor
S7	Councillor
S8	Local man, ex-Cadbury employee
S9	Local man, ex-Cadbury employee
S10	Secretary at local Methodist church
S11	Councillor
S12	Local woman

Combining documentary evidence with illustrative interviews is a commonly-used approach in qualitative accounting research and quite small numbers of interviewees can be appropriate for reaching theoretical saturation of a large local populus, for example, "...based on our analysis, we posit that data saturation had for the most part occurred by the time we had analyzed twelve interviews...In short, after analysis of twelve interviews, new themes emerged infrequently and progressively so as analysis continued code definitions were also fairly stable" (Guest, Bunce, & Johnson, 2006, p.74). Particularly relevant to this study illuminating views of the takeover is the idea of establishing a cultural consensus within a specific culture or population. As we were interested in 'taking the temperature' of the local community in Keynsham, we followed suggestions from the existing literature that each culture or group has a shared world view and that samples as small as ten are adequate for tapping into this consensus (Atran, Medin, & Ross, 2005; Romney, Batchelder, & Weller, 1986). Indeed, there are many studies in the accounting literature which employ a small number of interviews to illustrate a specific issue. For example, in sustainability reporting and areas similar to that of the current study, Haigh (2006) carried out six interviews on ethical investment. Kluvers and Tippett (2011) interviewed 14 people to explore stewardship theory. Farnet and Guthrie (2009) conducted 10 interviews to investigate why Australian public sector organisations report on sustainability issues. Abeysekera (2008) and Gates and Langevin (2010) researched human capital disclosures using 11 interviews (and annual report content analysis) and six interviews respectively. Adams and Frost (2008) conducted 15 interviews to study sustainability reporting and management practices. Elijido-Ten (2011) used 15 interviews as well as archival documents to investigate voluntary environmental disclosures in a developing country context. Grosser and Moon (2008) investigated CSR and gender issues using 7 interviews. Lee and Cassell (2008) examined social reporting with 15 interviews. Bebbington, Higgins, and Frame (2009) used six interviews to study sustainable development reporting. Islam and Deegan (2008) carried out 12 interviews and Elijido-Ten, Kloot, and Clarkson (2010), five interviews, to explore CSR and environmental reporting respectively in a developing country context. Qian, Burritt, and Monroe (2011) explored environmental management accounting using 12 interviews.[11] Overall, we felt that 12 interviews could provide a reasonable impression of views in the area of CSR reporting and stakeholder engagement. This type of approach is acceptable especially in relatively unexplored areas of sustainability reporting and accountability. In the following section we blend our interview evidence with further discussion of the documentary evidence outlined earlier.

5. Interview evidence from Somerdale's local community

5.1. Stakeholder (non)engagement during the takeover?

We asked the interviewees about their views concerning the extent of stakeholder engagement during the takeover, by asking general questions about communication between the companies and themselves. It appears from our analysis that there was little discourse of any form between Kraft and the local stakeholders and employees.

> "No, there has been very little actually. Prior to the takeover we were working with Cadbury on exit plans and what could be put in place there to benefit the whole of Keynsham...as far as I am *aware very little conversation has gone on with Kraft since then*. As a locally elected member that really gives me concern because the last thing we want is Kraft to pull out at the end of the year" (S11, emphasis added).

[11] Many other studies in less closely-related areas in the accounting literature use similar numbers of interviewees including, for example, Hannah, Dey, and Power (2006) (10 interviews); Flint, Fraser, and Hatherly (2008) (10 interviews); Ferguson, Collison, Power, and Stevenson (2007) (12 interviews); Herrbach (2005) (15 interviews); Hudaib and Haniffa (2009) (12 interviews); Stone (2011) (10 interviews); Gallhofer, Paisey, Roberts, and Tarbert (2011) (14 interviews); Jeppesen (2010) (15 interviews); Hines, McBride, Fearnley, and Brandt (2001) (12 interviews); Canning and O'Dwyer (2006) (11 interviews); O'Sullivan and O'Dwyer (2009) (nine interviews); Bowrin (2004) (14 interviews); James (2008) (11 interviews); Tremblaya and Gendron (2011) (10 interviews); Malscha and Gendron (2009) (12 interviews).

