

The significance of IC indicators for the creation and maintenance of a trustworthy reputation

MASTER THESIS



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Institut for Produktion og Erhvervsøkonomi
MSc. in Strategy, Organisation and Leadership*

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Hand-in date: 3rd of October 2013

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Number of pages: 80

Number of characters including spaces: 180810

Copenhagen Business School 2013

I dedicate this Master to my parents and my best friends Sarah, Dana and Christian.

I would like to say thank you very much to my supervisor Svend Peter Malmkjær for his support, advices, time and help.

Abstract

Researchers have long demanded more accountability and transparency with regard to corporate actions. Nowadays, their enthusiasm, especially concerning voluntary corporate procedures to provide more information through, for instance, the disclosure of IC indicators, has transformed into skepticism (Madsen & Nielsen, 2009; Swift, 2001). That kind of skepticism is based on concerns, that especially the voluntary provision of corporate information results to an information overload (Nielsen & Madsen, 2009), a distraction from negative news (Brown & Deegan, 1998; Williams, 2001) etc. Additionally, Swift adds to those criticisms that there is a need to investigate the stakeholder dialogue tools, such as IC indicators (Marr et al., 2003) that influence the range of vulnerability between stakeholders and organizations and she stresses thereby the fact, that there are differences between stakeholders in terms of their stakes (Swift, 2001).

In alignment with Swift's demand, the Master thesis attempted to investigate, if the disclosure of the same/similar and different IC indicators between Novo Nordisk, Novozymes and Coloplast is the result of management assessments concerning the importance of certain stakeholder groups and in how far do the three sample companies use IC indicators as tools for the creation and maintenance of a trustworthy reputation which ensures that those high important stakeholder groups trust Novo Nordisk, Novozymes and Coloplast? By answering the research question, two major findings emerged. First of all, all three companies provided, as a consequence of their stakeholder assessments, a common set of the same or similar IC indicators for transforming regulatory bodies' distrust into a lack of distrust. Secondly, the three companies disclosed different IC indicators to provide an overload of positive information for distracting from negative company news and for presenting themselves in a very favorable light with the intention to redeem a potential lack of trust among their most important primary stakeholders.

Key words: Stakeholder, Trust, Reputation, Accountability, Transparency

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III. Abbreviations

CC – Corporate Citizenship

CRR – Corporate Responsibility Report

CSR – Corporate Social Responsibility

FDA – Food and Drug Administration

FSA – Danish Financial Statements Act

IC – Intellectual Capital

LTI frequency – Lost time injury frequency

MSOPs - Multiple stakeholder orientation profiles

N/A – Not available

RBV- Resource Based View

1. Introduction

Since the first appearance of the intellectual capital (IC) field in the 1990s (Bontis, 1999), economies around the world, have in alignment with an increasing globalization process, changed from being dominated by companies with tangible assets such as machines, equipment, etc. to knowledge based economies characterized by companies, whose value creation processes are based on intellectual capital (Bontis, 1999) such as know-how, patents, reputation and many other intangible assets (Bukh, 2003). This change in perspective towards a company's intangible assets gets especially supported by scholars and advocates of the resource based view (RBV) of the firm. In alignment with the RBV perspective, intangible resources can lead to a competitive advantage, if they are characterized as being valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). Furthermore, the famous RBV scholar, Barney, says: "Overall, this work shows that firms that build their strategies on path dependent, causally ambiguous, socially complex, and intangible assets outperform firms that build their strategies only on tangible assets (Barney, 2001)."

Even though, there is no doubt that, over the last two decades, there has been occurred a RBV supported paradigm shift that emphasizes the strategic importance of intangible instead of tangible assets, the paradigm shift is still linked to a variety of challenges for scholars and practitioners alike. One of the major challenges in the field of IC is connected with the question, how to measure IC? Currently exists, besides a broad range of frameworks for the measurement of IC (Sveiby, 2007), also incongruity between practitioners and academics concerning the selection of only one framework for measuring IC (Dumay, 2009). The framework that is currently broadly accepted by practitioners and scholars alike is the so called tri-partite model that reflects IC as a composition of human, structural and relational capital (Dumay, 2009). Human capital is, according to Sackman et al. and Schultz, defined as a company's stock of skills, knowledge and competencies of employees (Sackman et al., 1989; Schultz, 1961). Structural capital on the contrary, is defined as the summation of a company's hardware, organizational culture, capabilities etc. (Edvinsson & Malone, 1997; Roos & Roos, 1997). Eventually, relational capital gets defined as the amount of a company's relationships to other companies, customers and partners (Bontis, 1999; Johnson, 1999). That notion of relational capital is in alignment with the fact that organizations do not act as isolated systems, but that they depend on relationships to its internal and external stakeholders (de Castro et al., 2004). In the sense that companies do not act as isolated systems, it can be stated that companies are entities anchored in a system of relationships that requires stakeholder dialogue for reducing the existing information asymmetry between company managers and its external stakeholders (Adams & Larrinaga-González, 2007). Such kind of information asymmetry can occur, if key competencies or features of products as well as services, that have the potential to create value for external stakeholders, are hidden from external stakeholders (Fombrun & Van Riel, 1997). Insofar, there is a variety of scholars, who mention not only the pure existence of an

information asymmetry problem between companies and its external stakeholders, such as Adams and Larrinaga-González (2007), but also the fact that companies try to reduce this information imbalance through signals, like for example through IC information (Baum & Silverman, 2004) that is represented by IC indicators. With the help of those signals, which reduce the information asymmetry, stakeholders make assessments about the performance, behaviour and products of a company (Deephouse, 2002). Those assessments form the reputation of a firm. Insofar, a corporate reputation is the result of perceptions held by external and internal stakeholders (Fombrun, 1996). Therefore, Fombrun and Van Riel mention that a reputation consists of information signals that reduce the information asymmetry and create trust in the company (Fombrun & Van Riel, 1997). Furthermore, Swift says, for generating trust to stakeholders and for mitigating the information asymmetry problem, companies need to create a reputation that reflects a trustworthy behaviour (Swift, 2001).

However, also with the knowledge that reputation is of strategic importance (Del Bosque & García de Leaniz, 2013) and essential for the communication with external stakeholders, organizations still face, based on the above mentioned search for finding a “correct” framework for measuring IC, the challenge to adjust their traditional financial frameworks, which lack information about IC assets (Vergauwen et al., 2007). This challenge gets intensified with increasing demands for more corporate transparency as well as accountability (Swift, 2001; Bukh, 2003). On the political stage, these demands are enforced, inter alia, through institutional mechanisms (Blois, 1999; Swift, 2001) such as legislations, regulations and acts like for example the Danish Financial Statements Act (FSA), section 99a, which implies that companies must, in addition to the report on financial results, also attach reports on social responsibility, business strategies, human rights, working conditions, environment and anti-corruption (Danish Commerce and Companies Agency et al., 2010). In alignment with the FSA, section 99a, IC reporting fulfills that demand, since IC reporting implies social and environmental reports as well as further management driven information with, for instance, a focus on human resources (Cordazzo, 2005). Cordazzo mentions in this context: “For sure, one can say that a social and environmental sensibility is entrenched in the IC framework, possibly as a reflection of the fact that the IC is made up essentially of a web of good human, social, environmental, and financial nexuses (Cordazzo, 2005).”

Furthermore, especially in Denmark exists a strong interest in measuring and disclosing IC information. In 1998, the Danish Agency for Development of Trade and Industry conducted together with researchers and 17 Danish companies a project with the goal to develop guidelines concerning the publication of IC statements. This project resulted into the publication of the so called Danish Guidelines in the year 2000 (Bukh, 2003). However, it can be said that due to a general interest in the reporting on IC, an increasing demand for more transparency as well as accountability and, last but not least, due to the financial crisis that negatively affected the trustworthiness of companies' traditional financial frameworks and represented them as money making machines (Pruzan, 2001), publicly listed companies face the challenge to re-establish a trustworthy

reputation with the help of information and indicators that go beyond purely financial data. Blois mentions in this context: “In a business context it may be easier to create the conditions upon which trust in an organization may evolve because of organization's greater ability to provide measured assessments of capabilities and reliability through independent quality checks, Standard and Poor ratings, etc. (Blois, 1999).”

However, other measured assessments that positively influence the trustworthiness of a firm's reputation are IC indicators (Vergauwen et al., 2007). The establishment of a trustworthy reputation is thereby especially challenging in the case of companies that operate in very risky and customer “sensitive” industries, like for instance the pharmaceutical industry, in the way that the products of those companies have a tremendous impact on people's health. Therefore, in order that a company can survive in such an environment, end-users need have to trust in the reputation of such companies. Moreover, another key element for the maintenance of trust among stakeholders is a firm's compliance to ethical standards (Pruzan, 2001). In this context, ethical behaviour is linked to a company's social responsibility, whereby CSR is an umbrella term for concepts such as sustainability, corporate citizenship and so on (Wicks et al., 2010). However companies do not deal with only one stakeholder group, but with a multitude of internal and external stakeholder groups. Exactly that multitude of stakeholders forces a company to prioritize between the importance of stakeholders and their interests (Greenley et al., 2004). Based on the previous mention fact that companies prioritize between stakeholders, Swift demands further investigations with regard to stakeholder dialogue tools, such as IC indicators (Marr et al., 2003), that influence the range of vulnerability between stakeholders and organizations and insofar the trust creation process (Swift, 2001).

Based on this research demand and the facts that there are three Danish publicly listed companies, namely Novo Nordisk, Novozymes and Coloplast, that face the demand for more accountability as well as transparency, the challenges to deal with a multitude of stakeholders and to establish trust in their reputations, which is especially of importance, since the quality and features of many of their products are not directly observable, this Master thesis investigates the following research question:

Does Novo Nordisk, Novozymes and Coloplast disclose the same/similar and different IC indicators as the result of management assessments concerning the importance of certain stakeholder groups and in how far do the three companies use, in alignment with the increasing importance of social and environmental accounting as well as the increasing demand for more accountability and transparency, IC indicators for the creation and maintenance of a trustworthy reputation which ensures that those high important stakeholder groups trust Novo Nordisk, Novozymes and Coloplast?

The research question is insofar interesting to investigate, due to the fact, that there is obviously a demand in the EU and Denmark for more transparency and accountability concerning companies' IC assets. Moreover,

that demand implies a shift from a “trust me” to a “tell me” and “show me” attitude characterized by stakeholder engagement and dialogue (Swift, 2001). Therefore, it will be of interest to observe, if the disclosure strategy of IC indicators of publicly listed companies, such as Coloplast, Novo Nordisk and Novozymes, depends on the prioritization of stakeholders and their interests and how companies use IC indicators to create trust to certain stakeholder groups. Furthermore, it will also be of significance, in alignment with the research question, to analyze, in how far do the sample companies differ in their disclosure of IC indicators and if the sample companies voluntarily disclose positive information with the intention to distract stakeholder' attentions from negative news (Deegan & Rankin, 1996) that might have the potential to damage a trustworthy reputation. Insofar, the Master thesis will investigate, through an analysis of the values of the different IC indicators, disclosed by the three sample companies, if there exists, the suspicion that users of IC statements become instead of beneficiaries, victims of transparency and accountability through an overload of management driven and positive information (Madsen & Nielsen, 2009) that disguises negative and valuable information. Therefore, the Master thesis will analyze and critically discuss, if transparency and accountability, that got so eagerly demanded by a variety of scholars (Swift, 2001), automatically imply only advantages for readers of IC statements and how the two concepts get used or misused for the creation of a trustworthy reputation.

For the purpose of investigating the research question, stakeholder theory serves as the theoretical basis for the Master thesis. In addition to that, it will be draw upon, the concepts of reputation, trust, lack of trust, lack of distrust, distrust, accountability and transparency. These concepts get presented in the theoretical section. After the theory section follows a literature review on reputation and trust as well as the analysis of the same/similar and different IC indicators created by Novo Nordisk, Novozymes and Coloplast. The thesis ends with a discussion of the major findings, a conclusion and recommendations for future research. However, before entering into the theoretical section of the thesis, let's take a deeper look into the methodology and material section.

2. Methodology

2.1 Method and Materials

As already mentioned in the introduction, the still ongoing financial crisis and the Enron accounting scandal (Nielsen & Madsen, 2009) resulted in “lacks of innocence” (Strathern, 2000) and thereby shattered the trustworthiness of publicly listed companies' reputations worldwide. The lack of trust, on the contrary, resulted to an increasing significance to go beyond the analysis of financial data and to study the IC assets of organizations. Therefore, stakeholders are, to an increasing extent, interested in corporate behaviour (Pruzan, 2001) and demand more corporate accountability and transparency. In that context, stakeholder engagement and dialogue mechanisms, such as IC indicators (Marr et al., 2003), enable more transparency and accountability (Swift, 2001) and have the potential to create trust among stakeholders (Vergauwen et al., 2007). Nevertheless, companies are not only intertwined with only a few stakeholder groups, but with a multitude of internal and external stakeholder groups (Greenley et al., 2004). Exactly the multitude of stakeholders, leads to a wicked problem, insofar that companies have to prioritize between stakeholders and their interests. In addition to that, stakeholder groups have different and sometimes conflicting interests (Greenley & Foxall, 1998). Taking the previous mentioned fact into account, Swift demands further investigations with regard to stakeholder dialogue tools, such as IC indicators (Marr et al., 2003), that influence the range of vulnerability between stakeholders and organizations and insofar the creation process of a trustworthy reputation (Swift, 2001). Therefore, the goal of the Master thesis is, in the light of a multiple case study, to deliver a contribution to the satisfaction of that research demand by investigating the above stated research question.

Furthermore, in the light of answering the overall research question, the analysis of the IC indicators of the three sample companies will show, if the disclosure of IC indicators of Coloplast, Novo Nordisk and Novozymes, depends on the prioritization of stakeholder groups and in how far do the three sample companies use IC indicators to create trust among certain stakeholder groups. Moreover, the reader of the analysis will see if the sample companies voluntarily disclose positive information with the intention to distract stakeholder attention from negative news (Deegan & Rankin, 1996) that might negatively influence a company's trustworthiness. Therefore, the Master thesis will show, through an analysis of the values of the different IC indicators, if readers of IC statements might become the victims of management driven information (Nielsen & Madsen, 2009) which excludes and disguises negative news and other valuable information. Readers would then become, instead of the beneficiaries of more accountability and

transparency, the victims of the so called “tyranny of transparency” (Strathern, 2000). In that context, the Master thesis will analyze and critically discuss, if transparency and accountability, which got so eagerly demanded by a variety of scholars (Swift, 2001), automatically imply only advantages for readers of IC statements and how the two concepts get used or misused for the creation of a trustworthy reputation.

Furthermore, Novo Nordisk, Novozymes and Coloplast have been chosen as sample companies, since the annual reports 2012 of the three companies are full of quantitative and qualitative data with regard to the three companies IC assets. Such a large pool of data forms a good basis for a fruitful analysis of IC indicators. Moreover, all three companies operate in very risky and “sensitive” industries, where trust in the three firms' reputations is of crucial importance for their survival. That fact is especially true, since the quality and the features of the majority of their products are invisible for external stakeholders and in the case of Coloplast and Novo Nordisk the products have even a tremendous impact on people's health. In addition to that, all three companies are publicly listed companies and hence, they are, as mentioned in the introduction, under the pressure to provide more transparency and accountability in the form of data that go beyond financial data, since the financial crisis negatively affected the trustworthiness of companies' traditional financial frameworks and thus, there is a demand for more information about companies' behaviours (Pruzan, 2001). Last but not least, all three companies are intertwined in an environment with a multitude of stakeholders and it will be interesting to observe, if the three sample companies differ in their disclosure of IC indicators with regard to certain stakeholder issues, as a result of different stakeholder prioritizations. However, companies do not deal with only one stakeholder group, but with a multitude of internal and external stakeholder groups. Exactly that multitude of stakeholders forces a company to prioritize between stakeholders and their interests (Greenley et al., 2004). Based on the previous mentioned fact, namely that companies prioritize between stakeholders, Swift demands further investigations with regard to stakeholder dialogue tools, such as IC indicators (Marr et al., 2003), that influence the range of vulnerability between stakeholders and organizations and insofar the creation process of a trustworthy reputation (Swift, 2001).

Because, all three sample companies deal with a multitude of stakeholders and the Master thesis wants, in the light of answering the research question, to identify a prioritization of stakeholders of the three companies, the stakeholder theory forms the theoretical basis of the Master thesis. The stakeholder theory helps the reader of the Master thesis to understand questions like for instance, who are the stakeholders of the three sample companies and what kind of stakeholder attributes influence the prioritization processes? Nevertheless, stakeholder theory alone does not help to investigate the trust relationships between the three sample companies and their stakeholders, hence, the Master thesis used the split trust continuum in organisational/stakeholder relationships and its definitions of trust, lack of trust, lack of distrust and distrust. The split trust continuum, presented by Swift in the paper “Trust, reputation and corporate accountability to stakeholders” (Swift, 2001), serves thereby as a complementary element to the stakeholder theory for

explaining the trust relationships between the three companies and certain stakeholder groups and for investigating, if the disclosure of different IC indicators between the companies depends on Novo Nordisk's, Novozymes and Coloplast's assessments of the importance of certain stakeholder groups.

With regard to the data collection must be said, that case studies can include single or multiple cases, whereby the evidence can be either of qualitative or quantitative nature or both (Eisenhardt, 1989). Case studies have a lot of advantages, such as the collection of a large amount of data of real business settings (Yin, 2003). Furthermore, case studies are flexible in nature with regard to boundary directions and in the way that a broad range of methods can be used to collect data such as interviews, data from internal as well as external documentation etc. (Creswell, 1998; Yin, 2003). Furthermore, multiple case studies enable the investigation of a particular phenomenon under certain conditions (Dumay, 2009). The decision to choose the multiple case study approach was also supported by the fact that multiple case study approaches reflect different manager perspectives and ensure the generation of a large amount of data, which was necessary for conducting the analysis. The empirical data thereby was not only based on quantitative data, such as indicators and their values, but also on qualitative data such as manager statements that were linked to trust, reputation, intellectual capital, the prioritization between stakeholders, stakeholder issues, accountability and transparency. Furthermore, also statements about company challenges, justifications and initiatives have been taken into consideration, if they have been considered as useful for answering the research question. Although, the primary empirical data were the quantitative ones in this Master thesis, a combination of quantitative and qualitative data was necessary for not making the mistake of taking the IC indicators and their values out of the strategic context (Eccles et al., 2001) hence, it was a necessity to hear at least the textual voice of top managers. Therefore, taking IC indicators out of the strategic context would be a mistake, insofar that Nielsen and Madsen argue that IC reporting should include performance measures (Mouritsen et al., 2003), comments on management challenges, initiatives etc. (Nielsen & Madsen, 2009). Therefore, should also the analysis of this Master thesis take all those IC reporting elements into consideration, which makes the collection of quantitative and qualitative data a necessity.

