2024-09-02

Enhancing corporate transparency: How ESG disclosure on corporate websites reveals corporate visibility

Christopher Agyapong Siaw *Plymouth Business School*

Waqas Ali *Plymouth Business School*

Wai Mun Lim *Plymouth Business School*

Enhancing corporate transparency: How ESG disclosure on corporate websites reveals corporate visibility.

This developmental paper seeks to examine how the complex interplay between the qualitative and quantitative dimensions of environmental, social and governance (ESG) information disclosures on corporate websites reveal corporate visibility to stakeholders. Increasingly, organizations are adopting digital platforms to disclose ESG information to diverse stakeholders. Whilst digital platforms empower organizations to control the quality and quantity of ESG information disclosure, there is limited empirical research on how such disclosures on digital platforms reveal corporate visibility to stakeholders. This paper seeks to establish a conceptual foundation for subsequent empirical research to be conducted through a content analysis of ESG disclosures on corporate websites. The study seeks to contribute to corporate transparency and accountability research by providing empirical measures of the qualitative and quantitative dimensions underlying ESG disclosures on corporate websites, and how the interplay between the qualitative and quantitative dimensions reveals corporate visibility to stakeholders.

Track – 30: Sustainable and Responsible Business

Word count (excluding tables and references) – 2,179.

Introduction

The relationship between corporate transparency and accountability remains one of the most important subjects for scholars in organization and management research (Albu and Flyverbom, 2019; Bernstein, 2017). One school of thought believes that when firms demonstrate broader and deeper transparency by disclosing more information, it enables stakeholders to hold companies accountable more effectively for ethical business practices (e.g., Cucciniello, Porumbescu, and Grimmelikhuijsen, 2017; Schnackenberg and Tomlinson, 2016; Whittington and Yakis-Douglas, 2020). However, other scholars argue that transparency based on information disclosure only succeeds in creating incomplete accountability because information disclosure in any form (e.g., quality or quantity) opens-up a demand for greater transparency in information disclosure (Hansen and Flyverbom, 2015; Hansen and Weiskopf, 2019; Heimstädt, 2017; Ringel, 2019). Although both perspectives contribute to the understanding of corporate visibility management (Flyverbom, 2020), the search for accountability with information disclosure has become a double-edged sword, which neither appreciates nor encourages information disclosure.

This study departs from the information "gap-hunting" approach between transparency and accountability and examines how the complex interplay between the quality and quantity of ESG information disclosure reveals corporate visibility. Corporate visibility explains the extent to which an organization's behaviour can be observable to external stakeholders (Yu, Lo and Li, 2017). Corporate visibility plays an important role in minimizing information asymmetries between organizations and their stakeholders (Brammer and Millington, 2006; Dawkins, and Fraas, 2011). Research shows that ESG disclosure enables organizations to strengthen their visibility and achieve legitimacy among stakeholders (Chiu and Sharfman, 2011; McWilliams et al., 2006; Wu, Liang and Zhang, 2019).

In recent times, digital transformation has made digital platforms preferable for organizations to disclose ESG information because of organizational control of the quality and quantity of information visible to their stakeholders (Du and Vieira 2012; Flyverbom, 2019; Tagesson et al., 2009). However, critics argue that digital platforms enable organizations to create information blind spots, invisibility and to some extent, less transparency (Zyglidopoulos and Fleming 2011), or use more information to distract stakeholders from the issues that matter (Leonardi, Stohl and Stohl 2016). Yet, there is limited empirical research on how the relationship between the quality and quantity of ESG disclosure on digital platforms explains corporate visibility.

This study examines how the complex interplay between the qualitative and quantitative dimensions of ESG disclosure on corporate websites reveals intra-organizational and inter-organizational visibility. Whereas intra-organizational visibility explains how ESG information disclosure makes the organization noticeable to different stakeholders, inter-organizational visibility explains how ESG information disclosure makes an organization more/less noticeable compared with other organizations, especially in the same sector. Intra-organizational visibility is important to understand ESG transparency because ESG disclosure requires organizations to manage the coexistence of environmental and social concerns alongside economic, legal, and technological considerations, which often demands simultaneous attention in organizations (Christensen, Thyssen and Morsing, 2010). However, inter-organizational visibility is important for transparency because benchmarking of an organization's ESG with other organizations can foster a competitive environment among businesses and serve as a motivation to enhance ESG transparency (Lee and Kohler, 2010).