"...there needed to be discussions on how we can set up Fry's Club as a separate unit – *and those discussions haven't been taking place* and it is a concern for many of the local people" (S11, emphasis added).

In Habermasian terms there was very little communicative action and discourse of any sort, with hardly any attempt being made to engage with stakeholder groups. The lack of direct stakeholder engagement by Kraft resulted in mixed messages as members of the local community were left to decide for themselves what the outcome would be. Indeed, it was not just that there was very little/no engagement with stakeholders but also that communications were misleading at best, dishonest at worst. Indeed, our interviewees suggested that initial reactions to the takeover were quite positive because of the promises from Kraft to keep the Somerdale plant open. Communication and discourse from the acquiring company were upbeat and encouraged confidence in the continuation of the plant. The initial reaction in Keynsham to the proposed takeover was positive because when Kraft put the bid in, they stated their intention to continue operating the Somerdale facility and not move operations to Poland, as Cadbury had previously suggested (Wood, 2010). For many locals in Keynsham this swayed the favour towards the Kraft bid. One Keynsham local gave what he believed to be the general view in the town at the time of the bid,

"When Cadbury's said they were closing it [the Somerdale plant] there was a lot of bad feeling but I think when Kraft bid, it certainly gave glimmers of hope and there was a more positive feel, I certainly picked up on it, it had a better chance of staying open." (S 10)

The positive support towards the Kraft bid in Keynsham differed from views in the rest of the country and highlighted the positives of keeping local jobs,

"It was all about looking after your own definitely" (S 10).
"the fact that an American company was taking over a traditional British company didn't really enter into many people's thoughts it was more a hope that they could keep going" (S 11).

The view of an ex-worker of Cadbury was that workers,

"...didn't care about Kraft but rather they were hoping that Kraft would take over so that they could keep their jobs, obviously that was the most important thing" (S8).

The support of the bid by locals in Keynsham was one of the few positives of the Kraft bid and it gave Kraft a positive image during the time of the bid. This made the reversal by Kraft of their decision to keep the Somerdale plant open even more substantial on the Keynsham people. Their decision to close the plant was met by heavy criticism by government and the takeover panel (Duke, 2010). Kraft was criticised specifically for making statements about keeping the plant open without knowing that the plans to move production were already too far advanced to be reversed (Duke, 2010). Nevertheless, the takeover panel conceded that Kraft had an "honest and genuine belief" they could keep Somerdale open (Treanor, 2010). Within Keynsham, the reaction expressed by our interviewees was understandably negative towards the behaviour of Kraft,

"Terrible, *disgusted* really at what they've done. I mean they *cheated us, cheated us.* They said what they were going to do, that they were going to keep it open and it was all lies." (S 4, emphasis added)

This view indicates a complete lack of any form of direct engagement with the local community on the true intentions and actions of the company and in fact, far from an ideal speech situation, there was either no communication or miscommunication, misleading stakeholders and demonstrating capture of any discourse by the most powerful party, the acquiring company. Such poor communicative processes engendered feelings of betrayal and collapse of trust,

"I reckon they're *disgusting*. I honestly do. They said they weren't going to close it, they were going to keep it open, but it was *all lies* wasn't it?" (S5, emphasis added).

This local woman's anger is a direct result of poor engagement and misinformation, with other interviewees expressing similar views,

"I just think the whole thing *stinks* if I'm being perfectly blunt about it" (S11, emphasis added).
"I think *distress* in the area because so many families worked there" (S9, emphasis added)