The qualitative data got generated with the help of a content analysis. Guthrie et al. say that the content analysis is the most popular method to understand the disclosure of IC (Guthrie et al., 2004). Furthermore, the content analysis is a method that makes replicable as well as valid inferences from a certain text to the particular context (Krippendorf, 2004) and contributes insofar, to the avoidance of taking the IC indicators out of the context. The basis for the content analysis, were the annual reports 2012. Only in the case of Coloplast, besides the content of the annual report 2012, also the content of Coloplast's Corporate Responsibility Report (CRR) got analyzed, because, the annual report included only a small amount of IC information and even referred to the CRR with regard to the FSA, section 99a. Furthermore, the content analysis got used for identifying possible rankings of stakeholders in the strategy sections of the annual reports and for discovering statements from top managers that included significant information for answering

the research question. Moreover, the content analysis got intensively used for identifying, what are, from the perspective of Novo Nordisk, Novozymes and Coloplast, relevant stakeholder issues. For that purpose, the content analysis got applied for analyzing the content of the CEO letters and the letters of the Board of Directors. These external documents got analyzed, because CEOs as well as other top managers in multinational and publicly listed companies are usually responsible for crafting and implementing a corporate strategy, which implies the prioritization of stakeholders and their interests (Brugha & Varvasovszky 2000). The relative importance of a stakeholder issue got measured, according to the frequency of its appearance and the amount of space that it covered in the letters of the Board of Directors and the letters of the CEOs. The results of the content analysis have been taken and combined with the collection of IC indicators. Based on the characteristics of the IC indicators and the importance according to the letters of the CEOs and the Board of Directors, the following five categories of stakeholder issues have been derived and determined. These issue categories are: “Employees”, “end-users”, “environment”, “partnerships” and “R&D”.

The quantitative data got thereby collected through reading and screening the external documents for IC indicators. After the collection of the IC indicators and after conducting a content analysis, five relevant categories of stakeholder issues could be identified based on the nature of the indicators and the results of the content analysis. Thereafter, followed a categorization of the IC indicators based on the five relevant categories of stakeholder issues. Thereby, is to mention that many of the IC indicators are divided into several sub-categories in the annual reports of all three companies. Due to the limit of space, it was necessary to use the aggregated IC indicators. Sub-IC indicators got only used if necessary. It was necessary to use some sub-indicators, if a certain aggregated IC indicator did not represent any values, due to the fact that the IC indicator was divided into several sub-indicators and if it was not possible to aggregate the sub-indicators into one aggregated IC indicator with the intention to compare the value of the aggregated indicator with the values from previous years. Furthermore, the table descriptions of each table indicate, if a table only includes aggregated IC indicators or if a table also includes sub-indicators. Moreover, in the case sub- IC indicators played a crucial role for the analysis, the Master took that into account. After the categorization of the IC indicators into the five categories of stakeholder issues, the indicators got compared and formed thereby the structure of the analysis, whereby the first part of the analysis was focusing on the comparison of the values and nature of the same IC indicators or IC indicators that were quite similar, but only slightly differed from each other in terms of their names or units of measurement. Footnotes indicate if IC indicators differ in their units of measurement. Furthermore, for conducting a comparison it is crucial to have some reference points, thus in the first part of the analysis the values from 2012 got compared with the values from 2011. However, for the purpose of answering the research question and due to a limit of time and space, the first part of the analysis only took the IC indicator values from 2011 and 2012 into account.

However, the second part of the analysis was focusing on the comparison of different IC indicators and the question, why the three sample companies disclosed a different amount of IC indicators across the five categories of stakeholder issues and what did that mean in terms of the creation of a trustworthy reputation? Furthermore, the second part of the analysis expanded the time frame a little bit and compared the values from 2010 and 2011 with the values from 2012. The time frame got expanded, because it was necessary, for the purpose of answering the research question, to conduct a multitude of comparisons between the IC indicator values from 2012 and the values from previous years. The expansion of the time frame should thereby increase the amount of data and lift up the quality of the comparison results. However, only the Novo Nordisk annual report 2012 included the IC indicator values for all three years. Coloplast's CRR 2011/2012, on the contrary, included, with regard to the IC indicators that Coloplast designed for its end-users, only the values from 2012 so that it was necessary to use the CRR from 2010/11 for gathering more data. Furthermore, Novozymes annual report 2012 included, to a large extent, only the IC indicator values from 2011 and 2012. Therefore, it was also here necessary to use the Novozymes annual report 2011 for the purpose of coming into the possession of the IC indicator values from 2010.

However, before entering into the analysis of the Master thesis, the reader gets first equipped with some theoretical concepts as well as a literature review on trust and reputation. In that context must be mentioned that literature reviews have to be conducted in a systematic manner that means the review has to be replicable, scientific and transparent in nature (Marr et al., 2003). In alignment with the just mentioned criteria, the literature review of the Master thesis was conducted in a methodical and replicable way. Moreover, for ensuring a limit of size and relevance, the review was focused on reviewing some of the literature on trust and reputation, which contributed to the finding and answering process of the above stated research question. Following a systemic approach for conducting a literature review, terms such as "stakeholder theory", "trust" as well as "reputation" got, together with other key words such as "strategy", "RBV", "strategic management" etc., typed into academic search engines such as CBS Libsearch, Academic Search Elite, JSTOR, Sage Journals and so on. After, the search engines presented their results in the form of links to articles and papers, the scientific articles and papers got screened for valuable information with regard to previous researches and useful additional information with regard to stakeholder theory, trust and reputation, thereby, not all results were of significance and got rejected. Scientific articles or papers that have been of relevance got incorporated into the literature review.

In the end of the methodology section must be mentioned that I also had access to a variety of secondary sources, like for instance, journals, articles, books and newspapers. All the sources served the purpose to get a deep understanding of IC, trust, reputation, accountability as well as transparency and insofar, the materials

positively influenced and supported the writing process of the Master thesis. The next section will briefly present the major methodological limitations of the Master thesis.

2.2 Limitations

Before entering into the theory section, let's first present some methodological limitations. The establishment of limitations was essential for writing the Master thesis due to a limit of time as well as space. One of the major limitations was thereby, that the analysis of the Master thesis excluded economic stakeholder groups, such as investors, creditors, shareholders (Savage et al., 1991), and their interests. The decision to exclude such stakeholder groups from the analysis of the Master thesis was based on the fact that the Master thesis is focused on the analysis of IC indicators that usually go beyond financial information (Watherhouse & Svendsen, 1998) and are often linked to the concept of corporate sustainability (Nielsen & Madsen, 2009). Based on the connection of IC indicators to the concept of sustainability as well as the fact that IC reporting implies social and environmental reporting (Cordazzo, 2005), the target audience for the creation of IC indicators seems not to be investors in the first place, but other stakeholders. That was exactly the reason, why the analysis of the Master thesis did not take shareholders and other investors into account. Investors are more interested in financial data and the achievement of financial targets (Caruana & Chircop, 2000). Financial data played only a minor role in this thesis and got only considered, if an IC indicator, like for instance an indicator that measures the costs of employee training, was measured in monetary values. Another limitation is that the Master thesis is based, to a large extent, on the annual reports from 2012. Furthermore, is to mention that many of the aggregated IC indicators are divided into several sub-indicators, but due to a limit of space, it was necessary to use the aggregated IC indicators. Only in very few cases, the Master thesis took sub-IC indicators into account.

Moreover, another limitation is that the time frame was limited and only ranges from 2010 to 2012. The decision to limit the time frame has been made, because companies change their strategies and thus their focus on key stakeholders. Therefore, a too large expansion of the time frame could imply the fact that a stakeholder who has been a key stakeholder for one of the three companies 10 years ago, is, according to the management of three sample companies, not a key stakeholder anymore. Furthermore, a lot of IC indicators that exist today have not been existed some years ago and vice versa. Therefore, the larger the time frame the more annual reports need to be taken into consideration for not taking IC indicators out of the context. However, the consideration of too many annual reports would exceed the scope of the Master thesis due to a limit of time and space and thus a time frame that is too large would reduce the quality of the answering process of the research question. Last but not least, the focus of investigation was limited to only three sample companies thereby the decision to choose only three companies and not more companies was influenced by elements like for example time, space, access to data, the focus and the quality of the research. Since, the focus of investigation is limited to only three companies the results from the analysis might not necessarily be applicable for all companies within the Danish C20 index.

After the presentation of some methodological limitations, it is time to enter into the theoretical section of the Master thesis. The theoretical section shall help the reader of the thesis to follow the analysis.

3. Theory

3.1 Stakeholder Theory

As already mentioned in the methodology section, the stakeholder theory represents the theoretical basis of the Master thesis. Moreover, stakeholder theory has been often criticized as non-economic and social (Wicks et al., 2010). That kind of criticism is especially based on the fact that stakeholder theory is closely connected to the CSR concept and even supported CSR scholars to determine the social and moral obligations of corporate managements (Donaldson & Preston, 1995; Wicks et al., 2010). This social side of the stakeholder theory stands in striking contrast to strategic management's primary maxime, namely the achievement of economic performance characterized through indicators such as return on capital invested or shareholder returns (Wicks et al., 2010). Nonetheless, stakeholder theory has, especially after R. Edward Freeman published his book, "Strategic Management: A Stakeholder Approach" in 1984 (Donaldson & Preston, 1995), found its place in the management literature (Donaldson & Preston, 1995). Nonetheless, although the term "stakeholder" gets frequently used by practitioners and academics alike, one might ask, how is the notion "stakeholder" defined? The Master thesis will use the following stakeholder definition by Freeman, which got presented in the paper "Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really counts" by Mitchell et al. (1997), namely stakeholders are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (Freeman, 1984).

Moreover, an essential note needs to be add to the previous definition, namely stakeholders have diverse and sometimes conflicting interests (Preston & Sapienza, 1990). Furthermore, stakeholders get classified into primary and secondary stakeholders (Greenley et al., 2004). Primary stakeholders have a direct influence on a company's economic survival (Greenley et al., 2004) based on formal, official or contractual relationships (Savage et al., 1991). Primary stakeholders are customers, employees, investors, suppliers, business partners etc. (Greenley et al., 2004). Secondary stakeholders on the contrary, influence an organization, but are not necessarily of significance for a firm's survival (Greenley et al., 2004). Moreover, another term plays a crucial role in this thesis, namely the term "key stakeholder". Companies, are linked to a variety of stakeholders but not all stakeholders receive the attention of company managers or at least, not the same degree of managerial attention (Greenley et al., 2004), which can be reasoned due to the fact, there is a multitude of stakeholders with different interests and not all interests are of equal importance for a company's management. However, managerial attention regarding the satisfaction of stakeholder interests

will primarily focus on key stakeholders interests, because key stakeholders are of crucial importance for the survival and the economic wellbeing of an organization (Brugha & Varvasovszky 2000; Bryson, 2004). Furthermore, key stakeholders can be primary and secondary stakeholders (Savage et al., 1991).

Besides the criticism, raised by many strategists that stakeholder theory is non-economic in nature, stakeholder theory is connected with a variety of other criticisms and limitations. One of them is that a variety of scholars and advocates of the agency theory claim that an organization's main duty is to create values and benefits for their shareholders, which also represent a major principle in the economic agency theory (Preston & Sapienza, 1990). In that context, stakeholder theory gets also criticized for serving as a disguise in the way that managers pretend to pay attention and to serve a variety of different stakeholder interests, but in reality, only their own interests matter to them. Such managerial opportunism is according to critics of the stakeholder theory, in the case of a shareholder concept, where only a duty to shareholders exists, not so easy to justify (Wicks et al., 2010). In alignment to that, another problem becomes very eye-catching, namely that also managers are stakeholders, who also are responsible for balancing the diverse internal and external stakeholder interests (Preston & Sapienza, 1990).

Another major criticism is caused by one of three elements of the stakeholder theory. These elements are normative, instrumental and descriptive in nature, whereby the normative element builds the fundament of the theory (Donaldson & Preston, 1995) and forms the trigger for another criticism. The normative aspect of the stakeholder theory implies that all stakeholder interests are of intrinsic value (Donaldson & Preston, 1995), but it is questionable in how far all stakeholder interests are of intrinsic value, since there are academics such as Brugha and Varvasovzky (2000), Bryson (2004), Greenley et al. (2004) or Savage et al. (1991), who mention the opposite, namely that companies prioritize between stakeholders and their interests. Therefore, it is very disputable, if managers in the real business life are able or have the intention to keep up the balance between the different and sometimes competing stakeholder interests (Preston & Sapienza, 1990). Insofar, stakeholder theory is a resource allocation problem that implies the question, which stakeholder group gets what and how many resources and managerial attention. This resource allocation problem causes further tensions between stakeholder interests (Wicks et al., 2010). Furthermore, the prioritization of stakeholders and their interests is based on three stakeholder characteristics (Greenley et al., 2004), namely power, legitimacy and urgency (Mitchell et al., 1997). Power describes the degree of influence on a company (Frooman, 1999), legitimacy is the appropriateness a stakeholder addresses the interest to the company (Ogden & Watson, 1999) and the urgency attribute represents the level of velocity an interest needs to be addressed (Mitchell et al., 1997). Besides these major attributes, other factors play a crucial role in the prioritization process of interests, like for example, stakeholders' attitudes, beliefs and values (Greenley et al., 2004).

Finally, after the presentation of the stakeholder theory with its limitations, it is now time to focus on the two key concepts of the Master thesis, namely reputation as well as trust and the definition of both terms.

Moreover, the reader will, for the purpose of getting a better understanding of the upcoming analysis, get an insight into the conceptual linkage between trust and reputation.

3.2 The definition of trust and reputation and the link between them

Across many disciplines such as psychology, economics, sociology etc. (Hosmer, 1995; Rousseau et al., 1998), there exist a variety of different definitions of trust. Regardless of psychology, strategy or economics, two components have all the definitions of trust in common. These components are, the “willingness to be vulnerable” (Mishra, 1996; Rousseau et al., 1998) and “confident expectations” (Rousseau et al., 1998). Based on these two elements, Mishra formulates a general accepted definition of trust that sounds as follows: “Trust is one party's willingness to be vulnerable to another party based on the belief that the latter party is 1) competent, 2) open, 3) concerned, and 4) reliable (Mishra, 1996).”

Ring and Van de Ven though, make the assertion that there are two major definitions of trust (Ring and Van de, 1992). According to them, these definitions define trust as “confidence in one's expectations” (Zucker, 1986) and “confidence in the other's goodwill” (Friedman, 1991). In alignment with these two definitions, Swift argues, based upon a research conducted by Porter, where he investigated trust in cross-cultural work teams (Porter, 1997), that a split trust continuum is more appropriate for explaining the dominant overarching definitions by Zucker and Friedman and for explaining the trust relationships between organizations and stakeholders (Swift, 2001). Thereby, the split trust continuum consists of two parts. The first part of the continuum ranges from distrust to a lack of distrust, whereby the distance between the two anchors depends on the level of a stakeholder's suspicion with regard to a particular organisation and its corporate behaviour. Furthermore, Swift substitutes the definition of trust, made by Zucker, with the term lack of distrust. Distrust on the contrary, gets defined as a state where stakeholders have no trust in an organization and where they are convinced that managers pursue managerial opportunism (Swift, 2001). In the first part of the continuum, the stakeholder tries to create an artificial form of trust with the help of mechanisms (e.g. institutional mechanisms) (Blois, 1999; Swift, 2001) which forces companies to provide information about their corporate behaviours. The provision of information shall help to monitor and to assess corporate actions and thereby reduce the range of suspicion.

The second half of the split trust continuum ranges from lack of trust to trust. In that part of the continuum, the transmission from a lack of trust to trust depends on stakeholder dialogue ensured through the voluntary provision of corporate information to stakeholders (Swift, 2001). Moreover, Swift defines a lack of trust as follows: “Lack of trust stems from ignorance of the other's behaviour and intent (Swift, 2001).”

For the definition of trust, she uses the above stated definition by Friedman (1991).

Lastly, must be added that many authors do not make a difference between the terms trust and trustworthiness (Swift, 2001). Nonetheless, there is a difference in the way that trustworthiness is a characteristic displayed by an entity that creates trust among another entity (Blois, 1999). Trust, on the

contrary, gets characterized as a situational factor (Swift, 2001). Because there is a difference in the meaning of both terms, the Master thesis will use them not interchangeably.

Interestingly, reputation connects the concepts of trust and trustworthiness with each other. Hosmer mentions, that reputation is the outcome of a trustworthy behavior (Hosmer, 1995). In addition to that, Swift says that organizations have to create a reputation that ensures that stakeholders perceive them to behave trustworthy (Swift, 2001). Based on that fact, namely that the reputation of a company is the result of stakeholder perceptions, the thesis will use Fombrun's definition of reputation. Fombrun says that reputation is a "set of perceptions held by inside and outside a company" (Fombrun, 1996).

The Master thesis will, based on the fact that the heart of the research question is focused on trust as well as reputation and the stakeholder theory serves as its theoretical base, use the presented split trust continuum in organisational/stakeholder relationships and its definitions of the different kinds of trust as a complementary element to the stakeholder theory for explaining the trust relationships between Novo Nordisk, Novozymes and Coloplast and certain stakeholder groups and for investigating, if the disclosure of different IC indicators between the companies depends on Novo Nordisk's, Novozymes and Coloplast's assessments of the importance of certain stakeholder groups. Furthermore, in the context of trust, Swift mentions two different forms of accountability that are necessary to transform distrust into a lack of distrust and to redeem a lack of trust for maintaining trust. Moreover, the concept of accountability plays a crucial role for the answering process of the above stated research question, thus it is time to shed more light on the definition of these two different forms of accountability.

3.3 The definition of accountability and the difference between true and soft accountability

Let's now shift the perspective towards the definition of the term "accountability". A broad and general definition for accountability is given by Williams and sounds as follows: "... accountability describes an obligatory relationship created with transactions in which one party is expected to give an account of its actions to other parties (Williams, 1987)."

Besides, the existence of a general definition of accountability, the term gets often differently interpreted by a broad range of authors (Swift, 2001), which results in even more diverse definitions of accountability.

Moreover, accountability that is originally anchored in principle agent theory became first more and more linked to stakeholder theory with the louder getting voices of external stakeholders, who demanded more corporate social responsibility (Savage et al., 1991). Those demands resulted to the increasing importance of social as well as ethical reporting and the emergence of accountability standards such as A1100, SA 8000 etc. (Swift, 2001; Swift & Dando, 2003). Another result was that practitioners formulated accountability definitions that are in alignment with the principles of the stakeholder theory (Swift, 2001). A definition that is in alignment with the stakeholder theory is the following one: "To account for something is to explain and to justify that act and omissions for which one is responsible to people with a legitimate interest (ISEA, 1999)."