Yet existing research on intra-organizational information disclosure considers quality of the information based on disclosure, clarity and accuracy of the information and ignores inter-organizational dimensions of the disclosure (Albu and Flyverbom 2019; Schnackenberg and

Tomlinson, 2016; Schnackenberg, Tomlinson and Coen 2021). Although this approach emphasizes qualitative dimensions, information redundancy may occur if the disclosure is perceived as unclear or inaccurate. This may lead to less transparency because of what stakeholders expect to hear rather than how much information organizations can disclose.

However, research on inter-organizational information disclosure emphasize ranking of organizations based on quantification of information to enhance corporate transparency (Gray and Kang 2014; Hansen and Flyverbom 2015; Hansen 2015; 2023). Such quantification assumes that the same standards of information disclosure apply to all organizations equally. However, research shows that the average organization in high-impact sectors such as mining or oil and gas, may be expected to disclose greater quantity of ESG information compared with organizations in low impact sectors (Song, Wen, and Ferguson 2020). Thus, benchmarking of quantity of information disclosure across organizations must be anchored on the quality of ESG disclosure by specific organizations to make informed conclusions.

By examining how the complex interplay between the qualitative and quantitative dimensions of ESG disclosure on corporate websites reveals corporate visibility, this research advances intra- and inter-organizational visibility as a paradigm shift to the understanding of the role of ESG information disclosure in corporate transparency. In particular, the study shows that rather than anchoring transparency only on the qualitative dimensions of an organization's disclosure (e.g., Albu and Flyverbom 2019; Schnackenberg and Tomlinson, 2016; Schnackenberg et al., 2021), transparency must be anchored on the inter-organizational benchmarking of those qualitative dimensions in the context of the disclosure to arrive at a more objective representation of an organization's transparency. Conversely, rather than using only quantitative metrics to rank organizational transparency (Hansen and Flyverbom 2015; Hansen 2015; 2023), those metrics must be anchored on the qualitative dimensions of an organization's disclosure to reflect organization-specific transparency performance.

This study seeks to contribute by suggesting that although the quality of an organization's ESG disclosure may be perceived as clear, and accurate, the information may be narrowed to what stakeholders expect to know from the organization, rather than how much information the organization can disclose. This leads to less transparency. Conversely, although an organization's ESG disclosure may be perceived as unclear and inaccurate, the disclosure may offer broader and deeper quantity of information that opens avenues for companies to be held more accountable.

Conceptual Foundations – Transparency and Information Assessment

Extant research has identified quality and quantity of information disclosure as two main conditions required to achieve transparency as information verifiability and visibility (Albu and Flyverbom 2019). The former tends to view transparency from information relevance perspective through an open disclosure of information with clarity and accuracy (Schnackenberg and Tomlinson, 2016; Schnackenberg et al., 2021). From this perspective, organizations must select, curate, and deliver timely information to relevant stakeholders to reflect on the organizational realities through, for instance, CSR reporting (e.g., Dubbink, Graafland and Van Liedekere, 2008; Kim and Ferguson, 2014). Such disclosures may be required for regulatory compliance (García-Sánchez, Frías-Aceituno and Rodríguez-Domínguez, 2013; Karaiskos et al., 2019) customer appeasement (Font et al., 2017), investor appeasement, or business certification (Kim and Lyon 2015). The qualitative approach to information disclosure has been criticized for lack of openness (Gray, 2006; Joensuu, Koskela and Onkila, 2015), or cherry-picking favourable information to blindfold stakeholders (Drucker and Gumpert, 2007; Lamming, Caldwell and Harrison, 2004). While these criticisms may be legitimate, they are mostly directed at organizations making the disclosure rather than at the external stakeholders to whom the disclosure is made. When stakeholders have defined expectations, organizations may disclose information only to meet those expectations. Accordingly, accusing organizations of lack of openness may be too harsh until the information disclosure to diverse stakeholders has been examined in a context where the disclosure is universally available to all stakeholders.