The distress we gauged from the interviews was not unexpected and corroborated the media coverage although the level of distress and disgust were almost tangible. Such feelings of betrayal were evident in the reactions of those interviewed in the Government enquiry, where Professor Bones highlighted the fact that, "Kraft had reneged on similar promises in the past—most notably a promise to keep open Terry's factory in York when it acquired Terry's in 1993: whilst all good intentions are spoken about in the process of an acquisition the track record intriguingly for Kraft was to shut the Terry's of York factory and move production – surprise, surprise – to Poland. Therefore, I do not look at the acquisition commitments perhaps with a great deal of credibility in terms of the comments made for the long term, but I appreciate that this time the circumstances may be different" (Business, Innovation and Skills Committee, 2010, p.7). Anger had not died down in the months following the decision. For example, one local councillor said,

> "*Very angry, anger* is the right word to use. . .the big anger was that everyone had felt like they were being used to try to help Kraft achieve what they wanted to do - there was never any intention" (S11, emphasis added)

In the Government's review of the Cadbury takeover, Jennie Formby (National Officer, Food and Drinks Sector of Unite) explained, "I have been very disappointed by the fact that Kraft has persisted in repeating what appear to be assurances to the people in Keynsham which, as far as I can see, are very hollow. It has said it wants to keep a manufacturing facility in Keynsham. I have asked what that means [. . .] There is no meat on the bones at all. It has said continually that it does not know enough about it; it does not know how it is configured inside. We have said that surely a company of its experience has an idea of what it looks like inside because there are lots of things in the public domain. The reality is that there is no intention to come and save the jobs" (Business, Innovation and Skills Committee, 2010, p.7)

Among our interviewees there were, however, those who had not been surprised and outraged by Kraft's U-turn as they had never expected anything more and had never believed initial promises to keep the site open,

> "*I didn't believe them*, if they had done their homework which a big firm such as theirs' would have done, it was pretty obvious that the original closure had gone so far down the line that there was no way they were going to keep it open. Well that was my interpretation of it; *I think it was just a cynical ploy*" (S2, emphasis added).

Again, this interviewee is talking about Kraft's public pronouncements and the rollercoaster ride that the local community were unwillingly involved in which was exacerbated by the lack of any direct engagement by the company. Such a lack of confidence in Kraft suggests a low level of trust in multinational corporations and a dim view of CSR but also highlights the impact on local communities and other weaker stakeholders of a lack of stakeholder engagement and ineffective or even misleading communication. It also suggests that even where companies do engage and communicate their disclosures and engagement may be viewed with scepticism. Another town councillor echoed similar sentiments,

> "Depending on whether they had their thinking hats on, it was obvious what Kraft were going to do because they had to borrow a huge amount of money to take over Cadbury's so the obvious thing to do was to sell something immediately in order to repay that loan." (S1)

A lack of engagement in this case suggests that stakeholders are left to do the thinking, to guess their fate. This represents an appalling failure of corporate responsibility and accountability. Despite these views suggesting that Kraft knew all along they would have to close Somerdale, one councillor believed that Kraft had genuinely made a mistake,

> "They could've said, 'we will do the best we can and look at it later', there was no need to commit to keeping it open. So I would say it was *more of a PR blunder than a pre-empted tactic*" (S7, emphasis added).

The differences in opinion amongst all those interviewed show that the behaviour of Kraft in the takeover was perceived as reckless and uncaring but the possibility of it being intentional was still in question. The overall discourse among our interviews, however, in terms of their reactions was generally one of disgust, distrust and anger. The people we interviewed certainly did not hold Kraft's CSR in high esteem. An outcome of poor engagement appears in this case to be stakeholder confusion manifesting in confused and differentiated views.

The local town councillors stated that they had not been in contact with Kraft at all since the takeover whereas before they were talking with Cadbury's on a regular basis about development plans. There had been talks with Bath and North East Somerset (BANES) and it was stated that communication "has been very little actually" (S11). This led many in the town to worry about Kraft's lack of accountability towards the community and what that could mean when the factory closed down the following year.