The just presented definition is thereby, in alignment with the "stakeholder" definition by Donaldson and Preston, who define a stakeholder as a person "with legitimate interests in procedural and/or substantive aspects of corporate activity" (Donaldson & Preston, 1995). Based on these facts, accountability will be, for the purpose of the Master thesis, interpreted as the provision of information, linked to the justification and explanation of an organization's behaviour for its stakeholders (Swift, 2001).

However, in the context of trust relationships between organizations and their stakeholders, Swift presents two different forms of accountability, namely soft accountability and true accountability (Swift, 2001). True accountability is thereby characterized as the provision of information that gets enforced by stakeholders (Gray et al., 1997) with the help of mechanisms such as institutional mechanisms. Soft accountability, on the contrary, is characterized through the voluntary disclosure of information (Gray et al., 1997). The Master thesis will draw upon both forms of accountability. Nevertheless, in the context of this Master thesis, trust, reputation and accountability are not the only important concepts. Another essential concept for this Master thesis is the concept of transparency, which gets defined in the next-sub section.

3.4 The term transparency

Another term closely linked to accountability, is the one of transparency. Transparency became of importance for publicly listed companies with the increasing significance of IC disclosure practices in the way that the disclosure of IC shall contribute to more transparency (Nielsen & Madsen, 2009) and accountability with regard to corporate behaviour (Swift, 2001). In that context, Bushman et al. define corporate transparency as “the clarity of the firm to outsiders” (Bushman et al., 2004). The Master thesis will draw upon the just presented definition of corporate transparency.

Eventually, equipped with enough theoretical knowledge, it is now time to review some of the literary sources that contributed to the finding process of the research question and supported the answering process of the above stated research question. The main goal of the literature review on trust and reputation is thereby, to give the reader an update of previous researches concerning trust and reputation and to support, the reader for getting an easy introduction into the upcoming analysis.

4. A literature review on trust and reputation

Before the reader of the Master thesis gets introduced into the analysis, let's first review some of the literature on trust and reputation, which contributed to the finding and answering process of the above stated research question.

Corporate reputation has been investigated and defined across many disciplines (Mahon, 2002) such as marketing, strategy, accounting, sociology, PR etc. (Fombrun & Van Riel, 1997; Mahon, 2002) and still, it remains understudied (Fombrun, 1996). The reason, why it attracts so much attention across so many economic disciplines is, that companies deal with a multitude of stakeholders, which drives scholars and practitioners to investigate different aspects of the concept of corporate reputation (Fombrun & Van Riel, 1997). Trust on the other hand, is according to Swift, also under-investigated (Swift, 2001), albeit the concept of trust attracts to an increasing extent, the attention of scholars from disciplines such as psychology, sociology, economics etc. (Zaheer et al., 1998). Furthermore, a variety of researches stress the strategic importance of trust and reputation (Hall, 1993; Marr et al., 2003), in the way that a multitude of academics claim that both elements can be resources for the achievement of a competitive advantage (Barney & Hansen, 1994; Del Bosque & García de Leaniz, 2013; Fombrun & Shanley, 1990). The fact that intangible assets such as reputation and trust can lead to a competitive advantage finds especially strong support by representatives of the RBV theory, such as Barney (1986), Dierickx and Cool (1989), Grant (1991), Hall (1992) and many others. Furthermore, companies are aware of the fact that a trustworthy reputation is of strategic importance and that reputations are produced by internal and external stakeholder' perceptions (Fombrun, 1996). In that context, the strategic importance of reputations gets further backed up, by studies that investigated the benefits of the generation and acquisition of preferential reputations (Rindova & Fombrun, 1999), whereby other researches, conducted by Fombrun and Shanely (1990), Jones (1995) as well as Puncheva (2008), showed that reputations have a crucial impact on the relationships to potential business partners, employees and customers (Wicks et al., 2010). In the light of these studies and with regard to the concept of trust, a variety of researches have been conducted and found out that organizations aiming to create trust in their interactions with other entities (Morgan & Hunt, 1994; Doney & Cannon, 1997) by using the concept of transparency as well as accountability in alignment with the increasing importance of social and environmental accounting (Swift, 2001; Swift & Dando, 2003). Furthermore, other scholars stressed the strategic importance of trust for the creation and maintenance of successful and effective strategic collaborations (Lewicki & McAllister, 1998).

Moreover, a trustworthy reputation is of crucial significance in the way that external stakeholders (e.g. customers) possess less information than internal stakeholders and thus it is of importance that they can rely on a company's reputation (Fombrun & Van Riel, 1997; Grossmann & Stiglitz, 1980). Additionally, the

reputation of a company plays a crucial role for employees, too, in the way that employees can rely on a company's compliance to ethical standards. A "correct" corporate behaviour, which implies for instance, the compliance to ethical standards, is of utmost importance, if an organization wants to avoid the loss of pride among employees. The maintenance of pride among employees is insofar of importance, since a loss of pride leads to a lack of trust (Pruzan, 2001). In that context, Hosmer states, that a reputation is the result of a trustworthy behaviour (Hosmer, 1995). Exactly therefore, namely for the creation of trust in a certain company's behaviour, a company voluntarily discloses IC indicators, because the disclosure of IC indicators reduces the information imbalance between internal and external stakeholders and it positively influences a company's trust and reputation (Vergauwen et al., 2007). Thereby, the voluntary provision of corporate information, like for instance through the disclosure of IC indicators (Nielsen & Madsen, 2009), gets described as soft accountability (Gray et al., 1997; Owen et al., 2000). Soft accountability shall influence stakeholder perceptions, in the sense, that they perceive a particular organization as trustworthy (Swift, 2001). Nevertheless, academics, who have long required more corporate transparency and accountability (Swift, 2001), consider companies' procedures of today, namely to provide management driven corporate information on a voluntary basis with the help of IC indicators, for instance, with skepticism (Swift, 2001). The skepticism of academics is thereby rooted in criticisms which imply that soft accountability leads to managerial opportunism (Owen et al., 2000) and to an information overload that is driven by managers (Madsen & Nielsen, 2009) and leads to the distraction from negative news (Brown & Deegan, 1998; Lindblom, 1994).

However, corporate accountability is not always based on voluntarism, but can also be forced by stakeholders, like for instance regulatory bodies (Swift, 2001). Regulatory bodies force organizations to provide information, because they distrust corporate behaviour with regard to certain issues that are of regulatory bodies' concerns. Therefore, regulatory bodies try to establish an artificial form of trust with the help of institutional mechanisms (Blois, 1999; Swift, 2001) which forces a company to provide information about their corporate behaviour. The released information shall help to monitor as well as to assess corporate actions (Swift, 2001). As a response to regulatory bodies' distrust and their demands for more accountability, companies disclose IC indicators which leads to the creation of an open attitude that enhances trust (Maltby, 1997) as well as reduces regulatory bodies' suspicion and distracts regulator's attention (Williams, 2001). Furthermore, in the context of interorganizational relationships, a variety of other researches investigated the concept of trust in the context of relational contracting (Jeffries & Reed, 2000) and the creation of trust as an artificial construct created by institutional mechanisms (Sitkin & Roth, 1993; Blois, 1999). In alignment with these researches, Shapiro and Ring, for example, found out that legal actions with the aim to facilitate trust resulted in higher levels of distrust (Shapiro, 1987; Ring, 1996). Furthermore, Swift (2001) mentions that Porter and Zand discovered that trust has an impact on the provision of information and the level of power (Porter, 1997; Zand, 1972).

Eventually, Swift says, there is a need to investigate the stakeholder dialogue tools that influence the range of vulnerability between stakeholders and organizations and stresses thereby the differences between stakeholders in terms of their stakes (Swift, 2001), a fact which gets backed up by a variety of other scholars, who mention that a company's management prioritizes between stakeholders and their interests (Brugha and Varvasovzky, 2000; Greenley et al., 2004; Savage et al., 1991).

In alignment with the just stated research need, expressed by Swift, the upcoming analysis will begin to satisfy that need by answering the above stated research question.

Finally, equipped with theoretical knowledge, materials and the literature review on trust as well as reputation, it is now time for the heart of the Master thesis, namely the analysis, to enter the stage and to shed light on the above stated research question.

5. Analysis – Part 1

5.1 Brief introduction of Novozymes, Novo Nordisk and Coloplast

Before the beginning of the analysis of the five issue categories with the IC indicators created by Novozymes, Novo Nordisk and Coloplast, let's start with a brief introduction of the three companies by representing a rough structure of their annual reports, their main businesses and the industry sectors in which they operate. A short introduction of those three characteristics is insofar important, that they make it easier for the reader of the thesis to follow the analysis and to understand, why the three companies differ in the degree of their focus on the five different categories of stakeholder issues and why they differ in the amount of the IC indicators with regard to the issue categories.

Let's start with the Danish enzyme producer and microorganism supplier Novozymes. Novozymes is like Novo Nordisk and Coloplast a representative of the Danish C20 index and has according to its annual report 2012, a product portfolio that consists of more than 700 products. Among them are products for the biopharma industry like for instance Taegro® or enzyme products like for instance Novozymes Cellic® CTec3 or Novozymes Sanferm® Yiel (The Novozymes Report 2012, 2012). By considering the characteristics of Novozymes major business sector, namely the enzyme business sector, it becomes obvious that the enzyme business is a very profitable, but also complex as well as competitive business. These characteristics also get highlighted in the annual report by expressions such as “Big risk, big payoff” or “technological risk” (The Novozymes Report 2012, 2012). Furthermore, by reading the annual report, Novozymes highlights a couple times the fact that the company deals with a variety of stakeholders. That fact gets for example underlined in the following sentence: “Novozymes connects with diverse stakeholders in the global community to innovate and invest in tomorrow's biobased, renewable society (The Novozymes Report 2012, 2012).”

Moreover, by reading the annual report from the beginning to the end, the reader gets constantly the impression that Novozymes would like to be seen as a “green” company that is focusing on environmental sustainability and relationships to universities, politicians, customers and especially partner companies, like for example, Syngenta and BASF (The Novozymes Report 2012, 2012). Here is only one of many statements from the letter of the CEO that reflects a “green” company that puts its focus on strategic partnerships: “Our partnership with Beta Renewables is a significant step forward in the commercialization of advanced biofuels (The Novozymes Report 2012, 2012).”

The reader's impression of an environmental friendly and relationship focusing company gets even more corroborated through colourful and environment related pictures as well as diagrams, a variety of

environmental sustainability targets and a large amount of green IC indicators such as indicators concerning CO₂ and water efficiency improvements. Besides a large amount of green indicators, Novozymes designed and recorded in its annual report many non-green IC indicators, which are dispersed throughout the entire annual report. The high level of dispersion gets underlined by the fact that, the first IC indicators can be found on page 7 in the sub-section “Key Figures” and the last ones on page 95 in the sub-section “Notes” (The Novozymes Report 2012, 2012). But, how does it look like in the case of Novo Nordisk and Coloplast? Does the reader get the impression, by simply skimming the annual reports of Novo Nordisk and Coloplast that these two companies are also primarily focusing on environmental sustainability and partnerships?

By scanning the annual report of Novo Nordisk, which is of all three reports the longest one, the reader becomes in the possession of the following company information, namely, Novo Nordisk operates in the pharmaceutical industry with a main focus on diabetes care and the creation of biopharmaceuticals (Novo Nordisk annual report 2012, 2012). Within the diabetes business segment, Novo Nordisk created blockbuster products, like for example, Novo Rapid®, Novo Mix® and Victoza®. In the biopharmaceutical segment Novo Nordisk got well-known through products such as NovoSeven® and Norditropin® (Novo Nordisk annual report 2012, 2012). Like the enzyme business is also the pharmaceutical industry characterized by very complex commercialization and development processes. Furthermore, companies such as Novo Nordisk, Bayer, Sanofi or Eli Lilly face the problem that their products get replaced by generics as soon as the patent protection for their pharmaceutical products expires. Therefore, these companies stand under the constant pressure to have new product innovations in their development pipelines. Another reason for the high level of complexity and risk in this sector, are the long and difficult approval processes caused by authorities such as the US Food and Drug Administration (FDA). Even if a new pharmaceutical product is developed and gets approved by an authority such as the FDA, it is not guaranteed that a new pharmaceutical drug becomes a blockbuster product, because there is still a high degree of risk caused by a complex commercialization process, where the key for success is a brand that establishes trust to people. Jesper Brandgaard, Novo Nordisk's chief financial officer and chairman of the Risk Management Board, mentions in this context: “The regulatory risk has declined, while the commercialization risk has increased (Novo Nordisk annual report 2012, 2012).”

Due to the complex approval and commercialization processes in the pharmaceutical industry, it should be no surprise, that by reading of the annual report, Novo Nordisk wants that the readership of the report perceives Novo Nordisk as a skilled and innovative company that cares about the health of its main customers, namely people with diabetes and haemophilia. The impression that Novo Nordisk is primarily focusing on innovation, employees and their skills, as well as patients, gets corroborated by a lot of colourful pictures. These pictures show Novo Nordisk researchers, patients and product innovations like for example the Novo Pen®5. The impression of an innovative, skilled and patient focused company gets even more enforced by illustrations of Novo Nordisk's current innovation pipeline, bar diagrams and, last but not least, a

variety of IC indicators. Like in the case of Novozymes, also in the case of Novo Nordisk, the first IC indicators already appear in the beginning of the report, namely on page 5. However, also here are the IC indicators dispersed throughout the entire annual report and IC indicators can be even found, almost at the end of the annual report, namely on page 103 (Novo Nordisk annual report 2012, 2012). At the first glance, it is obvious that Novo Nordisk, such as Novozymes, also designed a lot of green IC indicators, like for example, “CO2 emission from energy consumption” and “Wastewater”, but it is also eye-catching that there is a large number of IC indicators that are focusing on innovation and end-users, like for instance “Patients reached with diabetes care products” and “New patent families”. Last but not least, by reading the Novo Nordisk annual report 2012, it becomes clear that the management is aware of the fact that Novo Nordisk is anchored in a system with a variety of other stakeholders and that it is important to manage these stakeholders. One statement that describes that matter of fact very well is the following one:” Novo Nordisk maps its stakeholders and has processes in place to ensure inclusion of stakeholder concerns and expectations (Novo Nordisk annual report 2012, 2012).”

How does it look like in the case of Coloplast? Did Coloplast also design “green” IC indicators and what kind of impression might a reader get from the company Coloplast?

Coloplast is a Danish producer of products and services, that makes the life easier for people with private and medical conditions, like for example faecal incontinence or enlarged prostate (Coloplast Corporate Responsibility Report 2011/12, 2012). Insofar, Coloplast as well as Novo Nordisk, operate in a very sensitive market, where a person's life and health condition play a crucial role. Another similarity between these two companies is that both work closely together with end-users, like for instance patients and doctors, and both companies supply their products to institutions such as hospitals and pharmacies. But, Coloplast is focusing on medical engineering, like for instance the creation of ostomy bags, and operates therefore, in contrast to Novo Nordisk or Novozymes, in a completely different business sector. According to the annual report, Coloplast's main business areas are Ostomy care, Continence care, Urology care as well as Wound and Skin Care (Coloplast Annual report 2011/12, 2012).

Astonishing is also the fact, that Coloplast's annual report is much shorter than the reports of the two other companies. Furthermore, it is very eye-catching that the Coloplast annual report, in contrast to the two other reports, looks very colourless and simple in the way, that there are no colourful pictures as well as no letter of the CEO and the report is overloaded with financial data. At the first glance, the reader might even get the impression that Coloplast, except the existence of an IC indicator that is linked to Coloplast's acquired patents and trademarks, is not reporting on IC at all. First by looking on page 12, the reader can find a short section with the name “Intellectual capital” followed by another section, called “Corporate responsibility at Coloplast”, and first here, the readership finds a short sentence that emphasizes the importance of the compliance of the Coloplast annual report with the FSA, section 99a. Moreover, the sentence includes a link (<http://www.coloplast.com/responsibility>) to Coloplast's CRR. By opening the link to the CRR, the

readership can find all the elements which are also part of the Novozymes and Novo Nordisk reports, namely plenty of pictures, charts, a letter of the CEO and a variety of IC indicators. By reading the CRR, one of the first impressions that a reader might get is that also the management of Coloplast is aware of the fact that the company is intertwined in a system with a variety of other stakeholders. That fact gets corroborated by the following statement: “We partner with end users, healthcare professionals and other stakeholders at ground level in developing countries to share over 50+ years of experience in managing chronic health conditions (Coloplast Annual report 2011/12, 2012).”

Moreover, by looking at the IC indicators, one might easily get the feeling that Coloplast is very much focusing on its patients, employees and environment.

In the end of this section can be stated that all three companies deal, based on the annual reports, with a multitude of stakeholders and that they designed a variety of different IC indicators with regard to the five categories of stakeholder issues. However, it is time to take a precise look at the IC indicators by analyzing first the same/similar IC indicators for identifying what kind of IC indicators do the companies have in common? Furthermore, it will be of interest to observe, if the disclosure of the same/similar IC indicators depends on a particular stakeholder group and what are the effects caused by the IC indicators? The next section will deal with these questions, before the second part of the analysis will analyze the different IC indicators of Coloplast, Novo Nordisk and Novozymes. Let's start with the indicators that they have in common.

5.2 IC indicators that Coloplast, Novo Nordisk and Novozymes have in common

As already mentioned in the last section, all three annual reports include a large amount of IC indicators, but what kind of IC indicators do Novo Nordisk, Novozymes and Coloplast have in common? The following table below presents the IC indicators, which all three companies are sharing, although some indicators slightly differ from each other in terms of their names and units of measurement.

Categories	Novo Nordisk	Novozymes	Coloplast
Employees	1.) Employees	1.) Total number of employees	1.) Employees
	2.) Diverse senior management	2.) Gender	2.) Gender
	3.) Frequency of occupational Injuries	3.) Frequency of Occupational accidents	3.) Injuries and accidents all employees
	4.) Absence	4.) Rate of absence	4.) Illness rate
Environment	1.) Energy consumption	1.) Energy	1.1) Direct energy 1.2) Indirect energy
	2.) Water consumption	2.) Water	2.) Water use
	3.) CO2 emission from energy Consumption	3.) CO2	3.) Total CO 2emission, Direct & indirect energy
	4.) Waste	4.) Waste	4.) Waste
	5.) Waste treatment – Recycling	5.) Percentage of total waste recycled	5.) Waste recycling coverage
R&D	1.) Animals purchased for Research	1.) Animals for testing	1.) Animal testing
	2.) Patents and licenses	2.) Active patent families	2.) Acquired patents and trademarks etc.