The latter condition tends to view information disclosure from a quantitative perspective in which qualitative information is quantified to arrive at rankings that enhance corporate transparency (Gray and Kang 2014; Hansen and Flyverbom 2015; Hansen 2015; 2023). From this perspective, corporate information disclosure for transparency is not necessarily defined by the organizational realities per se (Fernandez-Feijoo, Romero and Ruiz, 2014; Madsen, 2009). Rather, it is defined by a commensuration approach that compares organizations according to common metrics (Déjean et al., 2004; Espeland and Stevens, 1998). Although this approach offers objective attributes of information disclosure to assess transparency, it assumes that such common metrics of information assessment apply to organizations equally. Thus, the quantitative approach alone obscures the qualitative dimensions underlying an organization's disclosures.

Scholars have called for the use of big data and algorithms on digital platforms because it may integrate qualitative and quantitative information and afford dynamic engagement with stakeholders instead of the quantitative rankings that remain fixed until the ranking agencies update them (Hansen and Flyverbom 2015). According to Hansen and Flyverbom (2015) algorithms empower stakeholders with limited information analytical skills to re-use digital information by adding new levels of data or (in)validating data across relevant sources. However, these algorithms remain rarely accessible to stakeholders and therefore makes it challenging to assess the appropriateness of the sources of qualitative information and quantitative metrics used to generate transparency.

Stakeholder theory, corporate visibility and ESG disclosure on corporate websites

Stakeholder theory has become one of the key theories for organization consideration when taking any decision or action, which have implications for stakeholder interest (McWilliams and Siegel, 2001). According to the stakeholder theory, organizations must develop an understanding and response to relevant groups or individuals who can affect and be affected by the achievement of the organization's objectives (Freeman 1984; Phillips, Freeman, and Wicks 2003). Contrary to the traditional pursuit of corporate profitability and shareholder value by organizations in the past (Friedman 1970; Jensen and Meckling 1976), stakeholder theory acknowledges the broader implications of organizational activities on stakeholders for which the organization is held morally liable (Greenwood 2007; Greenwood and van Buren 2010). Thus, stakeholder theory has become a dominant theory to explain organizational engagement with its stakeholders (O'Riordan and Fairbrass 2013).

As an aspect of stakeholder engagement, research has shown that organizations engage in a trade-off between investing in ESG disclosure and media visibility to manage their visibility to stakeholders (Gonçalves and Gaio 2023). In disclosing ESG for corporate visibility to stakeholders, scholars emphasize the need for organizations to demonstrate consistency towards diverse internal and external stakeholders (Alshammari et al., 2020; Gardberg and Fombrun, 2006), while highlighting voluntary and mandatory ESG disclosures (Gardberg and Fombrun, 2006; Hassan 2018; Huang and Kung, 2010; Yu, et al., 2017).

In recent times, the growing digital transformation has enabled stakeholders to observe organizations through quality and quantity of information visible on digital platforms (Flyverbom, 2019). As a result, organizations engage stakeholders through dialogue on social media platforms (Okazaki, et al., 2021; Okazaki et al., 2020) or build online hyperlink networks with partner stakeholders across sectors to respond to and manage salient issues (Yang and Liu 2018) in ways that facilitate social and partnership legitimacy (Yang, and Ji, 2019). Considering that information on social media and other third-party platforms are uncontrollable by the organizations, organizational visibility may be limited by consensus between the organization and its stakeholders (Illia et al., 2023).