> "The last thing we want is Kraft to pull out at the end of this year and we are just left with a shell of an empty building which is going to lead to things like vandalism" (S11)

Poor communication appeared from our interviews to be associated more strongly with the acquiring company than with Cadbury's. The possibility of the factory becoming an empty shell is a sad comparison to the positive plans that Cadbury's had for the factory. It seemed our interviewees had little faith in the council's ability to negotiate on their behalf,

> "The Council will have a huge influence and the people of Keynsham fear that BANES (Bath and North East Somerset council) will roll over as they were happy to do when Cadburys announced Somerdale's closure in a bid to put houses on the land. As it is 80% floodplain it will be a disaster, but what the council wants, the council usually gets." (S12)

Regarding the future of Fry's Club, the social centre established for employees and the local community by Cadbury's, there was again little engagement and a good deal of uncertainty,

> "the view was that Fry's Club would be set up as an entity in its own right so to me it seemed that although they were going at Christmas time there needed to be discussions on how we can set up Fry's Club as a separate unit" (S11)

There was little to no engagement with Kraft regarding the future of Fry's Club,

> "the club had not been mentioned in any way and nothing was set in concrete, so I can assume that there has been very little progress" (S11).

"It does seem that the future governance arrangements are a bit uncertain to say the least. The question must be, would Kraft bail the club out if it is losing money or running at a loss." (S11)

This highlights a lack of stakeholder accountability regarding the local community's social club which they value greatly,

"Fry's Club is instrumental in the community outreach of Cadbury" (S8)
"I think it would be completely irresponsible for them to walk away and sell to the highest bidder, I think they owe something through their connection with Cadbury to the people of Keynsham to really work with us just like how Cadbury's were working before the takeover. I mean to really leave something which would be for the benefit of Keynsham in the future" (S11)

In general the view was that Kraft were not supportive towards the community,

"Kraft aren't interested in the community whatsoever, they couldn't care two hoots whether Keynsham sinks or swims as long as they sell property and get what they want" (S1)

In regards to differences between the groups on this issue, it would be fair to say that the town councillors had the most knowledge about Kraft and thus their reactions were the most accurate and negative towards the behaviour of Kraft.

Theorising stakeholder engagement with reference to a Habermasian counterfactual notion of an ideal speech situation, there should be completely open communication between all parties with no dominance of the discourse by any one group. Our interviewees revealed a situation which seemed a far cry from our Habermasian counterfactual model,

". . .that's too political, can't say that, insider information. . .[later in the discussion]. . .I can't say any more really. All I can say is that that was my experience" (S8)

This suggests there is a breakdown of several main protocols underlying a Habermasian ideal speech situation which assumes that everyone is allowed to question any assertion whatever the discourse and that everyone is allowed to express their own attitudes, desires and needs. It also breaks the protocol that no speaker may be prevented by internal or external coercion from speaking or questioning. There is some evidence to suggest that this ex-employee has been effectively silenced. Further, if we assume our interviews represent the attitudes of the societal lifeworld then the companies' lack of engagement and their refusal to follow steering guidelines in practice (such as GRI's Sustainability Reporting Guidelines) reveal a significant disjunct between society (the lifeworld), steering institutions and their mechanisms, and organisations, through the failure of their technologies of accountability.

5.2. Interviewees' perceptions of CSR reports

When asked whether they read CSR reports, out interviewees' reactions were negative as they seemed to feel CSR reports were for 'other people', not them,

"No they wouldn't, in fact I don't even read them. To the average person that sort of thing is way above them so *they leave that to the bankers and what have you* to analyse" (S1, emphasis added).

Where employees had received CSR reports, they were not necessarily viewed in a positive light,

"I had worked for Cadburys for 20 years. . .I'm also obviously a shareholder because I was an ex-employee so I got *all the guff* through about the takeover and there was some guff saying that they weren't going to close" (S9, emphasis added).

Given the cost of producing CSR reports as well as the rhetoric surrounding stakeholder accountability, it is pitiful to see small scale shareholders (also employees) referring to a company's CSR reporting as 'guff' – especially considering that in such a tense takeover situation there would be an expectation perhaps that stakeholders would be more interested in reading CSR reports than at other times. Regarding CSR reports, one councillor stated that it was only when people were directly involved that they had any significant interest in such reports, but even then would not necessarily look at them,

"I think the reality is that the bulk of the population isn't really that concerned with that and won't respond until it affects them in a particular way. . .most people need to know it's [CSR reporting] there, most people wouldn't even know that it's [CSR reporting] there because most people don't really think in that way" (S11).