Table 1. Same/similar IC indicators (aggregated) designed by Coloplast, Novo Nordisk and Novozymes

Adapted from Coloplast Annual report 2011/12, 2012; Coloplast Responsibility Report 2011/12,2012; novo nordisk annual report 2012, 2012; The Novozymes Report 2012, 2012 and modified

By looking at table 1, one can see that there is a variety of IC indicators reporting on employment related issues, thereby the main focus seems to lie on gender diversity as well as health and safety issues. Furthermore, by analyzing the annual reports of the three companies, one can observe that those indicators,

representing gender diversity and occupational safety issues in table 1, are represented by aggregated IC indicators, which are divided into several sub-indicators. That fact gets very clear by looking into the annual reports of Novo Nordisk and Coloplast. Both companies disclosed IC indicators that are not only reporting on gender distribution, but they also designed indicators that illuminate the issue of gender diversity more into depth. Coloplast, for instance, designed, besides an IC indicator that only measures the gender distribution at Coloplast, IC indicators that go more into detail by measuring the percentage values of “Female managers” and “Female top managers” (Coloplast Corporate Responsibility Report 2011/12, 2012). In almost the same manner, Novo Nordisk developed a more into depth looking indicator, called “Diverse senior management teams” (Novo Nordisk annual report 2012, 2012). Those gender diversity indicators get supported by the fact that, they are obviously linked to certain gender diversity targets. That kind of connection between gender diversity targets and indicators can be clearly observed in the case of Novo Nordisk's annual report on page 5, where the indicator “Diverse senior management teams” is listed in the same line with the corresponding target. Concerning the targets, Coloplast, for example, established a target that implies an increase in the percentage of female top managers from 11% in 2011/12 to 22% by 2017 (Coloplast Corporate Responsibility Report 2011/12, 2012). Even though, Novozymes, in contrast to the two other companies, only designed an indicator that measures the total percentage of women at Novozymes, the company still established a target linked to the issue of gender diversity with regard to leadership positions. This target implies that 30% of new leaders at Novozymes are women (The Novozymes Report 2012, 2012). Besides IC indicators linked to the issue of gender diversity and other social sustainability issues, it is eye-catching that all three companies have a variety of green indicators in common. Although, five green indicators shared by the three companies do not seem a lot, a deeper look into the annual reports reveals that also those green indicators are splitted into many sub-indicators.

Besides IC indicators that measure the environmental performance of Novo Nordisk, Coloplast and Novozymes all three companies have also established a variety of ambitious targets with regard to the improvement of their environmental sustainability performances and again, the targets are closely linked to the “green” IC indicators.

Last but not least, is to mention that all three companies share R&D related IC indicators. Those indicators are focusing on “packaged knowledge” (Mouritsen & Larsen, 2005) such as patents, but also animal testing. Both indicators are, in comparison to the IC indicators related to the issue categories of environment and employment, not aggregated and not linked to any targets.

Based on the brief presentation of the IC indicators that all three companies have in common, the curious reader might now ask, why and to whom did Novo Nordisk, Novozymes and Coloplast disclose all those IC indicators from table 1 and what are the effects in the context of trust and reputation? All these questions

need an answer for answering the overall research question. Therefore, the next section will draw upon the observations made in this section and try to the answer the just stated sub-question.

5.3 Distrust of Regulatory Bodies

As one could observe from table 1, most of the IC indicators, shared by the three sample companies, are indicators concerning the categories that include employment and environmental issues. Thereby the special focus seems to lie on gender diversity and environmental topics, such as the reduction of CO₂ emissions, energy and waste. But, why have all three sample companies so many environment and employment related IC indicators in common and, why not IC indicators with regard to partnership or end-user related issues? Does it not seem strange that Novo Nordisk, for instance, that is not primarily focusing according to the first section of the analysis, on environmental issues, still has so many “green” IC indicators with the two other companies in common? Based on these questions as well as based on the observations made from table 1, a critical argument occurs, namely it is no coincidence that Novo Nordisk, Novozymes and Coloplast have so many IC indicators with regard to employment and environment-related issues in common, since the major target group of the IC indicators is not necessarily employees, for instance, but regulatory bodies. Insofar, the disclosure of the same/similar IC indicators is non-voluntary in nature and rather a response to the distrust that regulators show with the help of institutional mechanisms. Furthermore, regulators' distrust implies a high level of suspicion based on the belief that companies such as Novo Nordisk, Novozymes and Coloplast will not take sustainability issues such as the reduction of CO₂ emissions and gender diversity seriously enough, since it might conflict with other managerial interests (Williams, 2001). Therefore, regulatory bodies use institutional mechanisms (e.g. regulations and laws) with the intention to ensure more corporate accountability as well as transparency for monitoring, whether companies take those issues seriously and whether they adapt their corporate behavior with regard to certain sustainability demands (Blois, 1999; Swift, 2001). In this context, Maltby says: “Regulation of environmental reporting similarly require companies to make disclosure of a set of basic data, both financial and non-financial. This might include for instance expenditure on environmental protection and improvement (capital investment, research, operating costs, data about accidents and fines, energy consumption and discharges of Red List substances and special waste (Maltby, 1997).”

Based on the fact that regulatory bodies do not trust companies to take care about certain sustainability issues, regulatory bodies enforce accountability (Gray et al., 1997) as a substitute for trust (Swift, 2001). As a response to the demand for more true accountability that shall guarantee that regulatory bodies have enough information to assess the appropriateness of organizational behavior (Swift, 2001) with regard to sustainability demands, Novo Nordisk, Novozymes and Coloplast disclose non-voluntarily the same IC indicators which shall reduce the information asymmetry (Vergauwen et al., 2007). Regarding the application of the same disclosure techniques, such as the disclosure of the same IC indicators, Di Maggio

and Powell say: “As a result, organizations are increasingly homogenous within given domains and increasingly organized around rituals of conformity to wider institutions (Di Maggio & Powell, 1983).”

However, stakeholder dialogue ensured through IC indicators (Marr et al., 2003) engenders transparency and accountability (Swift, 2001). More transparency and accountability shall increase trust and reduce the level of suspicion and thereby transform regulatory bodies' distrust into a lack of distrust. This transmission is insofar of significance, because the establishment of a lack of distrust ensures that regulators can rely on the predictability (Zucker, 1986; Swift, 2001) that a company deals with sustainability issues and complies with laws as well as regulations. Moreover, the reduction of suspicion deflects regulatory attention. In alignment with the last sentence, Williams mentions: “As domestic understanding of intellectual capital and demand for related information grew domestic firms may have adjusted their disclosure policy in order to maintain relationships, sustain their image and deflect the attention of regulators who may have taken steps that could have conflicted with management's self interests. Such adjustments would be designed to ensure the continued survival of the firm (Williams, 2001).”

Based on the statement made by Williams, IC indicators provide information about a company's sustainable character (Nielsen & Madsen, 2009) and the progress it has made concerning certain sustainability issues, such as gender diversity, which on the other hand signals that companies like for example Novo Nordisk, Novozymes and Coloplast are aware of regulatory bodies' concerns. That kind of awareness gets signaled through IC indicators which reduce regulators' suspicions and increase the reputation for trustworthiness, because an increase in corporate accountability implies the fact that companies create an open attitude towards the provision of information about their corporate behaviours and exactly that open attitude is necessary to gain trust (Maltby, 1997; Vergauwen et al., 2007) and for avoiding punishments such as litigations, the payment of fines and so on (Sitkin & Roth, 1993). Therefore, IC indicators also contribute to the maintenance and enhancement of organizational legitimacy (Sitkin & Roth, 1993). Tregidga et al. say in this context: “It has been widely accepted that corporate social and environmental reporting has the ability to assist organizations in gaining, maintaining and increasing legitimacy through disclosure – ideally through notions of transparency and accountability (Tregidga et al., 2006).”

In alignment with the statement made by Tregidga et al., the importance of transparency and accountability gets not only corroborated through the disclosure of the IC indicators from table 1, but the significance of both concepts gets also highlighted in all three annual reports. Let's review some expressions that reflect the importance of transparency and accountability. For example on page 55 in the sub-section “Reputation” of the Novozymes annual report, one can read the following sentence: “Novozymes aims to maintain a good reputation by means of openness and transparency in both internal and external communications (The Novozymes Report 2012, 2012).” In a similar way also Coloplast stresses the importance of a transparent and open attitude. The company mentions in its CRR the phrase, “Transparency is key” (Coloplast Corporate Responsibility Report 2011/12, 2012), a couple of times. Novo Nordisk, on the contrary, stresses the crucial

importance of accountability through the following statement: “We continue to see a strong commitment to accountability within Novo Nordisk with systems and processes in place to support stakeholder participation at corporate level (Novo Nordisk annual report 2012, 2012).”

Those statements presented above were only some examples of many from the annual reports that prove that transparency and accountability are of crucial significance for Novo Nordisk, Novozymes and Coloplast. However, in order to further prove the above stated argument, it is time to present some examples of regulatory bodies' distrust which resulted in the disclosure of the IC indicators from table 1.

Since the 1980's there is a growing demand, expressed by external stakeholders, for more corporate responsibility (Savage et al., 1991). Based on that development, on the global plane and thus including the European Union, voices from external stakeholders, requiring a greener environment and an equal split between genders with regard to top management positions, got louder. However, generally and based on the three annual reports, as the readership soon will see, the most relevant voice, which seems to receive the most managerial attention is thereby the voice from regulators, who express different concerns with regard to a variety of sustainability issues. Therefore, notions such as sustainability as well as gender diversity became important buzzwords for organizations and politicians alike. With regard to the topic of gender diversity for instance, the EU Justice Commissioner, Viviane Reding, claimed in March 2012 that companies with female board members achieve better financial results than companies with mainly male board members (Klok, 2012). Moreover, she said that self-regulation with the help of a pledge, the so called “Women on the Board Pledge for Europe”, has not produced satisfactory results and other options, including quotas, for reducing gender imbalance need to be taken into consideration (Peston, 2012). In November 2012, the EU Commission proposed a legislative proposal that shall ensure that 40% of the boards of publicly listed companies consist of women (Spiegel Online, 2012). Still the legislative proposal needs the approval of the EU Parliament and the Council of Ministers which shall vote regarding the approval of the legislative proposal in the end of 2013 (Spiegel Online, 2012) and insofar after the publication of all three annual reports.

A similar trend can be observed, by shifting the perspective from the political landscape of the EU to the political stage in Denmark. The Danish Minister for Gender Equality, Manu Sareen, revealed in May 2012, the so called “Danish Model” which does not imply quotas, but it implies that the 1100 biggest Danish companies have to set up their own targets that guarantee a higher number of female board members. These targets have to be appropriate and in the case of disregarding the “Danish Model”, a company must pay a fine (Jeppesen, 2012).

A similar development as in the case presented above can be observed for environmental topics. On the global stage exists a variety of regulations with regard to the protection of the environment like for example the Kyoto Protocol (Chen, 2008) or other regulations that got promulgated by the EU. The EU keeps constantly an eye on the CO₂ consumption of corporations and restricts CO₂ emissions with the help of CO₂

quotas and fines (Energistyrelsen, 2013). Furthermore, companies have to report their CO₂ emissions (Energistyrelsen, 2013). On the local stage there is the FSA, section 99a, that implies the obligation for Danish companies to report on environmental performance (Danish Commerce and Companies Agency et al., 2010).

The just presented cases are all examples, which reflect the distrust of regulators and their demands for more information about the behaviour of companies with regard to certain issues. The FSA, section 99a, for example, demands true accountability concerning issues such as gender diversity as well as environmental topics and since those issues affect all three companies, Novo Nordisk, Novozymes and Coloplast respond to these demands with the disclosure of IC indicators. Therefore, one of the major target groups concerning the disclosure of the IC indicators from table 1, are regulatory bodies. Furthermore, astonishing is that by analyzing the three annual reports, all three companies stress the importance to comply with regulations. For example on page 30 in the section called “Environment” in Coloplast's CRR, one can read the following: “Government and International organizations play an essential role in reducing ecosystem strains. However, the private sector can no longer wait for them to lead the way. Today we see more and more businesses, universities and NGOs voluntarily committing to reducing the global climate impact related to human activities and the strain on the ecosystem (Coloplast Corporate Responsibility Report 2011/12, 2012).”

By reading the statement, one might recognize that Coloplast mentions the government before other secondary stakeholders such as NGOs, universities and so on, which is only another evidence that Coloplast prioritizes the interests of regulatory bodies, at least with regard to certain sustainability issues. How does it look like in the case of the other two companies? In the case of Novozymes, the reader can find statements that stress the importance of the compliance with regulations, one of those statements is: “Relevant legislations must be complied with at all times, and Novozymes is committed to ensuring high standards in everything we do and to concluding our business operations in a responsible way (The Novozymes Report 2012, 2012).”

Novo Nordisk, on the contrary, stresses the significance of the compliance with regulations through the following statement: “Training programmes address compliance requirements as well as emerging trends, such as changes in the regulatory environment (Novo Nordisk annual report 2012, 2012).”

However, in alignment with the fact that the three companies stress the crucial significance of regulatory bodies and the compliance to regulations, it is also very obvious that all three sample companies highlight in their annual reports the fact that it is important to comply with the FSA through social reporting. According to Cordazzo, social reporting is an element of the reporting on IC (Cordazzo, 2005). However, by highlighting the importance of the compliance with the FSA, section 99a, Coloplast, Novo Nordisk and Novozymes show that they are aware of regulatory demands for more true accountability. One statement that highlights the importance of the compliance with the FSA, section 99a, is the following one: “The

Consolidated social statement is prepared in accordance with the Danish Financial Statements Act (FSA), section 99a (Novo Nordisk annual report 2012, 2012).”

Moreover, also the other two sample companies make similar statements. It seems that through these statements, the three sample companies want to give the IC indicators some extra degree of trustworthiness for ensuring organizational legitimacy and for avoiding regulatory attention. Furthermore, Lindblom says, that companies inform their stakeholders about the change of their behaviour regarding certain issues with the intention to gain organizational legitimacy (Lindblom, 1994).

Nevertheless, as one could see from the statements made above, it would be wrong to argue that the IC indicators from table 1 are only designed for regulatory bodies, but it should be no surprise that they are, due to the above mentioned facts and due to their attributes of urgency, legitimacy and power (Mitchell et al., 1997) the major target group. With regard to regulatory bodies' attributes is to mention that, regulatory bodies have the legitimate right to address their sustainable interests to companies and they have the power to enforce accountability with the help of institutional mechanisms that guarantee the access to information about corporate behaviour with regard to issues that are of regulatory bodies' concerns. In this context, Huse and Eide mention that information is a proxy for power (Huse & Eide, 1996). In addition to the attributes of power and legitimacy, there is also a high urgency for companies to address the interests (Mitchell, 1997) of regulatory bodies for avoiding punishments in the form of fines or litigations. Based on the attributes of regulators and their distrust against companies to take certain sustainability issues seriously the major target group of the IC indicators from table 1 is regulatory bodies. Nonetheless, making statements about the importance of the compliance with regulations and to create IC indicators that respond to regulatory bodies' concerns is one side of the coin, but do the values of the IC indicators from table 1 represent the companies in a way that the reader of the IC indicators gets the feeling that the three companies really care about the sustainability concerns of regulatory bodies? Furthermore, one might ask, how are the companies reacting, if the values of the IC indicators from table 1 represent negative developments? Do Novo Nordisk, Novozymes and Coloplast justify their corporate behaviors, if IC indicators reflect negative developments with regard to particular issues? The next section will investigate these questions, before it is time to investigate the different IC indicators of the three sample companies.

5.4 IC indicator values and their contribution to the achievement of a lack of distrust

In alignment with the last section, this section will investigate the values of the IC indicators from table 1. The analysis of the IC indicator values is insofar of interest, because making statements about the importance to comply with regulations and to create certain IC indicators with regard to regulatory bodies' concerns is one side of the coin, but do also the values of the IC indicators give the impression that regulatory bodies, can rely on the predictability (Zucker, 1986) that Novo Nordisk, Novozymes and Coloplast are dealing with issues that are of regulators' concerns? This question is worth enough to investigate, because it is one thing thing to create an IC indicator that deals with a certain issue, let's say CO2 emissions, but what is, if the value of the IC indicator that measures CO2 emissions of a company represents catastrophic results? In that case, an IC indicator would be just a façade and it would be very doubtful that a regulator can trust the company in the way that the company is willing to reduce CO2 emissions. On the contrary, the IC indicator would contribute to possible counter-effects, such as the creation of more regulations caused by a higher degree of regulators' suspicions. Moreover, it will be interesting to see, how the three sample companies try to justify negative developments of the values of the IC indicators that got presented in table 1. Do the three sample companies try to justify them, at all? However, it is time to take a look at the IC indicator values from 2011 and 2012 and to compare them with each other for identifying any negative developments.

Indicators	Novo Nordisk		Novozymes		Coloplast	
	Year 2011	Year 2012	Year 2011	Year 2012	Year 2011	Year 2012
1.) Employees (number)	32632	34731	5824	6041	7519	8126
2.) Gender diversity (in %)	62 ¹	66	35.3 ²	35.4	37 ³	40
3.) Accidents and injuries (per million working hours)	3.40	3.20	4.3	3	7.2	3.7
4.) Absence (in %)	2.3	2.2	1.9	1.9	N/A	1.9 ⁴
5.) Energy consumption (in 1000 GJ)	2187	2433	4078	3929	500773 ⁶	466989
6.) Water consumption (in 1000 m ³)	2136	2475	6073	6446	277328 ⁷	274205
7.) CO2 consumption (in 1000 tons)	94	122	390	379	56721 ⁸	54933
8.) Waste consumption (in tons)	41376	82802	11704	14241	10018	9145
9.) Waste recycling coverage (in %)	71	84	41.4	33.6	24	24
10.) Animal testing (number)	66401	73601	1119 ⁹	1240	217	921
11.) Patents etc.	80 ¹⁰	65	1137 ¹¹	1165	941 ¹²	837

Table 2. Values of the common IC indicators

Adapted from Coloplast Annual report 2011/12, 2012; Coloplast Corporate Responsibility Report 2011/12,2012; novo nordisk annual report 2012, 2012; The Novozymes Report 2012, 2012 and modified

Let's start with the values of the IC indicators that Coloplast disclosed. By analyzing the values of the IC indicators, it can be stated that all IC indicators, except "Animal testing" and "Patents", represent a positive development. The IC indicator that might even present the most astonishing improvement is the indicator "Accidents and injuries", which is with a value of 3.70 accidents and injuries per million working hours in

¹ Values for the years 2011 and 2012 consider diversity with regard to gender and nationality

² Values for the years 2011 and 2012 represent the total percentage of women at Novozymes

³ Values for the years 2011 and 2012 imply the percentage of female managers at Coloplast

⁴ Absence rate of White-collar workers

⁵ Absence rate of Blue-collar workers

⁶ Values for the years 2011 and 2012 are in GJ and not in 1000 GJ. The values are the results of the summation of direct and indirect energy consumption

⁷ Values for the years 2011 and 2012 are in m³ and not in 1000 m³.