Organizations may resort to corporate websites to reveal their visibility as result of the controllability of the quality and quantity of information on the website (Siaw, Lie and Govind 2022). Additionally, corporate websites are highly accessible and can provide rich and diverse content to address issues of interest to different stakeholders (Du, and Vieira, 2012). Further, the hypertextuality and multimodality features of webpages makes it easier for organizations to incorporate different ESG information on the same website (Malavasi, 2017). Unlike CSR or sustainability reports whose content are always restricted to a single year’s performance, corporate website ESG disclosure tends to take a broader view beyond a single year’s performance (Tagesson et al., 2009). In addition to stakeholder engagement, organizations may use ESG disclosure on corporate website as a signal to distinguish their ESG performance when it is profitable and external stakeholders can distinguish between good and bad ESG performers (Utgård, 2018). Accordingly, ESG disclosure on corporate website may reveal intra-organizational visibility (to diverse stakeholders) and inter-organizational visibility (compared to other organizations).

Despite the significant role ESG disclosure on corporate websites plays in understanding corporate visibility, there is limited research in this area. This developmental study seeks to conduct a content analysis of how the complex interplay between the qualitative and quantitative dimensions of ESG disclosure on corporate websites reveals corporate visibility, by answering the following research questions:

RQ1: What are the qualitative and quantitative dimensions underlying corporate ESG disclosures on corporate websites?

RQ2: How do the qualitative and quantitative dimensions of ESG disclosure on corporate websites vary in relation to each other?

RQ3: To what extent does the relationship between the qualitative and quantitative variables reveal intra-organizational and inter-organizational visibility?

Next steps

Empirical research through a content analysis of ESG disclosures on corporate websites will be conducted to answer the above questions for a journal publication.

References

Al-Shammari, M.A., Al-Shammari, H. and Banerjee, S.N., 2022. CSR discrepancies, firm visibility and performance: a mediated moderation analysis. Management Decision, 60(6), pp.1560-1584.

Albu, O.B. and Flyverbom, M., 2019. Organizational transparency: Conceptualizations, conditions, and consequences. Business & society, 58(2), pp.268-297.

Bernstein, E.S., 2017. Making transparency transparent: The evolution of observation in management theory. Academy of Management Annals, 11(1), pp.217-266.

Brammer, S. and Millington, A., 2006. Firm size, organizational visibility and corporate philanthropy: An empirical analysis. Business Ethics: A European Review, 15(1), pp.6-18.

Chiu, S.C. and Sharfman, M., 2011. Legitimacy, visibility, and the antecedents of corporate social performance: An investigation of the instrumental perspective. Journal of Management, 37(6), pp.1558-1585.

Christensen, L. T., Thyssen, O., & Morsing, M. (2010). The polyphony of corporate social responsibility: Deconstructing transparency and accountability and opening for identity and hypocrisy. In G. Cheney, S. May, & D. Mumby (Eds.), The handbook of communication ethics (pp. 457–473). New York: Routledge.

Coombs, W.T. and Holladay, S.J., 2013. It's not just PR: Public relations in society. John Wiley & Sons.

Cucciniello, M., Porumbescu, G.A. and Grimmelikhuijsen, S., 2017. 25 years of transparency research: Evidence and future directions. Public administration review, 77(1), pp.32-44.

Dawkins, C. and Fraas, J.W., 2011. Coming clean: The impact of environmental performance and visibility on corporate climate change disclosure. Journal of Business Ethics, 100, pp.303-322.

Déjean, F., Gond, J.P. and Leca, B., 2004. Measuring the unmeasured: An institutional entrepreneur strategy in an emerging industry. Human relations, 57(6), pp.741-764.

Drucker, S.J. and Gumpert, G., 2007. Through the looking glass: Illusions of transparency and the cult of information. Journal of Management Development, 26(5), pp.493-498.

Du, S. and Vieira, E.T., 2012. Striving for legitimacy through corporate social responsibility: Insights from oil companies. Journal of business ethics, 110, pp.413-427.

Dubbink, W., Graafland, J. and Van Liedekerke, L., 2008. CSR, transparency and the role of intermediate organisations. Journal of business ethics, 82, pp.391-406.

Espeland, W.N. and Stevens, M.L., 1998. Commensuration as a social process. Annual review of sociology, 24(1), pp.313-343.