From this it can be argued that companies still remain withdrawn in their CSR efforts and are not keen on educating the public about their social responsibilities. From a Habermasian perspective, the system's accountability mechanism of CSR reporting appears to be falling far short of societal expectations and is thus separated from lifeworld expectations. It also seems to be far-removed from an ideal speech situation, as the communications within the reports are viewed as irrelevant for non-financial stakeholders and only of use to financial investors. Another interviewee felt that if there were any important information contained in the reports which was relevant to the local community then BANES (the Bath and North East Somerset council) would filter it through to them, rather than people reading the reports for themselves,

"I would be expecting them [BANES chiefs] to be looking at that. I think we would expect BANES *to pass down any kind of information* to us rather than us [reading it]" (S2, emphasis added).

It seems an intermediary is needed to 'translate' CSR reports for less sophisticated stakeholders.

> "There are groups of people, I call them anoraks like myself, that will engage in that bigger agenda but I would be able to write down those people on a piece of paper because it will always be the same people" (S11).

Clearly this interviewee believed only a small minority viewed CSR reports. For many of those interviewed, it was felt that CSR reports were something that went beyond what they normally did and were there for "higher authorities" in the words of one local. These conclusions show that many people still remain somewhat detached from the companies that they are affected by and although they are wider stakeholders they do not engage in the bigger picture of the impacts of such companies. This also stresses the need for wider stakeholders to be proactive and pursue their rights as it is unlikely that companies will be forthcoming in their responsibilities towards wider stakeholders.

> "I think they should be. . .*making that type of information more accessible*, they should be making it in a language that is simpler to understand. . .for example you get these great big thick reports – so they could just give the bullet points from that so the impact can be seen quickly. So whilst the majority may not be communicating with that in great detail, they have to do it *in a more understandable, readable way*" (S11).

Recommendations for CSR reporting which is readable and engages with less powerful, non-financial stakeholders arise from our interviews, as these members of the local community feel reporting is too complex, not aimed at them and should be simplified. Overall, our impression from the interviews did not paint a positive picture regarding the usefulness and relevance of CSR reports for broader stakeholder groups, even at a time when a company's activities affected them directly and negatively.

These rather negative views of CSR reporting resonate with the prior academic literature which suggests that the 'public' sustainability reporting discourse has been captured by the corporate community, according to extensive academic research (Eden, 1994; Owen, Gray, & Bebbington, 1997; Welford, 1997). Such capture is defined as, ". . .the means by which corporations, through the actions of their management, take control over the debate over what CSR involves by attempting to outline their own definition which is primarily concerned with pursuing corporate goals of shareholder wealth maximisation" (O'Dwyer, 2003, p.524). Corporate capture of CSR reporting would be synonymous with the reporting having little value or relevance to powerless stakeholders such as members of the local community and employees.

It is worth noting that in a crisis period, as in the case of the Cadbury takeover, even if employees and members of the local community had taken an interest in the CSR reports, they would have served little purpose. Thus, timeliness is a critical issue for CSR reporting as well as readability, understandability, usefulness and relevance.

5.3. Financial concerns override societal concerns

In line with prior literature relating to stakeholder engagement, our interviewees believed that businesses always prioritised the needs and requirements of primary financial stakeholders, subordinating the needs of less powerful stakeholders,

> "Money overrides everything. But what these shareholders don't realise is that when they have to go they can't take any of it with them. So they're ruining a lot of peoples' lives, ordinary people, who can't afford to live their way and have what they've got. . .And this is all to do with money, everything is to do with money – and money doesn't put a smile on your face" (S4).