⁸ Values for the years 2011 and 2012 are in m³ and not in 1000 m³.

⁹ Values for the years 2011 and 2012 are the results of the summation of the number of animals used for the Enzyme Business and Bio Business

¹⁰ Number of new patent families

¹¹ Active patent families

¹² In DKK – see Coloplast annual report

2012 only half as high as it was in 2011. By changing the perspective to the IC indicators that represent a negative development, it can be asserted that the indicator “Patents etc.” indicates only a relatively small negative development represented by a small decrease in the number of patents, whereas the negative trend represented by the indicator “Animal testing” looks by far more gloomy, due to the fact, that the number of animals that got used for testing purposes increased radically. However, by looking at the CRR, one can observe that Coloplast tries to justify the negative development of the animal testing indicator. One statement that tries to justify the negative development is the following one: “In some cases it's necessary, so we can't completely avoid it. We do however try to reduce it as much as possible (Coloplast Corporate Responsibility Report 2011/12, 2012).” Another statement that shows Coloplast's attempt to justify the negative trend of the indicator, sounds as follows: ”This increase stems primarily from an increase in product launches, modifications of existing products and legal requirements in the new countries we're now operating (Coloplast Corporate Responsibility Report 2011/12, 2012).”

Both statements show very well, how Coloplast tries to mitigate the negative development of its animal testing indicator with the help of justifications.

How does it look like in the case of Novozymes? Does the majority of the Novozymes IC indicators from table 1 also represent positive developments and thus contribute to the reduction of regulators' suspicion? By looking at the values of the IC indicators, one can see that the indicators show a positive picture of Novozymes. The only exceptions are the indicators “Water consumption”, “Energy consumption”, “Waste consumption” as well as the indicator “Animal testing”. The negative trend represented by the indicator “Animal testing” is in comparison to the negative development of the “Animal testing” indicator in the case of Coloplast a relatively small one. However, in contrast to Coloplast, Novozymes disclosed more indicators that represent a negative development. Moreover, in accordance with Coloplast, also Novozymes tries, through different statements to justify the negative development of those indicators. Therefore, as in the case of Coloplast, it is only appropriate to present also in the case of Novozymes, two statements that show, how Novozymes tries to justify the negative development with regard to the indicators that measure Novozymes water and waste consumption. The first statement that attempts to justify the higher water consumption is the following one: “We were unable to reduce water consumption further due to a shift toward products requiring more process water and a delay in some water-saving projects (The Novozymes Report 2012, 2012).”

Similar to the statement sounds also the next statement that justifies the increase in the consumption of waste from 11704 to 14241 tons: “The increase resulted from biomass generated at our new factory in Blair, Nebraska, which could not be distributed as fertilizer products, such as NovoGro® (The Novozymes Report 2012, 2012).”

However, let's now go over to Novo Nordisk and the values of its IC indicators. First of all, by looking solely at the IC indicator values, one can immediately recognize that the IC indicators show a more negative picture

than the IC indicators of the two other companies in the way that 5 out of 11 indicators from table 2 represent a negative development. Insofar, Novo Nordisk has in comparison to Novozymes and Coloplast the most negative indicators. However, in alignment with the other two sample companies, also Novo Nordisk tries to justify the negative developments of the IC indicators, which are “Energy consumption”, “Water consumption”, “CO2 consumption”, “Waste consumption” and “Animal testing”. Therefore, like in the two cases before, it is also here time to present two Novo Nordisk statements from the annual report that try to justify the negative trends. Due to the radical increase of the IC indicator that measures the consumption of waste and due to the fact that Novo Nordisk is the only company of the three sample companies that records a negative development with regard to CO2 emissions, it is an opportunity to present a statement that justifies the increase in CO2 consumption. Let's begin with Novo Nordisk's attempt to justify the increase in the consumption of waste: “In 2012 the total volume of waste doubled to 82802 tons from 41376 tons in 2011, as a result of increased production volumes and a reclassification, effective since the end of 2011, of organic production waste (biomass) (Novo Nordisk annual report 2012, 2012).”

A similar argument of justification got also used concerning the increase in CO2 emissions. The argument is worded as follows: “CO2 emissions related to production increased by 30% in 2012 compared with 2011. Most of the increase is due to the phase-in of a new filling plant in Tianjin, China. The remaining increase is a consequence of the larger production volume in Kalundborg (Novo Nordisk annual report 2012, 2012).”

However, overall can be stated that the majority of the IC indicators, namely 18 out of 33 indicators, represent positive developments. In the case of Novo Nordisk 5 out of 11 indicators presented a positive development, whereas in the case of Novozymes it was 6 out of 11 indicators and in the case of Coloplast 7 out of 11 indicators. Interestingly, all three companies record positive developments regarding the issues “Employees”, “Gender Diversity”, “Accidents and injuries” and “Absence”. The only exception is Novozymes and the indicator that measures the absence rate in the way that Novozymes “Absence” indicator did not change from 2011 to 2012, but by comparing the percentage rate of this indicator with the percentage rates of the indicators (presented in table 2) that measure the absence rate at Coloplast and Novo Nordisk, it can be asserted that at least in comparison to Coloplast and Novo Nordisk, Novozymes absence rate is at a relatively low level.

In the end of the first part of this analysis can be stated, that Novo Nordisk, Novozymes and Coloplast design and disclose as a result of regulatory bodies' demand for more accountability a basic set of IC indicators that shall ensure transparency as well as accountability and hence transform distrust into a lack of distrust through the reduction of suspicion and the increase of trust. Insofar, the basic set of IC indicators contributes to the creation of a trustworthy reputation in the sense that regulatory bodies can rely on the three companies' behaviours and on the fact that they take particular concerns of regulatory bodies very seriously. Nonetheless, Coloplast, Novo Nordisk and Novozymes do not only have IC indicators in common. Therefore, it is time to continue with the answering process of the research question and to start with the

second part of the analysis by analyzing the IC indicators that the three sample companies do not have in common.

6. Analysis – Part 2

6.1 Key stakeholders and their influence on the disclosure of IC indicators

As presented in the first part of the analysis, all three sample companies have a variety of IC indicators in common. Thereby, the main argument was that Novo Nordisk, Novozymes and Coloplast disclose the same IC indicators as a response to regulatory bodies' distrust that is reflected by institutional mechanisms. However, this section will change the perspective from the analysis of the same IC indicators towards the analysis of the different IC indicators. Table 3 on the next page presents all the IC indicators Novo Nordisk, Novozymes and Coloplast have not in common.

Categories	Novo Nordisk	Novozymes	Coloplast
Employees	1.) Relevant employees trained in business ethics	1.) Expatriates	1.) Contract type
	2.) Business ethics assurance activities	2.) Average spent per Employee	2.) Target all employees
	3.) Working the Novo Nordisk Way (employee Assessment)	3.) Costs as percentage of total employee costs	3.) Age distribution
	4.) Fulfilment of action points from faciliations	4.) Completion of business integrity training for Employees	4.) Target production Workers
	5.) Annual training costs per employee	5.) Fraud Cases	5.) Repetitive work
	6.) Employment impact Worldwide	6.) Development Opportunities	6.) Employee engagement Survey
	7.) Employees (average FTEs)	7.) Touch the World	7.) Personal development Plans
	8.) Turnover Rate	8.) Turnover Rate	8.) Training hours
		9.) Fatalities	9.) White-collars employees trained in Code of Conduct
		10.) Occupational accidents with absence	10.) Injuries and accidents production Workers
		11.) Occupational diseases	11.) Whistleblower hotline
		12.) Frequency of Occupational diseases	12.) Business units analyzed for organizational risks related to corruption
		13.) Employee satisfaction	13.) Site vistic
		14.) Average Age	14.) Significant fines for non-compliance with laws and regulations
		15.) Seniority	15.) Legal action for anti - competitive behaviour
End users	1.) Least developed countries where Novo Nordisk sells insulin according to the differential pricing policy		1.) % of phthalate - free alternatives to products containing clarified Phthalates
	2.) People with diabetes Trained		2.) % reduction in the consumption (by weight) Off phthalates compared to revenue of our continence care business unit
	3.) Patients reached with diabetes care products		3.) % of urine bags we sell that are phthalate -

			free
	4.) Donations to the World Diabetes Foundation		4.) % of our production covered by ISO 9001/ ISO 13485
	5.) Donations to the Novo Nordisk Haemophilia Foundation		
Environment	1.) Chemical oxygen Demand	1.) Consumption - raw materials	1.) Direct CO2 emission
	2.) Wastewater	2.) Consumption - packaging	2.) Indirect CO2 emission
	3.) Energy consumption (change compared with Prior years)	3.) Water efficiency improvement (change Compared with 2005)	3.) Other relevant indirect Emissions
	4.) Water consumption (change compared with Prior years)	4.) Energy efficiency improvement (change Compared with 2005)	4.) Water sources significantly affected
	5.) Breaches regulatory limit values	5.) CO2 efficiency improvement (change Compared with 2005)	5.) Spills (significant /insignificant)
	6.) CO2 – energy consumption (change compared with 2004)	6.) Wastewater volume	
		7.) Biomass volume	
		8.) Ozone-depleting substances HCFCs	
		9.) Global warming	
		10.) Ozone layer depletion	
		11.) Breaches of regulatory Limits	
		12.) Significant spills	
		13.) Neighbor complaints	
		14.) Estimated CO2 Reductions from customer's Application of Novozyme's Products	
	Partnerships	1.) Healthcare Professionals trained or educated in Diabetes	1.) Supplier performance Management
2.) Company reputation external key stakeholders		2.) Corporate Citizenship flagship projects	2.) Suppliers with improved risk profile
3.) Supplier audits		3.) Learners reached through corporate citizenship flagship projects	3.) Contracts terminated
Innovation-R&D	1.) New patent families (first filings)	1.) New products	
	2.) People participating in clinical trials		

	3.) Product Recalls		
	4.) Warning Letters and re-inspection		

Table 3. Different IC indicators (aggregated)

Adapted from Coloplast Corporate Responsibility Report 2011/12,2012; novo nordisk annual report 2012, 2012; The Novozymes Report 2012, 2012 and modified

By looking at table 3, one observation can be immediately made, namely Novo Nordisk, Novozymes and Coloplast substantially differ with regard to the amount of IC indicators that they disclosed across the five relevant categories of stakeholder issues. Moreover, it is eye-catching that Coloplast, Novozymes and Novo Nordisk created a lot of IC indicators that are linked to the “employee” category. Furthermore, Novozymes disclosed the most IC indicators with regard to the environment category. Novo Nordisk designed more aggregated IC indicators that belong to the environment category than Coloplast did, but by taking the sub-indicators into account, Coloplast has created more IC indicators concerning environmental issues. Novo Nordisk, on the contrary, developed the most IC indicators with regard to the category that includes end-user related issues. Moreover, Novo Nordisk designed the most IC indicators with regard to the R&D category. Regarding the issues that belong to the partnership category, all three companies created an equal amount of IC indicators, but based on the fact that the importance of partnerships gets so highly stressed in the letter of the Board of Directors and throughout the entire Novozymes annual report, it can be stated that there is a high probability that Novozymes puts more focus on partnerships than the two other companies do. However, one might ask, why are there differences in the amount of the IC indicators across the five categories? Why did Novo Nordisk, for instance, disclose the most IC indicators with regard to the end-user and R&D categories? Based on these questions as well as the introduction of the three sample companies and based on the observations made from table 3, another argument of the following kind arises: The three sample companies disclose a different amount of IC indicators across the five relevant categories of stakeholder issues, due to differences in their evaluations regarding the importance of certain primary stakeholders and different focus areas (e.g. innovation or environment) which are closely linked to those high important primary stakeholders. IC indicators shall thereby contribute to the effect that the companies' high important primary stakeholders perceive Novo Nordisk, Coloplast and Novozymes as trustworthy companies. Therefore, the most important primary stakeholders form the primary target group regarding the disclosure of IC indicators. They represent the primary target group and receive thereby the most managerial attention (Greenley et al., 2004), because they are the key stakeholders among the primary stakeholders. The identification of key stakeholders is thereby based on the different managements' assessments concerning the

attributes of power, legitimacy and urgency of the diverse stakeholder groups (Mitchell et al., 1997). The creation of trust to key stakeholders is thereby of crucial importance, because key stakeholders are, in the case of the occurrence of a lack of trust, in a position to influence (Savage et al, 1991) the survival, the wellbeing and the achievement of a company's goals in a negative way (Berman et al., 1999; Brugha & Varvasovzsky, 2000; Bryson, 2004; Maltby, 1997).

Furthermore, the three sample companies use IC indicators, because IC indicators serve as stakeholder dialogue tools (Marr et al., 2003) that reduce the information asymmetry and ensure transparency and accountability. In alignment to the last mentioned fact, one can read in the annual report of Novozymes the following sentence: “Novozymes attaches great importance to timely, transparent and accurate reporting, as this is considered key to being a trustworthy company ... (The Novozymes Report 2012, 2012).”

Furthermore, also in the Novo Nordisk annual report, one can find a similar statement that is worded as follows: “Accountable and transparent performance management and reporting remains an important way to earn the trust of stakeholders (Novo Nordisk annual report 2012, 2012).”

However, because of the willingness to increase the degree of transparency and accountability on a voluntary basis, stakeholders have a reason to trust companies based on the information they receive. Swift mentions in this context: “These observations suggest that contemporary practice is characterised by more transparency and corporate accountability through stakeholder engagement and dialogue (telling and sharing viewpoints). Stakeholders thus have a reason to trust organisations based upon their engagement experiences and the dissemination of information to them via focus groups, interviews and corporate social reports (Swift, 2001).”

Insofar, the voluntary disclosure of IC indicators increases accountability as well as transparency and implies the effect that Novo Nordisk, Coloplast and Novozymes create an open attitude (Maltby, 1997) towards a “telling” and “showing” culture (SustainAbility/UNEP, 1999). In this context, Vergauwen et al. mention: “Voluntarily ICD is beneficial for several reasons. It mitigates the information asymmetry problem (and, hence, the agency problem) and has positive effects on the firm's (external) reputation, trust and confidence (from all stakeholders) in the firm's management (Vergauwen et al., 2007).”

However, the goal of disclosing IC indicators that are mainly disclosed for key stakeholders is to redeem a lack of trust as well as to engender and maintain a trustworthy reputation so that key stakeholders can rely on the three companies' goodwill (Friedman, 1991).

Moreover, the fact that Novo Nordisk, Coloplast and Novozymes prioritize between stakeholders is in alignment with an argument made by Greenly et al. (2004). They argue that companies must prioritize between stakeholders and their interests, because companies possess a multitude of stakeholders with different interests, which influence the strategic planning of a company (Greenley et al., 2004). Therefore, companies such as Novo Nordisk, Coloplast and Novozymes differ in their prioritizations of their stakeholders and thus there will be stakeholder groups that are of higher importance than other stakeholder

groups. Therefore, based on the fact that companies have to prioritize between the interests of their stakeholders (Greenley & Foxall, 1998), which leads to differences in their strategic plannings, it is time to further prove the above stated argument and to identify rankings of primary stakeholder groups in the strategy sections of the annual reports. Those rankings shall help to identify the primary stakeholders who belong to the key stakeholders of the three companies. Furthermore, it will be interesting to observe if there are statements that prove that the three companies are focusing on different areas (e.g. innovation and environment), that according to the perceptions of the firms' managements, are of key stakeholders' interests and thus essential for the trust creation process. Based on the argument stated above, Novo Nordisk's key stakeholders are patients and customers. In the case of Novozymes, the key stakeholders are business partners and in the case of Coloplast the key stakeholders are patients and employees. Let's back up the argument by taking a deeper look into the strategy sections of the annual reports with the intention to identify a ranking of primary stakeholders.

Let's start by looking at the Novo Nordisk annual report. Before analyzing the strategy section of the annual report, let's first check on what the Novo Nordisk strategy, which is called "Strategy is all about choice" (Novo Nordisk annual report 2012, 2012), is based upon. According to Sten Scheibye, Chairman of the Board of Directors, the Novo Nordisk strategy consists of five core capabilities, a focus on diabetes as well as haemophilia and the so called Novo Nordisk Way, which is the company's values-based management system (Novo Nordisk annual report 2012, 2012). After the clarification of the elements of the Novo Nordisk strategy, it is time to look into the strategy section, which begins on page 15. Surprisingly, on page 19, in the section where the company values get presented, one can find a ranking of Novo Nordisk's primary stakeholders. The Novo Nordisk Way section includes the following statement: "Every day we must make difficult choices, always keeping in mind what is best for patients, our employees and our shareholders in the long run (Novo Nordisk annual report 2012, 2012)."

That kind of ranking places patients indirectly on the first place followed by employees and shareholders. The ranking is indirect in nature, because it is no numerical ranking, but simply the fact that in the sequence of the three primary stakeholder groups, patients get mentioned first shows that end-users play a crucial role for Novo Nordisk. Moreover, that assertion can be even more corroborated by the fact that only by looking to the left side on the same page, Novo Nordisk formulated a sub-headline with the name "Socially responsible: patients first" (Novo Nordisk annual report 2012, 2012). Furthermore, there is another fact that proves that Novo Nordisk prioritizes patients, namely the fact that Novo Nordisk's sustainability strategy is based on the Triple Bottom Line principle, which consists of social, environmental and financial responsibilities and in which patients get presented as the core element (Novo Nordisk annual report 2012, 2012). That indirect ranking of primary stakeholders plus the just mentioned sub-headline are only further evidences that corroborate the assumption that Novo Nordisk has a primary focus on end-users and that this might be the reason, why they have created more IC indicators that belong to the end-user category than

Novozymes did. Moreover, based on the indirect ranking, employees are key stakeholders, too. This might also explain, why Novo Nordisk disclosed so many IC indicators with regard to the category that includes employment related issues. Therefore, it is not only important for Novo Nordisk to establish trust to patients, but also to its employees, which can be proved by a statement made by Lise Kingo, the executive vice president of Corporate Relations, on page 38 in the annual report. Lise Kingo says:” Treating people with respect is one of the essentials in the Novo Nordisk Ways which also speaks to the importance of building and maintaining good relations with stakeholders. This is the foundation for earning their trust and respect. We want to be respected for putting patients first, leading in sustainability, being an outstanding workplace and having an excellent reputation (novo nordisk annual report 2012, 2012).”

