



Organized hypocrisy, organizational façades, and sustainability reporting



Charles H. Cho^{a,*}, Matias Laine^b, Robin W. Roberts^c, Michelle Rodrigue^d

^a ESSEC Business School, 1 Avenue Bernard Hirsch, CS 50105 Cergy, 95021 Cergy Pontoise Cedex, France

^b School of Management, 33014 University of Tampere, Tampere, Finland

^c Kenneth G. Dixon School of Accounting, University of Central Florida, 4000 Central Florida Blvd, Orlando, FL 32816-1400, USA

^d École de comptabilité, Faculté des Sciences de l'Administration, Université Laval, Pavillon Palasis-Prince, 2325 rue de la Terrasse, Québec, Québec G1V 0A6, Canada

ABSTRACT

Sustainability discourse is becoming ubiquitous. Still, a significant gap persists between corporate sustainability talk and practice. Prior research on corporate sustainability reporting has relied primarily on two competing theoretical framings, signaling theory and legitimacy theory, which often produce contradictory results regarding the significance and effects of such disclosures. Thus, despite this substantial body of research, the role that sustainability disclosures can play in any transition toward a less unsustainable society remains unclear. In an effort to advance our collective understanding of voluntary corporate sustainability reporting, we propose a richer and more nuanced theoretical lens by drawing on prior work in organized hypocrisy (Brunsson, 1989) and organizational façades (Abrahamson & Baumard, 2008; Nystrom & Strabuck, 1984). We argue that contradictory societal and institutional pressures, in essence, require organizations to engage in hypocrisy and develop façades, thereby severely limiting the prospects that sustainability reports will ever evolve into substantive disclosures. To illustrate the use of these theoretical concepts, we employ them to examine the talk, decisions, and actions of two highly visible U.S.-based multinational oil and gas corporations during the time period of significant national debate over oil exploration in the Alaskan National Wildlife Refuge. We conclude that the concepts of organizational façade and organized hypocrisy are beneficial to the sustainability disclosure literature because they provide theoretical space to more formally acknowledge and incorporate how the prevailing economic system and conflicting stakeholder demands constrain the action choices of individual corporations.

© 2014 Elsevier Ltd. All rights reserved.

Introduction

The expansion of human societies and economic activities is exceeding the ecological boundaries of our planet (IPCC, 2014; Rockstrom et al., 2009). Sustainability is, for instance, now a regular feature in high profile business

meetings and global leader summits. Simultaneously, however, an interlinked debate exists concerning the role global business can play in the aspired transition toward a less unsustainable future (e.g., Bansal & Hoffman, 2012; Bebbington & Larrinaga, 2014; Bebbington, Unerman, & O'Dwyer, 2014; Jackson, 2009). The spread of social and environmental issues into the corporate boardrooms is perhaps most noticeable through corporate sustainability reporting practices, which have in recent years diffused swiftly and become institutionalized as one element of the information stream produced by commercial

* Corresponding author.

E-mail addresses: cho@essec.edu (C.H. Cho), matias.laine@uta.fi (M. Laine), rroberts@ucf.edu (R.W. Roberts), michelle.rodrigue@fsa.ulaval.ca (M. Rodrigue).

organizations. Despite the influx of sustainability talk, the global environmental indicators show a constant decline in the state of the natural environment (Milne & Gray, 2013). A significant gap between corporate sustainability discourse and its practice continues to persist (Malsch, 2013; Spar & LaMure, 2003).

This tension between sustainability discourse and practice spawned extensive analyses of corporate voluntary sustainability disclosure and reporting, often generating contradictory conclusions (e.g., Archel, Husillos, & Spence, 2011; Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012; Milne & Gray, 2013; Unerman & Chapman, 2014). Proponents of sustainability reporting support its potential to make corporations more accountable and transparent about their social and environmental impacts (see Bebbington, Unerman, & O'Dwyer, 2014). The claims expressed in sustainability reports are viewed, at the very least, as credible voluntary signals to the market that these corporations are proactively managing social and environmental risks (Malsch, 2013). Critics question voluntary sustainability reporting because it tends to be limited in scope (Jupe, 2007; O'Dwyer, Unerman & Hession, 2005), disingenuous (Aras & Crowther, 2008), and utilized as a legitimacy tool (Cho, Michelon, & Patten, 2012; Milne & Gray, 2007). Moreover, the argument exists that corporations do not walk the sustainability talk, resulting in sustainability reports consisting largely of spurious claims and unmet commitments rather than signaling rational plans and actions that address substantive concerns (e.g., Adams, 2004; Boiral, 2013; Patten, 2012). A significant body of research suggests that companies engage in social and environmental reporting mainly to secure their own position and private interests (e.g., Cho, 2009; Milne & Gray, 2013; Tinker & Neimark, 1987). Accordingly, legitimacy or reputational threats tend to drive sustainability reporting decisions, with corporate management being most concerned with deflecting, obfuscating, or rationalizing their relatively poor social and environmental performance (Cho, Roberts, & Patten, 2010).