We can see that the main tenets of the theoretical ideal speech situation are broken according to this interviewee, as assumptions of Kantian ethical values are not perceived to be held by the company or their shareholders – if the shareholders were in the same situation as the less powerful stakeholders, would they continue to act in the same manner? Local, powerless stakeholders felt vulnerable, used and powerless in the shadow of the businesses which impact upon their lives,

> ". . .it's big business I'm afraid and whether we like it or not big business is about what is best for the company and not necessarily for the communities. That's most probably a cynical view from the South but that's really where we are now" (S11).

These comments reflect suggestions in the literature that organisations favour shareholders over all other interested groups (Cooper & Owen, 2007) and that stakeholder accountability cannot thrive in an environment where business focuses solely on shareholder value (Collison, 2003). It also shows, from a Habermasian perspective, that companies and financial stakeholders dominate any discourse albeit stakeholder engagement or CSR reporting, prioritising their own needs and views above those of non-financial stakeholders. There is again a clear lacuna between lifeworld societal expectations and societal systems' mechanisms and technologies.

5.4. Stakeholders' perceptions and understanding of stakeholder accountability

We asked our interviews what they understood by the term 'stakeholder accountability'. Their immediate response tended to reveal a lack of understanding and a need for further explanation. Indeed, all interviewees bar one were unfamiliar with the term. Thus it can be argued that the term stakeholder accountability has not yet infiltrated the public domain, or the 'lifeworld'. Nevertheless although most interviewed did not understand the term, they felt that it was important for Kraft to be accountable to their wider stakeholders. They had an inherent understanding of the concept but not the terminology. Stakeholders' initial reactions to the question, 'what do you understand by the term stakeholder accountability?', included,

> "Huh what?" (S3)
> "In what way?" (S1)
> "Do you mean in terms of?. . ." (S2)

When our interviewees had gained a clearer understanding of the term, their responses were more fulsome,

> "I think any big company that's worth its salt should have a stakeholder responsibility and should look after the local community" (S2)
> "I think any company that is downsizing or closing has a responsibility towards those that they are laying off to some extent . . .ethically there is a responsibility" (S3).
> "As organisations they need to be more accountable to the people they serve. I don't know how they can do that but there is a wider accountability that they have to look at beyond just their shareholders" (S11).

Our interviewees could, when they appreciated the question, define their understanding of what companies 'should' do regarding stakeholder accountability and interestingly this incorporated notions of ethics and responsibility, as well as a need for companies to consider non-financial stakeholders.

6. Concluding discussion

In this paper we have developed a Habermasian-inspired prescriptive conceptual model for stakeholder engagement and CSR reporting to act as a counterfactual against which to compare and contrast illustrations from practice. As well as illuminating practice in the light of a conceptual model, our analysis allows for the development of policy recommendations. This paper blended documentary evidence arising from a desk survey with interview evidence gleaned from relatively unempowered stakeholders drawn from members of the local community regarding the takeover of Cadbury's by Kraft. There has been little research into the views of diverse external constituencies such as members of the local community regarding stakeholder engagement and CSR reporting. In particular, we focused on the attitudes of these stakeholder groups towards the companies' level of stakeholder engagement and accountability as well as CSR reporting during the takeover period. Our study of the documentary evidence pertaining to the government inquiry into the takeover demonstrated a total lack of engagement by Kraft with employees and the local community in Keynsham regarding the closure of Somerdale. Further, it seemed that 'fears' of breaking laws relating to price sensitive information were used as an excuse for non-engagement.

Our findings are not surprising in that the interviewees were negatively affected by the decision to close the Keynsham plant despite earlier promises to keep it open. Their reactions of disgust, distrust and anger are not surprising given the situation and the impact on the local community of the plant's closure. What is surprising is the apparent lack of engagement by these stakeholders in the CSR reporting process. Despite the takeover and its potential negative impacts on members of the local community in Keynsham, and their evident distress, they were not interested in reading the companies' CSR reports and believed these were produced for 'other' people. Our interviewees on the whole had not consulted the relevant CSR reports nor shown any interest in them, dismissing them as 'guff'. The interviewees' views suggested that CSR reports should be made shorter and more succinct so that could be readable and understandable – should condense the relevant information into bullet points, for the wider audience. Our findings therefore provide a negative image of the readability, usefulness and understandability of CSR reporting to broader stakeholder groups. Further, interviewees suggested that an 'interpreter' was needed, in this case the council representing their interests. They needed, and expected intermediaries to 'translate' CSR reports for them and filter important information down to them in an understandable and relevant form. There is little research into the views of less economically powerful stakeholders towards CSR reporting and our findings suggest that this is a critical area of research in order to inform policy on sustainability reporting.