Moreover, as mentioned in section 6.1 of the analysis, Novo Nordisk has also a primary focus on R&D and innovation. Furthermore, Novo Nordisk disclosed in comparison to the two other companies, the most IC indicators with regard to the R&D category. Furthermore, it seems that Novo Nordisk disclosed so many IC indicators linked to R&D and employment, because those indicators shall indirectly contribute to the creation of a trustworthy reputation for Novo Nordisk's most important primary stakeholder group, namely patients. One might get this impression, because the top management of Novo Nordisk established a link between the wellbeing of patients and employees as well as innovations. A statement that underlines that fact is the following one from Sten Scheiby:” There has never been more need for a company like Novo Nordisk; a company that has dedicated most of its resources, skills and innovation power to improving diabetes care (novo nordisk annual report 2012, 2012).”

By changing the perspective towards the strategy section of the Novozymes annual report, one can identify the existence of a similar ranking of primary stakeholders. The ranking sounds as follows: “The new targets, which are integrated into our business strategy and concrete business initiatives, emphasize our engagement and collaboration with business partners and other stakeholders (The Novozymes Report 2012, 2012).”

That ranking is again indirect in the way that it does not imply a numerical ranking of stakeholders and in addition to that, Novozymes annual report is not as clear in determining a clear key stakeholder group as Novo Nordisk's annual report with its sub-headline “Socially responsible: patients first” (novo nordisk annual report 2012, 2012). Nevertheless, simply the fact that in this ranking, Novozymes not only mentions business partners before all the other stakeholders, but also the fact that the company mentions the stakeholder group “business partners” by its name, while it remains unclear who is hidden behind the term “other stakeholders”, is a clear evidence that Novozymes has a primary focus on business partners and that also underlines the importance of partnerships that got stressed in the letter of the Board of Directors. However, the already above mentioned statement in which Novozymes stresses the fact that it is of crucial importance to disclose transparent and accurate information for being a trustworthy organization (The Novozymes Report 2012, 2012), proves that Novozymes aims not only to create trust to business partners, but also to other stakeholders.

Nonetheless, also in the case of Novozymes, one can find a strong link between the categories on which Novozymes puts its primary focus on. Novozymes management established a link between partnerships and environment. That link gets underlined through a statement from the letter of the Board of Directors. The statement is worded as follows: “We also founded new and promising partnerships, demonstrating the versatility of our strategic opportunities as we continue our quest to provide sustainable biological solutions addressing some of the world's most pressing challenges (The Novozymes Report 2012, 2012).”

The statement shall highlight, that existing and potential partners such as business partners, universities, research institutes and so on can trust the reputation of Novozymes for being an organization that is focused on partnerships and environmental friendliness.

Last but not least, let's go over to Coloplast. On page 40 in Coloplast's CRR, one can identify Coloplast's mission statement, its vision and values which together form the corporate strategy. The corporate strategy, on the other hand, creates together with business area strategies, the company's operational agenda (Coloplast Corporate Responsibility Report 2011/12, 2012). However, in the strategy section, one can discover an indirect ranking of stakeholders. The following statement ranks the stakeholders as follows: “Corporate responsibility is also a key element of Coloplast's leadership position and the broader responsibility that comes with it – responsibility to the environment, to society, to our customers, to our employees, to our shareholders and integrity in all we do. It is a key foundation for the corporate and business strategies and the agenda (Coloplast Corporate Responsibility Report 2011/12, 2012).”

That indirect ranking is another proof that Coloplast has a primary focus on environmental issues. Moreover, society gets mentioned before customers and employees. Still, it can be assumed that customers and employees are the primary stakeholders, who are of highest importance for Coloplast, since the society as a whole is only a secondary stakeholder (Mccold & Wachtel, 2003). Therefore, customers and employees are Coloplast's key stakeholders. However, by reading the CRR and by looking at the company's business mission “Making life easier for people with Intimate healthcare needs” (Coloplast Corporate Responsibility Report 2011/12, 2012), also here can be stated, like in the case of Novo Nordisk, that customers come first. However, it should be no surprise that end-users are the most important key stakeholders for Coloplast and Novo Nordisk. It should be also no surprise that it is crucial for both companies to establish a trustworthy reputation, because most of their core capabilities and product features are hidden from external stakeholders and thus external stakeholders have to rely on a company's reputation (Grossmann & Stiglitz, 1980). Furthermore, both companies develop products that have a direct impact on a patients's health and the quality of a lot of products is hidden from patients, thus it is crucial for both companies to create a trustworthy reputation in the way that patients can rely on both companies reputation that they are companies that care about patients and that they act in a patient's goodwill.

However, that end-users are the most important key stakeholders for Coloplast does not mean that employees are not key stakeholders, too. The fact that employees are also key stakeholders gets proved by following

sentence.” Another key stakeholder group is our employees – we communicate with them on a daily basis through our intranet “Connect” (Coloplast Corporate Responsibility Report 2011/12, 2012).”

Based on the fact that Novo Nordisk and Coloplast seem to have the same key stakeholders, it is also no surprise that Coloplast created a strong connection between end-users and employees. Such a link can be identified by looking into the “Employees” section of Coloplast’s CRR, where the company makes the following statement: “Who are the key drivers of our growth ambitions and overall mission? Our employees (Coloplast Corporate Responsibility Report 2011/12, 2012).” In alignment with the last statement and due to the fact that the company’s mission statement is “Making life easier for people with Intimate healthcare needs” (Coloplast Corporate Responsibility Report 2011/12, 2012), one can easily recognize that the management of Coloplast established a strong relationship between its employees and end-users. By looking at the Coloplast CRR, it becomes very clear, that trust to end-users is of crucial importance for Coloplast, since the CRR includes statements such as “Products you can trust” or “trustworthy products” (Coloplast Corporate Responsibility Report 2011/12, 2012).

In alignment with statements such as “trustworthy products” or “Products you can trust”, another link occurs, namely a link between environmental issues and end-users and thus IC indicators belonging to the category of environment influencing the perception of end-users with regard to the creation of a trustworthy reputation. The link between end-users and the environment becomes even clearer through the following statement:” After the end user has used our product, it’s disposed of. Because our products are usually contaminated after use, we do not recommend recycling them due to the risk of infection and the mixture of materials. So they’re mainly sent to landfills, or the incineration, which we recommend, specifically if the incineration method includes energy recover. The cardboard packaging on the other hand can be recycled (Coloplast Corporate Responsibility Report 2011/12, 2012).”

However, the previous statement is not the only proof that the management of Coloplast established a strong link between the environment and its end-users, by looking at the IC indicators that Coloplast uses for measuring issues concerning end-users, one can recognize that most of those IC indicators like, for instance “% of phthalate-free alternatives to products containing clarified phthalates” (Coloplast Corporate Responsibility Report 2011/12, 2012), are closely linked to environmental issues, because phthalate is an environmental chemical (Fromme et al., 2002) that might have negative impacts on a person’s health condition.

But, the management of Coloplast also established a link between environment and employees in the way that Coloplast claims to act responsible with regard to issues, like for instance, environmental sustainability and occupational safety (Coloplast Corporate Responsibility Report 2011/12, 2012). The link between environment and employees gets corroborated by the following statement in the section “Employees” of the CRR: “Our employees strongly believe that we’re acting responsibly (Coloplast Corporate Responsibility Report 2011/12, 2012).”

In the end of this section can be stated that based on the evidences presented above, that the argument can be confirmed, in the way that the three companies differ in their IC disclosures across the five categories due to the fact that they focus on different areas and consider different stakeholders as their key stakeholders. Therefore, the last mentioned fact seems to be the reason, why Novo Nordisk and Coloplast disclosed so many IC indicators concerning end-users. However, by looking at table 3, it seems that Novo Nordisk, for instance, voluntarily discloses so many information concerning its activities and procedures linked to patients and employees with the help of IC indicators for creating the impression, among the readers of the IC indicators, that patients can rely on Novo Nordisk's reputation for being a company that cares about employees and especially patients. The same can be said with regard to the two other companies and their key stakeholders.

However, it is time to analyze the values of the IC indicators that Coloplast, Novozymes and Novo Nordisk disclosed for their key stakeholders and the topics that indirectly influence the creation of trust to key stakeholders. The next section will investigate, if the values of the IC indicators contribute to a trustworthy reputation in the way that patients can trust the reputation of Novo Nordisk for being an organization that cares about patients. In addition to that, it will be of interest to observe, if the three sample companies favourably disclose IC indicators that represent them in a very trustworthy light through a variety of IC indicator values that represent positive developments with regard to issues that are of interest for their key stakeholders.

6.2 IC indicator values and their influences on the creation of a trustworthy reputation

Based on the findings from section 6.1, namely that the different amount of IC indicators across the five categories of stakeholder issues depends on the prioritization of primary stakeholders, this section will in alignment with the last section analyze the values of the IC indicators that Coloplast, Novozymes and Novo Nordisk disclosed in their annual reports 2012 with regard to their key stakeholders and their focus areas that are linked to their key stakeholders. Thereby, it will be of interest to observe, whether the IC indicator values contribute to the creation of a trustworthy reputation and if the three sample companies favourably disclosed IC indicators that mainly represent positive company information in the form of positive developments, which contribute to the result that the three sample companies get presented in a very trustworthy light.

Let's start with Novo Nordisk. Table 4 represents the values of the IC indicators that Novo Nordisk has disclosed for its most important primary stakeholder group, namely patients.

End-users	Novo Nordisk		
	Year 2012	Year 2011	Year 2010
1.) Least developed countries where Novo Nordisk sells Insulin according to the differential pricing policy (number)	35	36	33
2.) People with diabetes trained (1.000)	836	626	494
3.) Patients reached with diabetes care products (in millions)	23	21	N/A
4.) Donations to the World Diabetes Foundation (in million DKK)	64	65	69
5.) Donations to the Novo Nordisk Haemophilia Foundation (in million DKK)	20	16	15

Table 4. Novo Nordisk - IC indicator values (aggregated) – End-users

Adapted from novo nordisk annual report 2012, 2012 and modified

By analyzing table 4, one can immediately ascertain the fact that the table represents Novo Nordisk in a positive light, in the way that 3 out of 5 indicators represent positive developments from 2010 to 2012. The positive picture gets only slightly disturbed by the indicators “Least developed countries where Novo Nordisk sells insulin according to the differential pricing policy” and “Donation to the World Diabetes Foundation”, but the negative results represented by those indicators are not really dramatic. The indicator “Least developed countries where Novo Nordisk sells insulin according to the differential pricing policy”, for instance, is only partially negative in the way that the value of the indicator decreased from 2011 to 2012, but by comparing the value from 2010 with the value from 2012 then, the indicator represents a positive development. The second indicator that represents a negative trend, namely “Donation to the World Diabetes Foundation”, indicates a downturn from 2010 to 2012, but the negative trend is a moderate one, because, by comparing the value from 2011 with the value from 2012, one can with confidence say that the negative development is almost not visible. Furthermore, the decrease in the amount of donations that got spend to the World Diabetes Foundation gets compensated through the higher donations to the Haemophilia Foundation. However, let's go over to the next category that includes the IC indicators that measure the company's performance with regard to issues that are of interest for Novo Nordisk's second key stakeholder group, namely employees. The table below presents the IC indicators that Novo Nordisk disclosed with regard to employee related issues.

Employees	Novo Nordisk		
	Year 2012	Year 2011	Year 2010
1.) Relevant employees trained in business ethics (in%)	99	99	98
2.) Business ethics assurance activities (number)	48	46	35
3.) Working the Novo Nordisk Way (employee assessment) (scale 1-5)	4.3	4.3	N/A
4.) Fullfilment of action points from facilitations (in%)	94	93	93
5.) Annual training costs per employee (in DKK)	9951	10479	14207
6.) Employment impact worldwide (number)	125600	118700	108200
7.) Employees (average FTEs)	33061	31499	29423
8.) Turnover Rate (in %)	9.1	9.8	9.1

Table 5. Novo Nordisk - IC indicator values (aggregated) – Employees

Adapted from novo nordisk annual report 2012, 2012 and modified

Table 5 represents Novo Nordisk, like the table before, in a very positive light. In table 5, there is only one IC indicator that illustrates a negative progress and that is the indicator “Annual training costs per employee”, which represents a downturn from 14207 DKK spent in annual training per employee in 2010 to 9951 DKK spent in annual training per employee in 2012. Nevertheless, all the other indicators represent Novo Nordisk in a way that one might get an impression that Novo Nordisk is an organization that cares about its employees.

How does it look like with regard to the values of the IC indicators belonging to the R&D category? Based on the introduction of Novo Nordisk in the beginning of the analysis, one might remember that R&D is one of the company's focus areas. Furthermore, the management of Novo Nordisk established a strong link between R&D as well as innovations and patients, because, according to the management of the company, R&D is of crucial importance for the achievement of a patient's health (novo nordisk annual report 2012, 2012).

R&D	Novo Nordisk		
	Year 2012	Year 2011	Year 2010
1.) New patent families (first filings)	65	80	62
2.) People participating in clinical trials (number)	23018	22445	19361
3.) Product recalls (number)	6	5	5
4.) Warning Letters and re-inspection (number)	1	0	0

Table 6. Novo Nordisk - IC indicator values (aggregated) – R&D

Adapted from novo nordisk annual report 2012, 2012 and modified

By analyzing the IC indicator values from table 6, one can observe a total different picture as it was the case by analyzing the values from table 4 and 5. All IC indicators from table 6 represent negative trends. With regard to the indicator “New patent families” a negative development can be stated from 2011 to 2012, but a positive trend from 2010 to 2012. Therefore, the IC indicator “New patent families” paints a mixed picture. However, based on the majority of the IC indicators from table 5 and 6 that mainly represent positive developments, it can be assumed that the IC indicator values from these tables contribute to the creation of a trustworthy reputation.

Let's now change the perspective towards the values of Coloplast's IC indicators, beginning with the indicator values that are linked to employee related issues. Those indicators with their values are presented in table 7 on the next page.

Employees	Coloplast		
	Year 2012	Year 2011	Year 2010
1.) Contract type (includes all contract types) (number)	8126	-	-
2.) Significant fines for non-compliance with laws and regulations (in EUR)	0	0	0
3.) Age distribution (in %)			
3.1) employees aged < 30	25	30	30
3.2) employees aged 30-50	60	57	57
3.3) employees aged > 50	16	13	13
4.) Target production workers (in last time injury frequency) (LTI frequency)	7.0	7.0	10.0
5.) Repetitive work (in %)			
5.1) No/low	34.3	35.6	36.3
5.2) Medium	33.1	31.2	29.0
5.3) High	31.2	31.0	28.1
5.4) Very high	1.5	2.2	6.5
6.) Employee engagement survey (Index)			
6.1) Response rate	92	-	92
6.2) Engagement index	72	-	79
6.3) Values index	81	-	74
6.4) Well-being index	76	-	71
7.) Personal development plans (Index)	80	80	73
8.) Training hours	35.5	-	-
9.) White – collars employees trained in Code of Conduct (in%)	95	23	22
10.) Legal action for Anti-competitive behaviour (number)	0	0	0
11.) Whistleblower hotline			
11.1) Number of cases submitted	12	5	-
11.2) of which within scope	11	4	-
12.) Business units analyzed for organizational risks related to corruption (total number)	54	-	-

13.) Site visits (days)	60	57	82
14.) Injuries and accidents production workers (LTI frequency)	7.0	7.0	7.0
15.) Target all employees (LTI frequency)	5.3	9.5	6.6

Table 7. Coloplast - IC indicator values – Employees

Adapted from Coloplast Corporate Responsibility Report 2011/12, 2012 and modified

The first impression, one will get by looking at table 7 is that in comparison to the three previous tables, the IC indicators in table 7 are more complex in the way that they are divided into several sub-indicators. However, by analyzing the values from table 7, it is very difficult to find any IC indicators that represent a negative development. One has to be very careful for identifying any negative developments based on the IC indicator values and there are only four indicators that represent a negative trend. Those indicators are “Repetitive work – Medium” (sub-indicator), “Employee engagement survey – Engagement index” (sub-indicator), “Whistleblower hotline – Number of cases submitted” (sub-indicator) and “Whistleblower hotline – of which within scope” (sub-indicator). However, the four sub-indicators do not represent disastrous developments and by looking at the other sub-indicators that form the aggregated IC indicators, one cannot really say, except in the case of the aggregated indicator “Whistleblower hotline”, that the aggregated IC indicators represent negative employee-related information. Therefore, let's change the focus by analyzing the values of the next table.

End-users	Coloplast		
	Year 2012	Year 2011	Year 2010
1.) % of phthalate - free alternatives to products containing clarified phthalates	98	90	80
2.) % reduction in the consumption (by Weight) of phthalates compared to the revenue of our continence care business Unit	11	-	-
3.) % of urine bags we sell that are phthalate – free	41	-	-
4.) % of our production covered by ISO 9001 / ISO 13485	100	100	100

Table 8. Coloplast - IC indicator values (aggregated) – End-users

Adapted from Coloplast Corporate Responsibility Report 2011/12, 2012; Coloplast Corporate Responsibility Report 2010/11, 12 and modified

Table 8 includes the IC indicators that measure the performance concerning end-user related issues, whereby, due to a lack of data for the indicators “% reduction in the consumption (by weight) of phthalates compared to the revenue of our continence care business unit” and “% of urine bags we sell that are phthalate-free” only two IC indicators with their values from 2012 could be compared with values from the previous years. However, by looking at the indicator values of the IC indicators, one can immediately see that they represent Coloplast in a positive light, since both indicators do not indicate any negative developments. Therefore, let's go over to the next table. Table 9 includes the IC indicators that Coloplast disclosed concerning environmental issues.

Environment	Coloplast		
	Year 2012	Year 2011	Year 2010
1.) Direct CO2 emission (in Tonnes CO2e)	9505	10856	10332
2.) Indirect CO2 emission (in Tonnes CO2e)	45428	45865	47961
3.) Other relevant indirect emissions (in Tons CO2e)	58500	52900	33300
4.) Water sources significantly Affected (number)	0	0	0
5.) Spills (significant /insignificant) (number)	0/0	0/0	0/0

Table 9. Coloplast - IC indicator values (aggregated) – Environment

Adapted from Coloplast Corporate Responsibility Report 2011/12, 2012 and modified

Table 9 paints, like the two previous tables, a positive picture of Coloplast in the way that the IC indicator values illustrate Coloplast as an organization that cares about environmental sustainability. There is only one IC indicator that might cause negative news, namely the indicator “Other relevant indirect emissions”. The indicator “Other relevant indirect emissions” almost doubled from 33300 tons CO2e in 2010 to 58500 tons CO2e in 2012. Nonetheless, the negative trend gets compensated by the positive developments of two other emission indicators, “Direct CO2 emission” and “Indirect CO2 emission”.

By summarizing the results from the tables 7, 8 and 9, can be claimed that all three tables have a positive impact on the creation of a trustworthy reputation.