Fernandez-Feijoo, B., Romero, S. and Ruiz, S., 2014. Effect of stakeholders' pressure on transparency of sustainability reports within the GRI framework. Journal of business ethics, 122, pp.53-63.

Flyverbom, M., 2019. The digital prism. Cambridge University Press.

Flyverbom, M., 2020. Book Review: Jana Costas and Chris Grey Secrecy at Work: The Hidden Architecture of Organizational Life.

Font, X. and Lynes, J., 2018. Corporate social responsibility in tourism and hospitality. Journal of Sustainable Tourism, 26(7), pp.1027-1042.

Freeman, R.B., 1984. Longitudinal analyses of the effects of trade unions. Journal of labor Economics, 2(1), pp.1-26.

Friedman, M., 1970. A theoretical framework for monetary analysis. Journal of Political Economy, 78(2), pp.193-238.

García-Sánchez, I.M., Frías-Aceituno, J.V. and Rodríguez-Domínguez, L., 2013. Determinants of corporate social disclosure in Spanish local governments. Journal of Cleaner Production, 39, pp.60-72.

Gardberg, N.A. and Fombrun, C.J., 2006. Corporate citizenship: Creating intangible assets across institutional environments. Academy of management Review, 31(2), pp.329-346.

Gonçalves, T.C. and Gaio, C., 2023. Corporate sustainability disclosure and media visibility: Mixed method evidence from the tourism sector. Journal of Business Research, 155, p.113447.

Gray, R., 2006. Social, environmental and sustainability reporting and organisational value creation? Whose value? Whose creation?. Accounting, Auditing & Accountability Journal, 19(6), pp.793-819.

Gray, S.J. and Kang, H., 2014. Accounting transparency and international standard-setting. The Oxford handbook of economic and institutional transparency, pp.456-476.

Greenwood, M., 2007. Stakeholder engagement: Beyond the myth of corporate responsibility. Journal of Business ethics, 74, pp.315-327.

Greenwood, M. and Van Buren III, H.J., 2010. Trust and stakeholder theory: Trustworthiness in the organisation–stakeholder relationship. Journal of business ethics, 95, pp.425-438.

Hansen, H.K., 2015. Numerical operations, transparency illusions and the datafication of governance. European Journal of Social Theory, 18(2), pp.203-220.

Hansen, H.K., 2023. Governing through metrics in the digital age. Globalizations, 20(1), pp.137-152.

Hansen, H.K. and Flyverbom, M., 2015. The politics of transparency and the calibration of knowledge in the digital age. Organization, 22(6), pp.872-889.

Hansen, H.K. and Weiskopf, R., 2021. From universalizing transparency to the interplay of transparency matrices: Critical insights from the emerging social credit system in China. Organization Studies, 42(1), pp.109-128.

Hassan, O.A., 2018. The impact of voluntary environmental disclosure on firm value: Does organizational visibility play a mediation role?. Business strategy and the Environment, 27(8), pp.1569-1582.

Heimstädt, M., 2017. Openwashing: A decoupling perspective on organizational transparency. Technological forecasting and social change, 125, pp.77-86.

Huang, C.L. and Kung, F.H., 2010. Drivers of environmental disclosure and stakeholder expectation: Evidence from Taiwan. Journal of business ethics, 96, pp.435-451.

Illia, L., Colleoni, E. and Zyglidopoulos, S., 2023. Ethical implications of text generation in the age of artificial intelligence. Business Ethics, the Environment & Responsibility, 32(1), pp.201-210.

Jensen, M.C. and Meckling, W.H., 1979. Rights and production functions: An application to labor-managed firms and codetermination. Journal of business, pp.469-506.

Joensuu, K., Koskela, M. and Onkila, T., 2015. Social proximity and environmental NGO relationships in corporate sustainability reports. Sustainable Development, 23(1), pp.26-40.

Karaiskos, D.E., Evangelinos, K.I., Vouros, P. and Nikolaou, I.E., 2019. The new framework for the compulsory publication of sustainability reports: Evidence from Greek companies. In Cases on corporate social responsibility and contemporary issues in organizations (pp. 36-51). IGI Global.

