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Determinants of corporate risk disclosure in large Spanish companies: a snapshot

Determinantes de la divulgación de riesgos corporativos en empresas españolas grandes: una aproximación

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Abstract

Improvements in risk disclosure have been an important part of the corporate governance reforms. This paper is intended to identify the factors that explain the extent to which a sample of 35 listed Spanish firms disclose risk-related information. This study focuses on the risk disclosures made in the corporate governance reports during the year 2009. Using the content analysis technique an index was developed in order to assess the amount and quality of the risk information disclosed by Spanish companies. Several characteristics were selected and their influence on the level of risk disclosure was tested empirically. Results indicate that sector and risk level are positively related to the extent of corporate risk disclosures. This study adds to the international research on risk disclosure by extending the scope of the current understanding of risk reporting practices and their determinants. The findings could be especially useful for regulators and policy-makers in order to enhance risk disclosure and to improve transparency.

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Keywords: Corporate governance; Risk reporting; Content analysis; Stakeholders

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Resumen

Las mejoras en la divulgación de información sobre riesgos constituyen una parte importante de las reformas sobre gobierno corporativo. El objetivo de este artículo es identificar los factores que explican el grado en el que 35 empresas españolas que cotizan en Bolsa divulgan información relacionada con los riesgos. El estudio considera la divulgación sobre riesgos que las empresas hacen por medio de los informes de gobierno corporativo del año 2009. Utilizando la técnica del análisis de contenido, se desarrolló un índice con el fin de evaluar la cantidad y la calidad de la información sobre riesgos divulgada por las empresas españolas. Distintas características fueron seleccionadas y su influencia en el nivel de divulgación sobre riesgos fue probada empíricamente. Los resultados indican que el sector y el nivel de riesgo están positivamente relacionados con el grado de divulgación corporativa sobre riesgos. Este estudio contribuye a la investigación internacional sobre riesgos al extender el entendimiento sobre las prácticas de divulgación sobre riesgos y sus determinantes. Los resultados pueden ayudar a los reguladores y a los emisores de normas con el objeto de fomentar la divulgación sobre riesgos y mejorar la transparencia.

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Palabras clave: Gobierno corporativo; Divulgación sobre riesgos; Análisis de contenido; Stakeholders

Introduction

The financial scandals that have occurred in recent decades have generated a certain level of mistrust towards companies by stakeholders. As a result, stakeholders' demands for more and better corporate information have increased (Boesso & Kumar, 2007). Interest in corporate information has increased not only among traditional users, but it has also spread to new users who demand clear, relevant and timely information related to both their financial performance and also to other facets of their activity, especially those related to their social dimension and corporate risks.

Improvements in risk disclosure play an important role in protecting stakeholders' interests and, accordingly, they are an important part of the corporate governance reforms (Solomon, Solomon, Norton, & Joseph, 2000). At the same time, in order to generate trust and gain social legitimacy, firms have responded to the increasing stakeholders' pressures by voluntarily disclosing a greater amount of risk-related information (Abraham & Cox, 2007). The aim of this paper is to identify the determinants of corporate risk disclosure by adopting the theoretical postulates of the stakeholder theory as explanatory arguments of the influence of such factors.

The rest of the paper is organized as follows: following the literature review, the construction of the hypotheses on the impact of several factors on the level of risk information disclosed by Spanish companies is presented. The research design is exposed in the third section. Results are presented and discussed in the fourth section. The final section summarizes the main conclusions of the study with a brief discussion on its implications for future research.

Background and hypotheses

Previous studies related to risk disclosure

Corporate risk disclosures may be part of an organizational strategy in order to manage public expectations and to justify corporate risk management (Power, 2007; Gabillon & Gabillon, 2012).

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