Last but not least, let's go over to the third company, namely Novozymes. By analyzing table 10, which includes the Novozymes IC indicators with regard to partnership related issues, all three indicators represent a positive development from 2010 to 2012. Therefore, there are no other comments to add regarding the analysis of the values of the IC indicators from table 10 and the focus can be changed towards table 11 that includes the IC indicator values with regard to environmental issues.

Partnerships	Novozymes		
	Year 2012	Year 2011	Year 2010
1.) Supplier performance management (in %)	93	91	90
2.) Corporate Citizenship Flagship projects (number)	13	7	N/A
3.) Learners reached through corporate citizenship flagship Projects (number)	26035	9791	N/A

Table 10. Novozymes - IC indicator values (aggregated) – Partnerships

Adapted from The Novozymes Report 2012, 2012; The Novozymes Report 2011, 2011 and modified

Environment	Novozymes		
	Year 2012	Year 2011	Year 2010
1.) Consumption of raw materials (in 1000 tons)	445	421	413
2.) Consumption of packaging (in 1000 tons)	17	15	13
3.) Water efficiency improvement (change compared with 2005 in %)	32	30	29
4.) Energy efficiency improvement (change compared with 2005 in %)	38	34	30
5.) CO2 efficiency improvement (change compared with 2005 in %)	55	47	38
6.) Wastewater volume (in 1000 m3)	4376	4308	3935
7.) Biomass volume (in 1000 m3)	551	479	478 ¹³
8.) Ozone-depleting substances HCFCs (in Kg)	880	986	1532
9.) Global warming (in 1000 tons CO2-eqv.)	381	392	414
10.) Ozone layer depletion In Kg CFC 11-eqv.)	48	105	265
11.) Breaches of regulatory limits (in numbers)	15	21	36
12.) Significant spills (in numbers)	-	-	0
13.) Neighbor complaints (in numbers)	11	18	21
14.) Estimated CO2 reductions from customer's application of Novozyme's products (in million tons)	48	45	40

Table 11. Novozymes - IC indicator values (aggregated) – Environment

Adapted from The Novozymes Report 2012, 2012; The Novozymes Report 2011, 2011 and modified

¹³ Value is the result of a summation of the biomass volumes of Novo Gro®, Novo Gro® 30 and compost

After the analysis of the IC indicator values from table 11, it can be ascertained that the indicators represent Novozymes as a “green” company, due to the fact that 9 out of 14 IC indicators illustrate a positive progress from 2010 to 2012. The IC indicators that record a negative trend are “Consumption of raw materials”, “Consumption of packaging”, “Wastewater volume”, “Biomass volume” and “Percentage of total waste recycled”. Nevertheless, both tables contribute to the elimination of a lack of trust in the way that they represent Novozymes as a company that cares about the environment and partnerships. Therefore, the values contribute to the creation of a trustworthy reputation.

Based on the results after analyzing the IC indicator values, another major argument gets derived and formulated, namely, Novo Nordisk, Novozymes and Coloplast favorably disclose IC indicators with the intention to provide information that represent the three companies in a positive light and hence, IC indicators are primarily tools that serve to influence the views of stakeholders and especially key stakeholders (Swift, 2001) in the way that they perceive the three companies as trustworthy organizations. Thereby, the trust of key stakeholders in the three companies' reputation is insofar of crucial importance, because a lack of trust among key stakeholders has a direct impact on the three sample companies' wellbeing and survival (Brugha & Varvasovzsky, 2000; Bryson, 2004). Furthermore, the argument that the three companies use IC indicators as tools that shall influence the perception of key stakeholders so that key stakeholders trust the three companies gets backed up through the fact that the majority of the IC indicators that Novo Nordisk, Coloplast and Novozymes have been disclosed for its key stakeholders represented positive developments and hence, the IC indicators contributed to the creation of a trustworthy reputation. Moreover, the argument gets also backed up by Swift in the sense that she mentions that there are commentators, who claim that company managers only provide selected information, which company managers consider as the “right” information (Nielsen & Madsen, 2009) and insofar the provision of information serves the creation of a certain reputation like for instance a reputation for trustworthiness (Swift, 2001). In alignment with the above stated argument that IC indicators are used as tools for the creation of a reputation for trustworthiness that gets created through the provision of company information that are of key stakeholders' interests and represent the three companies in a positive light, Nielsen and Madsen claim: “This, however, has the implication that users of intellectual capital reporting may become victims of management's selected “right” information by (Strathern, M. The tyranny of transparency. British Educational Research Journal 2000; 26; 310-32) designated as the “tyranny of transparency (Nielsen & Madsen, 2009).”

Based on the statement made by Nielsen and Madsen, the next section will take the results from the tables of the second part of the analysis one step further by proving that the positive IC indicator values also have a manipulation effect, which helps to avoid the occurrence of a lack of trust among Novozymes, Novo Nordisk's and Coloplast's key stakeholders.

6.3 IC indicators and their ability to distract from negative company news

In the preceding section, the reader of the Master thesis could observe that the majority of the IC indicators contribute to the creation of a trustworthy reputation, which resulted in an argument, namely Novo Nordisk, Novozymes and Coloplast deliberately disclose IC indicators that represent the three companies in a positive light and thus IC indicators are tools that influence the perception of key stakeholders in the way that they convey, to a large extent, only positive and management selected information (Nielsen & Madsen, 2009). In alignment with the argument from 6.2 and based on the annual reports 2012, another argument arises, namely Coloplast, Novo Nordisk and Novozymes disclose primarily IC indicators that convey positive company information to their key stakeholders, for distracting key stakeholders' attention from negative company news (Lindblom, 1994), since negative company news might lead to the creation of a lack of trust, which the three sample companies want to redeem (Swift, 2001) through other positive company news that get transmitted by a large amount of other IC indicators. Moreover, Brown and Deegan advocate this argument, based on findings made by Lindblom (1994) and Deegan and Rankin (1996), through the following statement: “The results of their study act consistent with the third strategy described by Lindblom (as discussed earlier in this paper) in which organizations voluntarily disclose particular “favourable” information in an effort to deflect attention away from other potentially damaging news (Brown & Deegan, 1998).”

Let's prove the argument, by scrutinizing the annual reports of the three companies with the aim to identify some corporate news that have the potential to create a lack of trust. Furthermore, it will be of interest to observe, how the three companies try, with the help of IC indicators, to distract the attention away from the occurrence of negative events.

By investigating the Novo Nordisk annual report and especially by reading the letter of the CEO, there is one negative event that receives a lot of attention in the annual report, namely, Novo Nordisk received a warning letter from the FDA, because the FDA discovered, after an inspection conducted in 2012, an aseptic filling facility in Bagsværd, Denmark (novo nordisk annual report 2012, 2012). Another negative event that gets revealed in the annual reports is the lay-off of 350 Novo Nordisk employees in 2011 and 2012 (novo nordisk annual report 2012, 2012).

In the case of Coloplast, there is one major negative event that only gets mentioned in Coloplast's annual report, but not in its CRR. In the annual report, one can read that Coloplast is involved in litigations in the USA, because of its mesh products (Coloplast Annual report 2011/12, 2012).

By scrutinizing the Novozymes annual report, the reader of the report can also here identify a catastrophic event, namely a fatal accident at one of the company's production sites (The Novozymes Report 2012, 2012).

Negative news like the ones mentioned above might raise the suspicion that the companies do not comply with certain ethical standards, which would create a lack of trust and thus negatively influence the three sample companies' trustworthy corporate and product reputations, because such news have a negative impact on the product choice made by customers, whose product choice does not only depend on price and functionality, but also on facts that imply information about the conditions under which products and services are produced (Pruzan, 2001). The last mentioned fact is especially of crucial importance for Coloplast and Novo Nordisk, because, as section 6.2 tried to prove, customers are Coloplast's and Novo Nordisk's key stakeholders and thus it is of utmost significance for both companies' survival and wellbeing (Brugha & Varvasovzsky, 2000; Bryson, 2004) that customers have trust in the reputation of Coloplast and Novo Nordisk for being companies that care about patients. Therefore, by looking into the annual report of Novo Nordisk, one can find statements that mention the occurrence of the negative event and one can also perceive that the issue receives a lot of attention in the annual report. Lars Robien Sørensen made, with regard to the warning letter that got issued by the FDA, the following statement: "We immediately took action to address the concerns raised by the agency, learn from them, and prevent them from occurring again (Novo Nordisk annual report 2012, 2012)."

Noteworthy is that Novo Nordisk even disclosed an indicator, called "Warning Letters and re-inspections", that implies the information that Novo Nordisk received a warning letter.

Coloplast, on the contrary, is rather reluctant with regard to statements about the litigations regarding its mesh products. The issue is mentioned in the annual report, but not in the CRR, which includes almost all IC indicators. Furthermore, there exists no IC indicator that implies information about the negative event like it is the case with Novo Nordisk and its indicator "Warning Letters and re-inspection". It seems that Coloplast excluded this negative event from its IC reporting and that one has to read the annual report for coming into the possession of information about the negative event that has the potential to create a lack of trust in Coloplast's reputation for being a company that cares about people's health. In that context, Maltby makes an interesting statement that might explain why Coloplast excluded the existence of litigations against the company from its IC reporting. Maltby says: "Companies would concentrate their efforts on maintaining or improving performance only in those areas which were subject of the report to the exclusion of potentially more significant concerns (Maltby, 1997)."

However, negative news that refer to non-compliances to ethical standards with regard to the production of products and services, for example, do not only create a lack of trust among end-users, but also among stakeholder groups, like for instance, employees in the way that unethical corporate behaviour can imply the effect that employees lose their pride in their employer companies (Pruzan, 2001). Pruzan says in that context: "The opposite is even more true; in those companies where the employees are not proud of their employer, there is a lack of trust, confidence, enthusiasm, and willingness to offer one's best (Pruzan, 2001)."

In alignment with the statement made by Pruzan and due to the fact that employees belong to Coloplast's and Novo Nordisk's key stakeholders, it is not really surprising that one can find in the annual reports of both companies some statements that stress the fact that it is important to ensure that employees are proud of Coloplast and Novo Nordisk and their behaviors for avoiding a lack of trust among employees, because a lack of trust could damage the reputation of both companies for being organizations that care about their employees. A statement that underlines that employee pride is of crucial importance for Novo Nordisk is the following one: “The Triple Bottom Line business principle is a source of employee pride and external recognition that has helped safeguard the company's reputation and stakeholder confidence through challenging times (Novo Nordisk annual report 2012, 2012).”

Furthermore, by reading Coloplast's CRR, one can also here identify a statement that corroborates the importance of achieving employee pride. The statement that highlights the significance of employee pride is the following one: “Along with engagement, our employees also feel a great sense of meaning, pride, and commitment in their daily work, among other things (Coloplast Corporate Responsibility Report 2011/12, 2012).”

After the presentation of events that might cause a lack of trust among the key stakeholders of the three sample companies, let's further prove the above stated argument by investigating the assumption that IC indicators help to distract from negative company news. In the case of Coloplast, the company excludes the existence of news about litigations caused by its mesh products from its CRR. Furthermore, there is no IC indicator that represents information about the occurrence of that event, on the contrary, by looking at the IC indicators that Coloplast has created for its key stakeholders, namely end-users and employees, the majority of the IC indicators conveys positive information about the company and represents the company in a trustworthy light without any negative associations concerning its products. One has to read the annual report for coming into the position of information about the litigations against Coloplast. In the annual report, there are only few and very short statements about the litigations. Moreover, information about the litigations in the form of indicators can be found in the section “Notes” on page 47, but these indicators are financial ones and probably no one would assume that those financial indicators imply information about litigations against Coloplast.

Let's go over to Novozymes. As in the Novo Nordisk case with the warning letter that got issued by the FDA, Novozymes also designed two IC indicators that represent information about a negative company event, namely the occurrence of a fatal accident (The Novozymes Report 2012, 2012). Those indicators are “Fatalities” and “Of which life-threatening” (The Novozymes Report 2012, 2012). Although, the indicator “Of which life-threatening” is only a sub-IC indicator, which belongs to the aggregated IC indicator “Occupational accidents with absence”. However, both indicators prove that Novozymes deals very open with the occurrence of the tragic accident. This open attitude approach, which is at least partly caused by the

indicators “Fatalities” and “Of which life-threatening”, leads to the creation of trust and credibility (Maltby, 1997) and highlights the fact, that Novozymes takes the event very seriously.

However, the other IC indicators in the employee category, which are illustrated in the table below, also help to distract the attention from the occurrence of the fatal accident, in the way that the majority of the IC indicators in this category represent positive developments and especially the IC indicators, “Occupational accidents with absence”, “Occupational diseases” and “Frequency of occupational diseases”, that describe the occupational safety at Novozymes representing the company as a very safe work place and, hence, the aggregated IC indicator, “Fatalities”, that reflects the occurrence of the accident seems to get invisible among the 15 employment related indicators. Furthermore, seven out of twelve indicators (without considering the indicators “Expatriates”, “Seniority” and “Average Age”) represent Novozymes as an organization that cares about its employees. Nonetheless, table 12 is not as positive as table 7, which includes the IC indicators that measure the performance of Coloplast concerning employment related issues. However, it can be stated that by analyzing the IC indicators that represent information that are of interest for employees, one has to be very careful for identifying, among all the indicators, the indicator that actually represents a dramatic negative event that might create a lack of trust among stakeholders. Thereby, the quest of finding a negative indicator in that category gets even more difficult through the multitude of indicators that represent positive information about Novozymes as an employer that cares about its employees. Therefore, the probability of the occurrence of a lack of trust among employees and other stakeholders such as business partners gets dramatically reduced through the majority of good news that the other indicators represent. Business partners will probably get distracted from the positive indicators that belong to the partnership category.

Employees	Novozymes		
	Year 2012	Year 2011	Year 2010
1.) Expatriates (number)	84	90	80
2.) Average spent per employee (in DKK)	6002	5907	6060
3.) Costs as percentage of total employee costs (in %)	1.2	1.2	1.2
4.) Completion of business integrity training for employees (in %)	79	71	72
5.) Fraud Cases (number)	13	4	6
6.) Development Opportunities (score)	75	74	73
7.) Touch the World (score)	83	N/A	N/A
8.) Turnover Rate (in %)	8.1	8.3	7.5
9.) Fatalities (number)	1	0	0
10.) Occupational accidents with absence (number)	29	40	35
11.) Occupational diseases (number)	7	11	14
12.) Frequency of occupational diseases (per million working hours)	0.7	1.2	1.6
13.) Employee satisfaction (score)	78	77	76
14.) Average Age	40.5	39.9	39.9
15.) Seniority (years)	9.0	8.9	9.1

Table 12. Novozymes - IC indicators (aggregated) – Employees

Adapted from The Novozymes Report 2012, 2012; The Novozymes Report 2011, 2011 and modified

How does it look like in the case of Novo Nordisk? Do also here, IC indicators that convey positive company information distract from the fact that the FDA issued a warning letter to Novo Nordisk? As already mentioned, Novo Nordisk disclosed an indicator with the name “Warning Letters and re-inspections” that reflects the fact that Novo Nordisk received a warning letter. In the analysis of that Master thesis, the indicator “Warning Letters and re-inspections” belongs to the R&D category. Table 6 in section 6.2 illustrated that all IC indicators that belong to the R&D category represent negative trends. Nevertheless, it is questionable, whether the indicator “Warning Letters and re-inspections” attracts a lot of attention of stakeholders, because the indicator increased from 0 warning letters in 2010 and 2011 to only one warning letter in 2012. Furthermore, Novo Nordisk disclosed many IC indicators that represent positive information concerning issues that belong to Novo Nordisk's key stakeholders, thus it is very doubtful that end-users and employees will lose their trust in Novo Nordisk's reputation for being an organization that cares about employees and patients. Regarding the other negative event, namely the lay-off of 350 employees, it might be interesting to look again at table 5. Table 5 in section 6.2 revealed that from the 8 IC indicators that Novo Nordisk disclosed with regard to employment related issues, only one IC indicator, namely “Annual training costs per employee”, represented a negative development. Moreover, that indicator does not

represent the lay-off. The indicator that is supposed to transmit information about lay-offs is the indicator “Employees (average FTEs)”. By monitoring the development of that indicator over the last two years, one can state that the indicator increased from 29423 full-time employees in 2010 to 33061 full-time employees in 2012 (Novo Nordisk annual report 2012, 2012). Therefore, neither by looking at the indicator “Employees (average FTEs)” nor by looking at the indicator “Employees” (see table 2) one would discover that Novo Nordisk fired 350 employees. First, after reading 34 pages of the annual report, one can read something about the lay-off of the 350 employees, whereas the indicators “Employees (average FTEs)” and “Employees (total)”, which indicate a positive trend, can already be identified on page 5. According to these indicators, it seems that Novo Nordisk has only hired new employees over the last four years. Insofar, the indicator “Employees (average FTEs)” is a good example that proves Lindblom's idea that companies use social and environmental disclosures for fending off the attention of external pressure groups caused by negative news of a particular corporation (Lindblom, 1994; Tregidga et. al, 2006).

Furthermore, it is of interest to observe that Novo Nordisk disclosed in the annual report 2012, where Novo Nordisk reports about the lay-off of 350 employees, two new employee related IC indicators. That fact can be identified on page 97 in the annual report (Novo Nordisk annual report 2012, 2012). Those two new IC indicators are “Working the Novo Nordisk Way (employee assessment)” and “Business ethics assurance activities”. Both indicators represent Novo Nordisk not in a negative light. By looking again at table 7, the readership of the Master thesis can see that the indicator “Working the Novo Nordisk Way (employee assessment)” remained constant at a value of 4.3, which is a relatively high value considering the fact that the indicator is based on a scale from 1 to 5, where 5 represents the highest value (Novo Nordisk annual report 2012, 2012). The other indicator “Business ethics assurance activities” increased from 46 activities in 2011 to 48 activities in 2012. Through the disclosure of two new IC indicators, the amount of IC indicators that measure Novo Nordisk performance concerning employee-related issues increases and contributes to the distraction from negative news such as the warning letter that got issued by the FDA or the lay-off of 350 employees. Especially, the Warning Letter that the FDA issued after an inspection could create a lack of trust among stakeholders in the way that stakeholders might accuse Novo Nordisk for not complying with ethical standards, but an indicator such as “Business ethics assurance activities” that indicates an increase in the number of activities that shall ensure the compliance to ethical standards, tells a different story and contributes to the distraction from the negative event.

In the end of the analysis of the Master thesis can be stated that the analysis made a lot of findings concerning the question, how companies use IC indicators for the creation of a trustworthy reputation? Moreover, the analysis found out that the disclosure of different IC indicators depends on the importance of certain stakeholder groups and their interests. Therefore, it is time to summarize and to discuss the results of the analysis.