Consistent with the results of our desk survey of relevant documentation, the interviewees were also discouraging about the level of stakeholder engagement more generally throughout the takeover process. Our evidence suggests that engagement with the local community was far-removed from a Habermasian ideal speech situation and in now way fulfilled societal (lifeworld) expectations represented by the stakeholders' views. Although Cadbury had attempted to engage on the future of the Keynsham plant, there had been little to no engagement with the local community by Kraft. In contrast to the findings of Archel et al. (2011) we found that stakeholders had been ignored and that there was effectively no engagement rather than cosmetic or superficial engagement. Indeed, where there was direct engagement it was misleading, or even intentionally misrepresentative. The lack of communication and the misinformation engendered deep resentment and a lack of trust among the stakeholders we interviewed. The discourse had been captured and dominated by the interests of the acquiring company and their financial stakeholders. The interests and views of relatively powerless, non-financial stakeholders had been completely side-lined. We even found evidence that former employees had been effectively silenced by the company. The procedures put in place to pay off employees appeared to be a policy as much involved with silencing as with social responsibility. The discourse of disgust, distrust and anger which emerged from our conversations with stakeholders who were not economically powerful or influential indicates a situation far removed from holistic accountability. The people we spoke to believed that their views and concerns were largely irrelevant compared to the views and needs of large shareholders and that financial concerns would always override. This is not a message large listed companies would want to hear from their stakeholders when they are pouring resources into stakeholder engagement programmes as well as producing detailed CSR reports. There is clearly a significant disconnect between corporate rhetoric and apparent policies of stakeholder accountability and the views of broad stakeholder groups. Further research with larger samples and across more diverse groups of relatively unempowered stakeholders would help to clarify this picture and establish the importance and significance of this disconnect.

In times of crisis, such as a takeover (or similarly following an environmental crisis) it appears that CSR reporting serves little function as the publication of CSR reports is too infrequent to serve any meaningful purpose for the stakeholders directly affected by corporate activities. In these situations, direct stakeholder engagement could present an alternative, or at least supplementary means of communicating with estranged and affected stakeholders. However, in the case of the Cadbury takeover there was very little direct engagement between Kraft and the Somerdale employees which could have supplemented infrequent CSR reporting. Where there was engagement it was after all decisions had been made or it was misleading. If companies are going to improve their levels of transparency and accountability with respect to their non-financial stakeholders they have to consider that in times of crisis, their stand-alone CSR report or their website represents an inadequate means of communicating. A more direct form of engagement is needed, not after decisions have been made but before companies take irreversible action.

Our findings resonate with those of Archel et al. (2011) who showed that where stakeholder engagement does take place, it is generally a simulacrum of stakeholder accountability. It seems that any attempt by Kraft to engage with the people of Keynsham represented little more than a reputation damage limitation exercise, a cosmetic ritual of stakeholder engagement lacking any genuine two-way, meaningful communication. However, whereas Archel et al. (2011) found evidence of cosmetic stakeholder engagement our findings show for the most part a total absence of stakeholder engagement. Non-financial stakeholders were being effectively ignored[12] rather than incorporated into any engagement process, cosmetic or genuine. This suggests that in its present form stakeholder engagement is not just falling short of an ideal speech situation or a mechanism of corporate governance and accountability but is not even being practised.