In this paper, we argue that while sustainability reporting research can continue to glean new insights from the broad theoretical lenses of signaling theory and legitimacy theory,¹ our collective attempts to understand voluntary corporate sustainability reporting can be moved forward by examining sustainability reporting through a richer and more nuanced theoretical lens. Richer by acknowledging the likelihood that sustainability reports overreach in their claims, yet also may report honestly on the implementation of corporate social responsibility plans that differentiate them from other corporations in their industry. More nuanced by acknowledging the significant limitations of market reforms and the potential for regulatory capture by corporate interests (Archel et al., 2011; Malsch, 2013), and by allowing space for corporate maneuvers which could ultimately

improve corporate social and environmental stewardship. For example, Christensen, Morsing, and Thyssen (2013) argue that discrepancies between corporate talk and actions might actually be beneficial and should therefore be tolerated. They maintain that such aspirational talk can serve as an avenue through which organizations stay motivated in their explorations of a less unsustainable future.

Our paper's overarching purpose concerns the significance that corporate voluntary sustainability reporting can have in attempts to solve contemporary social and environmental problems (IPCC, 2014; Raworth, 2012; Rockstrom et al., 2009). More specifically, our interest is in discussing the broader role structural factors have on the content of sustainability disclosures, particularly as they relate to expectations regarding the congruence between corporate talk and corporate action. In order to explore this issue systematically, we draw on Brunsson's model of organized hypocrisy (1989, 1990, 1993, 2002, 2007) and related research (e.g., Christensen et al., 2013; Lipson, 2007), as well as on prior research on organizational façades (Abrahamson & Baumard, 2008; Nystrom & Strabuck, 1984). Organized hypocrisy attempts to explain the discrepancies between a corporation's talk, decisions, and actions, and how these discrepancies may allow corporations flexibility in their management of conflicting stakeholder demands. Research on organizational façades moves beyond a model of a unitary façade, setting forth the notion that rational, progressive, or reputation façades might serve organizational purposes beyond societal legitimacy (Abrahamson & Baumard, 2008). By utilizing the concepts of organizational façade and organized hypocrisy, the sustainability disclosure literature moves beyond its usual focus on signaling, or legitimacy and impression management by more formally acknowledging and incorporating constraints on an individual corporation's action choices given the current economic system. Further, these two concepts, when taken together, raise the possibility that incongruence between a corporation's talk and its actions may generate beneficial consequences for a broad set of organizational stakeholders.

To illustrate the use of these theoretical concepts, we present an empirical example of the application of these two concepts. To achieve this, we explore the talk, decisions, and actions of two highly visible U.S.-based multinational oil and gas corporations during the time period of significant national debates over allowing oil exploration and drilling in the Alaskan National Wildlife Refuge (ANWR). This study qualitatively analyzes the annual reports, stand-alone sustainability reports, website disclosures and shareholder resolutions during the deliberation period of the ANWR Bill.² The ANWR provides us a suitable research setting as the debate juxtaposes incommensurable issues such as protecting the biodiversity in fragile environments, respecting the human rights of Alaskan Aborigines,

¹ We contrast signaling theory and legitimacy theory understanding that there are many applications of these theories that are labeled differently within social and environmental accounting research. In this study, signaling theory represents work also characterized as voluntary disclosure and incremental accounting information research. Legitimacy theory also relates to work in impression management.

² The Arctic National Wildlife Refuge (ANWR) Bill (also known officially as the *American-Made Energy and Good Jobs Act*) is a piece of legislation passed to provide a platform to explore and develop hydrocarbon-based resources in the Arctic National Wildlife Refuge area, thus resulting in the creation of a potential boost in the economy (THOMAS, 2009).

Download English Version:

<https://daneshyari.com/en/article/878562>

Download Persian Version:

<https://daneshyari.com/article/878562>

[Daneshyari.com](https://daneshyari.com)