7. Discussion and Findings

In order to answer the above stated research question, the analysis of the same/similar and different IC indicators of Novo Nordisk, Coloplast and Novozymes resulted in a variety of findings and confirmed my suspicion that the three companies disclose specifically IC indicators with the intention to create and maintain a trustworthy reputation that engenders trust among stakeholders and especially key stakeholders. Thereby, two different forms of accountability have been observed. The first form of accountability, namely “true accountability” (Gray et al., 1997) has been discovered by analyzing the same IC indicators and was thereby the result of regulatory bodies' distrust. Regulatory bodies' distrust got represented through the promulgation of acts such as the Danish Financial Statements Act and quotas as well as regulations like for instance the regulation of CO₂ emissions. Furthermore, institutional mechanisms demand the provision of more corporate information (Blois, 1999; Swift, 2001) with the intention to monitor companies' behaviours (Swift, 2001) regarding issues that are of regulatory bodies' concerns. As a consequence of the pressure, stemming from regulatory bodies, all three companies stressed in their annual reports the importance of the compliance with regulations and responded to regulatory bodies' concerns and demands for more accountability with the disclosure of the same or very similar IC indicators. The disclosure of IC indicators provides corporate information concerning issues that are of regulatory bodies' concerns and reduces thereby the information asymmetry (Vergauwen et al., 2007) as well as the degree of suspicion and creates trust (Blois, 1999; Maltby, 1997; Vergauwen et al., 2007) among regulatory bodies. Therefore, companies use IC indicators as a consequence of regulatory bodies' concerns for transforming distrust into a lack of distrust for two major purposes, first of all, to show awareness with regard to a particular issue and to distract regulatory bodies' attention (Williams, 2001) with the intention to avoid any further punishments in the form of more regulations, litigations, fines etc. Furthermore, the transformation from distrust into a lack of distrust shall ensure organizational legitimacy (Sitkin & Roth, 1993; Tregidga et al., 2006). The result is that all three companies create a standard set of IC indicators that provide, for example, information about gender diversity or their CO₂ consumptions. This standard set of IC indicators contributes to an increase in trust and a reduction of regulatory bodies' suspicion that lastly shall result to a transmission from distrust into a lack of distrust (Swift, 2001) and the creation of a trustworthy reputation in the way that regulatory bodies can rely on the predictability (Zucker, 1986) that Novo Nordisk, Novozymes and Coloplast confirm with regulations and take regulatory bodies' concerns seriously. That response to regulatory bodies' distrust implies the result that all three companies have a variety of IC indicators in common and that ensures that none of the companies can be labelled as untrustworthy (Swift, 2001). Moreover, in the case that the standard set of IC indicators included IC indicators that represented a negative development, all three companies attempted to justify the negative development for avoiding an increase in suspicion.

However, regulators and regulatory frameworks such as the Danish Financial Statements Act cannot monitor every aspect of corporate behaviour (Stone, 1975), so that after the design of a basic and common set of IC indicators, that deals with issues that are of regulatory bodies' concerns and that ensures a lack of distrust, one can observe, the occurrence of the second form of accountability, namely soft accountability (Gray et al, 1997; Owen et al., 2000). Novo Nordisk, Novozymes and Coloplast use soft accountability in the way that, they voluntarily disclose IC indicators. The result of the voluntary disclosure of IC indicators is, that all three companies differ in the amount of IC indicators that they disclose concerning the categories of “employees”, “end-users”, “partnerships”, “R&D” and “environment”. Furthermore, in the context of soft accountability, the Master thesis found out that the three sample companies differ in their disclosure of IC indicators across those five relevant categories of stakeholder issues, because they differ in their key stakeholder selections and in their focus areas that are closely linked to their key stakeholders' interests. The different key stakeholder groups and the different prioritizations between primary stakeholders have been identified through statements from the letters of the CEOs, the letters of the Board of Directors, statements and headlines within the annual reports and especially through indirect rankings in the strategy sections of the annual reports. In the case of Novo Nordisk, it has been identified, based on an indirect ranking, that its key stakeholders, among the primary stakeholders, are patients and employees, whereby patients are according to the annual report, the most important stakeholders. Moreover, the fact that patients are Novo Nordisk's most important key stakeholders got proved through statements such as “Patients first” (Novo Nordisk annual report 2012, 2012). Furthermore, different statements within the Novo Nordisk annual report proved that the management established a strong link between innovation, patients and employees, so that positive IC indicator values within the category R&D indirectly contribute to the creation of trust to patients, since according to the perception of Novo Nordisk's management, issues linked to innovation and R&D are also of interest for patients. In the case of Coloplast has been identified that the most important stakeholders are end-users, but also employees belong to Coloplast's key stakeholders. However, Coloplast has, in contrast to Novo Nordisk, a stronger focus on environment and established a strong link between environmental issues and employees as well as end-users. That link gets crystal clear by looking at table 3, which represents the IC indicators that Coloplast has disclosed for its end-users. By looking at table 3, one can immediately recognize that the Coloplast IC indicators that represent end-user related information, are very eco-related indicators.

In the case of Novozymes, the most important stakeholders are business partners and the company has a strong focus on environment and created a link between environmental issues and partnerships.

As a result of the different focus areas and key stakeholder selections, Novo Nordisk and Coloplast disclosed more IC indicators regarding end-user related issues than Novozymes did. Novozymes on the other hand, disclosed more IC indicators concerning environmental issues than Novo Nordisk did, whereas Novo Nordisk disclosed the most R&D related IC indicators. The just presented differences in the disclosure of IC

indicators across the five categories are evidences that the three sample companies differ in their disclosure of IC indicators across the five categories due to their focus on different key stakeholders and focus areas. Moreover, based on the fact that the companies differ in the amount of IC indicators with regard to the five categories, I also argue that this does not automatically imply that the number of IC indicators that Novo Nordisk, for instance, disclosed with regard to the five categories, that this number necessarily determines the importance of a stakeholder group or a certain topic. If that would be the case and the amount of IC indicators would determine the importance of a stakeholder group or a focus area, then the result for Novo Nordisk would be that Novo Nordisk's primary focus lies on environmental issues and its most important stakeholders are employees. However, that result would be inconsistent with the indirect rankings from the strategy section and with statements such as "Patients First". Hence, my assertion supports Nielsen and Madsen's argument that IC reporting should not only include performance measures, but also comments on management challenges, initiatives etc. (Nielsen & Madsen, 2009), because otherwise there is a high probability to take the IC indicators out of the strategic context and to draw wrong conclusions.

Moreover, another interesting finding in the context of the creation of a trustworthy reputation is that, the majority of the IC indicators that Novo Nordisk, Novozymes and Coloplast disclosed for their key stakeholders and their focus areas, represented positive developments from 2010 to 2012. Therefore, the large amount of IC indicators, that represent positive company information with regard to their key stakeholders, creates the impression that Novo Nordisk as well as Coloplast, for instance, are companies that are primarily focused on employees and patients. In the case of Novo Nordisk and Coloplast this is of special importance, since both companies develop products that have a direct impact on the health condition of an end-user. Furthermore, the quality of many products is hidden from end-users, which makes it even more crucial for both companies to create a trustworthy reputation in the way that patients can rely on both companies' reputation, insofar that the reputation of both companies represents Novo Nordisk and Coloplast as companies that care about patients and employees. Moreover, due to the large amount of IC indicators that the management of the three companies disclosed and that represents their companies in a very favourable light, the Master thesis supports the argument of Deegan and Rankin as well as Nielsen and Madsen, that companies disclose an overload of management driven and favorable information (Deegan & Rankin, 1996; Nielsen & Madsen, 2009). Another effect of the large number of IC indicators that represent positive information is, that Novozymes, Coloplast and Novo Nordisk can distract the attention from negative news (Deegan & Rankin, 1996; Lindblom, 1994) and hence redeem a lack of trust (Swift, 2001) which might damage their trustworthy reputations. These distraction tactics have been observed with the help of examples of negative news, which the three sample companies revealed in their annual reports. In the case of Coloplast, the company reveals in its annual report that there are litigations against the company, because of its mesh products (Coloplast Annual report 2011/12, 2012). Although, the negative event is very dramatic and important, Coloplast only mentions the existence of the problems with its mesh products in its annual

report, but not in its CRR, which is the document that includes almost all IC indicators. Furthermore, Coloplast did not disclose, in comparison to the two other companies, an IC indicator that reflects that tragic event in its CRR and thus one has to read the Coloplast annual report that is overloaded with financial data for coming into the possession of the information that there are litigations against the company because of its mesh products. Moreover, by looking at the Coloplast IC indicators that the company created for its end-users, all IC indicator values represent positive developments from 2010 to 2012 and represent the company as a very trustworthy organization. In the cases of Novo Nordisk and Novozymes, both companies created IC indicators that represent negative events. Novo Nordisk created the IC indicator “Warning letters and re-inspections” that shows that the company received a warning letter issued by the FDA (Novo Nordisk annual report 2012, 2012). The warning letter got issued after the FDA discovered an aseptic Novo Nordisk facility (Novo Nordisk annual report 2012, 2012). Nonetheless, it is very questionable, whether the indicator attracts the attention of end-users and employees, because Novo Nordisk designed a lot of IC indicators that represent positive information concerning end-user and employee related issues. Furthermore, the indicator “Warning Letters and re-inspections” implies only an increase by the value 1, which has the consequence that the reader of the IC indicators would simply ignore and skip that indicator without knowing that a tragic event is hidden behind that indicator. The second negative event that Novo Nordisk revealed is the lay-off of 350 employees, but also that negative event gets disguised and will probably not attract the attention of the readership, since the majority of IC indicators that belong to the category of employee related issues represent positive information. Interestingly, Novo Nordisk even revealed the information that the company created two new IC indicators, namely “Working the Novo Nordisk Way (employee assessment)” and “Business ethics assurance activities” (Novo Nordisk annual report 2012, 2012). Thereby, the creation of two new IC indicators contributes, even to a higher extent, to the distraction from the lay-off of the 350 employees, due to the fact that the two new indicators increase the amount of employee related IC indicators and both indicators do not represent negative developments.

In the case of Novozymes, it can be stated that Novozymes also revealed negative news in the way that the company mentions in its annual report the occurrence of a fatal accident. Moreover, the company created an IC indicator called “Fatalities” (The Novozymes Report 2012, 2012) which represents that accident. Furthermore, the company disclosed a large amount of IC indicators that measure Novozymes performance concerning employee related issues and also here the majority of IC indicators represents positive developments, so that there is a high probability that the IC indicator “Fatalities” gets overlooked. Therefore, I have the suspicion that Novozymes did not disclose so many IC indicators in its annual report 2012 with the intention to measure its performance with regard to employee related issues, but to distract from the occurrence of the tragic event that has the potential to create a lack of trust among stakeholders in the way that it might create the image that Novozymes does not care about the safety of its employees and about the compliance with ethical standards. Interestingly, the other IC indicators in the category of employee related

issues that report on health and occupational safety, namely “Occupational accidents with absence”, “Occupational diseases” and “Frequency of occupational diseases”, represent Novozymes as a very safe working place and, hence, these indicators contribute to the distraction from the news about the terrible accident. Furthermore, due to the fact that Novozymes and Novo Nordisk disclosed IC indicators that represent negative corporate news, no one can accuse them that they try to hide important and valuable information. On the contrary, both companies show through the disclosure of those indicators more openness, which results to the creation of more trust among stakeholders (Maltby, 1997).

Eventually, after the analysis of the IC indicators, it can be stated that all three companies use the concepts of accountability and transparency with the help of the design and the disclosure of IC indicators to avoid the potential danger of the occurrence of a lack of trust. IC indicators serve thereby as tools that distract stakeholders' attention from negative company news. Furthermore, IC indicators contribute to the creation of a trustworthy reputation in the way that the majority of the IC indicators from the tables, that got presented in the second part of the analysis, represent the three companies as very trustworthy organizations, so that their key stakeholders have a reason to trust Novo Nordisk, Novozymes and Coloplast, because IC indicators serve as mechanisms that ensure stakeholder engagement and dialogue (Marr et al., 2003) and thus key stakeholders have, based on the provided information, a reason to trust the three sample companies (Swift, 2001).

Eventually, the discussion section ends with the statement that based on the findings from the analysis can be stated, that more transparency and accountability do not necessarily imply only advantages for the reader of IC indicators, because, as the analysis tried to prove, the concepts of accountability and transparency can be misused in a way that managers disclose more and more IC indicators, which produce an overload of “management driven” information (Nielsen & Madsen, 2009) with the main purpose to create a trustworthy company reputation (Swift, 2001). Moreover, an overload of especially positive information leads to the distraction (Brown & Deegan, 1998; Lindblom 1994) and disguise of negative news and relevant as well as valuable information might even get lost. Insofar, more and more accountability with the help of IC indicators, that actually shall ensure transparency, leads paradoxically to the opposite, namely a lack of transparency (Nielsen & Madsen, 2009) in the sense that the reader gets lost in a jungle of numbers. The danger for companies such as Novo Nordisk, Coloplast and Novozymes by misusing the concepts of accountability and transparency through the disclosure of more and more management driven information (Nielsen & Madsen, 2009) that mainly represents positive information concerning key stakeholder related issues, is that companies might start to misrepresent themselves with the result that, if the misrepresentation gets discovered by stakeholders, it can lead to a damage of their trustworthy reputations (Fombrun & Rindova, 1999) and suddenly companies become their own victims of transparency and accountability. Therefore, it is the responsibility of the managers of every company not to misuse accountability and transparency with the help of IC indicators, if we just want to be the witnesses of a financial crisis, but not

the witnesses of an intellectual capital crisis, based on no trust in iconic corporate brands such as Novo Nordisk, Novozymes and Coloplast.

8. Conclusion and Recommendations for Future Research

As discussed in the previous section, the Master thesis gives a variety of answers to the above stated research question. First of all, Novo Nordisk, Novozymes and Coloplast provide a basic set of IC indicators as a response to regulatory bodies' distrust, which is expressed through institutional mechanisms that shall ensure an "artificial trust" (Blois, 1999; Swift, 2001). That kind of artificial trust shall be ensured through the provision of information (Swift, 2001) about corporate behaviour with regard to certain issues. The provision of corporate information reduces thereby, regulatory bodies' suspicions and establishes confidence of regulators in the way that they can rely on the predictability (Zucker, 1986) that three companies confirm with regulations and take regulatory bodies' concerns seriously. As a consequence of regulatory bodies' distrust, companies provide a basic set of IC indicators for the provision of information that shows that Novo Nordisk, Coloplast and Novozymes are aware of those concerns. Therefore, the provision of a basic set of IC indicators has the main purpose to transform regulatory bodies' distrust into a lack of distrust, which shall ensure the avoidance of punishments and the maintenance of organizational legitimacy.

However, regulators and regulatory frameworks cannot observe every aspect of corporate behaviour (Stone, 1975), insofar, after the provision of a basic and common set of IC indicators that ensures the establishment of a lack of distrust among regulatory bodies, the three sample companies start to change their focus by providing soft accountability in the way that they voluntarily disclose IC indicators that have the potential to create trust among their most important primary stakeholders (Gray et al., 1997). Exactly here starts the Master thesis to support the huge amount of critics against the provision of soft accountability (Owen et al., 2000; Swift, 2001) in the way that, the Master thesis proved that the three sample companies use IC indicators as tools for influencing stakeholders' perceptions with the goal to create a trustworthy reputation. Thereby, the primary target groups with regard to the disclosure of IC indicators are the companies' key stakeholders, because key stakeholders are due to their attributes of power, legitimacy and urgency (Mitchell et al., 1997) in a position, in the case of the occurrence of a potential lack of trust, to influence (Savage et al., 1991) the wellbeing and the achievement of a company's goals (Berman et al., 1997; Brugha & Varvasovzsky, 2000; Bryson, 2004).

Therefore, Novo Nordisk, Novozymes and Coloplast use IC indicators as stakeholder dialogue tools that shall ensure accountability and transparency for redeeming a lack of trust. IC indicators reduce the probability of the occurrence of a lack of trust through the distraction from negative company news (Williams, 2001) and through the creation of a trustworthy reputation in the way that IC indicators represent the three companies in a very trustworthy light with regard to issues and focus areas that, according to the managers' perceptions, are of key stakeholders' interests, so that their key stakeholders have a reason to trust these organizations based on the information that the IC indicators provide (Swift, 2001). Therefore, the

Master thesis supports previous researches that underline the fact that organisations create and maintain trust through interactions with other stakeholders (Morgan & Hunt, 1994; Doney & Cannon, 1997). Another interesting finding is that the IC indicators, which the three sample companies disclose for their key stakeholders, mainly reflect positive developments and the few IC indicators that represent negative and even dramatic news get probably skipped and might even get lost among the large amount of IC indicators that represent positive company information with regard to their key stakeholders' interests. Therefore, another answer to the research question includes a paradox, namely, the three sample companies use IC indicators, that actually shall provide accountability and hence ensure transparency, for achieving exactly the opposite, namely insofar that the provision of more and more management driven information (Nielsen & Madsen, 2009) through the disclosure of IC indicators, not only has the effect that managers present their companies in a very trustworthy light, but that it also results to the creation of an information overload that creates a lack of transparency (Nielsen & Madsen, 2009) for disguising and distracting from negative company news (Deegan & Rankin, 1996; Lindblom, 1994; Williams, 2001) that might have the potential to create a lack of trust among stakeholders.

Therefore, the Master thesis concludes with the statement that in order to fight distrust and to create a trustworthy reputation, Novo Nordisk, Coloplast and Novozymes use and even misuse the concepts of accountability and transparency through the disclosure of IC indicators, whereby the victim of this process is the reader (e.g. key stakeholders) of IC statements, insofar that they become instead of the beneficiaries of transparency and accountability, suddenly the victims of both concepts (Nielsen & Madsen, 2009).

In alignment with this Master thesis, future research should attempt to prove the findings of the Master thesis by investigating, how, with a strategy shift and a shift in the focus on stakeholders, the IC disclosure behaviour of the three companies concerning the new key stakeholders changes and what kind of IC indicators get disclosed for the creation of trust among these new key stakeholders? Moreover, the sample size was limited to only three companies. Future research could either change the sample companies or expand the range of the sample size for proving, if the same findings can be made by investigating more and different companies from other business sectors, where the quality of the products is more obvious and where the product does not have an impact on end-users health. Such companies could be for instance, organizations within the automobile or the airline industry. However, it is necessary to further prove the findings by analyzing the IC indicators of other companies, since the sample size of this Master thesis was, due to a limit of space, narrowed down to only three sample companies. Therefore, further investigations are necessary before the results can be applied for other publicly listed companies.

Lastly, future research could also investigate what kind of IC indicators do companies disclose and share in the case of the promulgation of new regulations by the EU or the Danish government.

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