Overall, this study reveals evidence of poor corporate accountability to stakeholders and inadequate stakeholder engagement, even in a sensitive takeover situation but also highlights the lack of relevance of current CSR reporting to broader stakeholder groups. In relation to the Habermasian policy-driven conceptual model we developed, our findings emphasise the need for companies, as well as accounting policy-makers and practitioners, to focus more attention on the needs and views of less economically powerful stakeholder groups. Systems' (companies') mechanisms and technologies such as CSR reporting and stakeholder engagement require urgent attention in order to reduce colonisation by hegemonic corporates and by financial stakeholders. At present these systems are largely captured by the corporate community and do not allow for any form of ideal speech situation or communicative discourse which could lead to a rapprochement of corporate activities with lifeworld societal expectations. Unless companies begin to consider the needs of non-shareholding stakeholders, corporate governance will not evolve to encompass stakeholder accountability, and, "...if accountability is to be achieved stakeholders need to be empowered such that they can hold the accountors to account" (Cooper & Owen, 2007, p.653). Given ongoing international moves to develop integrated reporting frameworks, understanding the usefulness and relevance of reporting which integrates social, environmental, sustainability and social responsibility issues into the company's primary report to broad stakeholder groups is crucial to the evolution of corporate reporting. Our observations would suggest the form of Habermasian strategy that should be pursued in order to initiate change in stakeholder engagement processes. The strategy, identified for accounting change (Laughlin, 1987) which appears to 'fit' our initial analysis, would arise from a need to change the life-world and steering mechanism with subsequent changes in the technical process of stakeholder engagement. This is because the changes in stakeholder engagement need to follow rather than lead changes in the cultural life-world elements. Stakeholder engagement processes clearly lag societal expectations but there is a need for stronger steering in the form of explicit guidelines not just on reporting of stakeholder engagement processes but on stakeholder engagement per se. Efforts also need to be made to transform corporate culture within these micro lifeworlds, which is allowing such lack of accountability to perpetuate. The actual processes would then flow more naturally from the altered, more evolved life-world.

From our analysis we suggest that it is crucial, if corporate stakeholder accountability is to be enhanced, that clearer guidance, steering are provided for companies regarding stakeholder engagement processes. Indeed, current voluntary recommendations for stakeholder engagement which are to some extent obscured by being incorporated into recommendations for reporting (GRI) are inadequate and lacking in regulatory bite. As discussed earlier, the GRI Sustainability Reporting Guidelines focus exclusively on the reporting of stakeholder engagement practices and not on stakeholder engagement per se. Government and accounting policy makers in the UK need to provide clear, specific and even mandatory guidance for corporations on how best to engage effectively and in a non-hegemonic manner with their non-financial stakeholders. One potential outcome from our analysis and from serious consideration of this conceptual counterfactual model could be the establishment of a new steering institution not for reporting (which is effectively indirect engagement) but for direct stakeholder engagement. This could be created through the United Nations' initiatives such as the Global Compact,

[12] We thank one of our anonymous reviewers for highlighting the importance of this finding.

as it would have international reach. At the national level, the UK Government could establish published guidelines for companies detailing how and when they should engage directly with stakeholders. Such guidelines could explain ways in which companies can engage with stakeholders in confidential situations (such as takeovers) without releasing price sensitive information. The Government inquiry provided several examples where engagement had been achieved in sensitive situations by, for example, those present signing confidentiality agreements. Even if such prescriptions were voluntary rather than mandatory they would provide far stronger steering than exists in the current environment.

In terms of CSR reporting, we also suggest on the basis of our analysis that in a crisis situation (albeit a social crisis affecting employees, local community such as this takeover case, or an environmental crisis such as an oil spill) companies take a more proactive role providing frequent, full and open disclosures to their diverse stakeholder groups, probably in the form of web reporting or even email, tweets and text messages to directly affected stakeholders. Again, this evolved form of more timely and relevant communication would need to reflect a dismantled power structure representing an ideal speech situation in the sense that views could be exchanged between all parties concerned, dealt with equally and taken into serious consideration. Perhaps an active web-based forum would offer a way forward in this context. We hope that this conceptual model may represent a platform for further research into accountability mechanisms such as stakeholder engagement and CSR reporting in order to pave the way for better corporate governance and enhanced corporate stakeholder accountability.

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