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Legitimizing Negative Aspects in GRI-Oriented Sustainability Reporting: A Qualitative Analysis of Corporate Disclosure Strategies

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Aims and scope

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Abstract

Corporate sustainability reports are supposed to provide a complete and balanced picture of corporate sustainability performance. They are, however, usually voluntary and thus prone to interpretation and even greenwashing tendencies. To overcome this problem, the Global Reporting Initiative (GRI) provides standardized reporting guidelines challenging companies to report positive and negative aspects of an organization's sustainability performance. However, the reporting of "negative aspects" in particular can endanger corporate legitimacy if perceived by the stakeholders as not being in line with societal norms and values. Starting from the theoretical lenses of economics-based disclosure theories and socio-political theories of disclosure, the focus of this study therefore was to analyze the communicative legitimation strategies companies use to report “negative aspects,” i.e., negative ecological and social impact caused by corporate activity. Using qualitative content analysis of GRI-oriented sustainability reports from companies listed on the US Dow Jones Industrial Average Index and on the German DAX Index, we identified six legitimation strategies. We discuss these strategies regarding to symbolic and substantial management of legitimacy. We show that symbolic legitimation strategies aiming at modifying the perception of legitimizing stakeholders dominate in the reports at hand. Such persuasion, however, does not meet the requirement of impartiality as postulated by the GRI guidelines. Building upon this conclusion we propose a concise characterization of “negative aspects” and develop a GRI-compliant schema of reporting about them. In doing so, we offer a way to improve the overall “balance” of sustainability reporting contributing to a true and fair view in sustainability disclosure.

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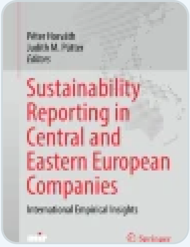

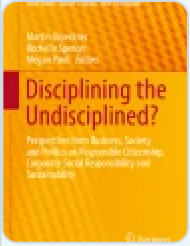

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Notes

1. Corporate reports on non-financial issues offer plenty of labels, such as Corporate Citizenship Report, Corporate (Social) Responsibility Report, Sustainable Development Report, Sustainable Value Report, and Sustainability Report, while all referring to the same issues. We use the aforementioned terms interchangeably to reflect the reality of corporate non-financial reporting (see Table 3 in Appendix). This handling of terms is backed by recent characterizations of corporate sustainability and CSR that are gradually converging (see, e.g., Hahn 2011). Dyllick and Hockerts (2002) define corporate sustainability as "meeting the needs of a firm's direct and indirect stakeholders […], without compromising its ability to meet the needs of future stakeholders as well" (p. 131). To achieve this goal, they note that companies need "to maintain their economic, social, and environmental capital base" (p. 132). Similarly, the European Commission (2011), for example, defines CSR as "the responsibility of enterprises for their impacts on society […] to integrate social, environmental, ethical, human rights, and consumer concerns into their business operations and core strategy" (p. 6). The International Organization for Standardization (2010) characterizes it as the "responsibility of an organization for the impacts of its decisions and activities on society and the environment" (p. 3) while directly referring to the maximization of the contribution to sustainable development as the "overarching objective for an organization" (p. 10).

2. I.e., offering a picture of the reporting company that provides comparative truth by complying with all relevant accounting principles. For a historical overview in financial reporting see Georgiou and Jack (2011) or Chambers and Wolnizer (1991).

3. We computed the liberal Holsti coefficient of reliability with 0.86 and the more conservative Krippendorff's alpha with 0.834 (Krippendorff 2004).

4. According to the GRI, "relevant topics and Indicators are those that may reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which topics or Indicators become sufficiently important that they should be reported" (GRI 2011, p. 8).

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Appendix

See Table 3.

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