Kim, E.H. and Lyon, T.P., 2015. Greenwash vs. brownwash: Exaggeration and undue modesty in corporate sustainability disclosure. Organization Science, 26(3), pp.705-723.

Kim, S. and Ferguson, M.T., 2014. Public expectations of CSR communication: What and how to communicate CSR. Public Relations Journal, 8(3), pp.1-22.

Lamming, R., Caldwell, N. and Harrison, D., 2004. Developing the concept of transparency for use in supply relationships. British Journal of Management, 15(4), pp.291-302.

Lee, K., Oh, W.Y. and Kim, N., 2013. Social media for socially responsible firms: Analysis of Fortune 500's Twitter profiles and their CSR/CSIR ratings. Journal of business ethics, 118, pp.791-806.

Lee, M. and Kohler, J., 2010. Benchmarking and transparency: Incentives for the pharmaceutical industry's corporate social responsibility. Journal of Business Ethics, 95, pp.641-658.

Madsen, P., 2009. Dynamic transparency, prudential justice, and corporate transformation: Becoming socially responsible in the internet age. Journal of Business Ethics, 90(4), pp.639-648.

Malavasi, D., 2017. From Corporate Social Responsibility Reports to Sustainability Webpages: An Analysis of Convergences and Divergences. In The many facets of remediation in language studies (pp. 23-36). Lambert Academic Publishing.

McWilliams, A. and Siegel, D., 2001. Profit maximizing corporate social responsibility. Academy of Management Review, 26(4), pp.504-505.

McWilliams, A., Siegel, D.S. and Wright, P.M., 2006. Corporate social responsibility: Strategic implications. Journal of management studies, 43(1), pp.1-18.

O'Riordan, L. and Fairbrass, J., 2014. Managing CSR stakeholder engagement: A new conceptual framework. Journal of Business Ethics, 125, pp.121-145.

Okazaki, S., Plangger, K., Roulet, T. and Menéndez, H.D., 2021. Assessing stakeholder network engagement. European Journal of Marketing, 55(5), pp.1359-1384.

Okazaki, S., Plangger, K., West, D. and Menéndez, H.D., 2020. Exploring digital corporate social responsibility communications on Twitter. Journal of Business Research, 117, pp.675-682.

Phillips, R., Freeman, R.E. and Wicks, A.C., 2003. What stakeholder theory is not. Business ethics quarterly, 13(4), pp.479-502.

Ringel, L., 2019. Unpacking the transparency-secrecy nexus: Frontstage and backstage behaviour in a political party. Organization Studies, 40(5), pp.705-723.

Schnackenberg, A.K. and Tomlinson, E.C., 2016. Organizational transparency: A new perspective on managing trust in organization-stakeholder relationships. Journal of management, 42(7), pp.1784-1810.

Schnackenberg, A.K., Tomlinson, E. and Coen, C., 2021. The dimensional structure of transparency: A construct validation of transparency as disclosure, clarity, and accuracy in organizations. Human Relations, 74(10), pp.1628-1660.

Siaw, C.A., Lie, D.S. and Govind, R., 2022. Putting your mouth where your money goes!"Where" and "how" to communicate to maximize the impact of corporate social programs. European Journal of Marketing, 56(12), pp.3381-3417.

Song, B., Wen, J. and Ferguson, M.A., 2020. Toward effective CSR communication in controversial industry sectors. Journal of Marketing Communications, 26(3), pp.243-267.

Stohl, C., Stohl, M. and Leonardi, P.M., 2016. Digital age managing opacity: Information visibility and the paradox of transparency in the digital age. International Journal of Communication, 10, p.15.

Tagesson, T., Blank, V., Broberg, P. and Collin, S.O., 2009. What explains the extent and content of social and environmental disclosures on corporate websites: a study of social and environmental reporting in Swedish listed corporations. Corporate social responsibility and environmental management, 16(6), pp.352-364.

Utgård, J., 2018. Retail chains' corporate social responsibility communication. Journal of business Ethics, 147, pp.385-400.

Whittington, R. and Yakis-Douglas, B., 2020. The grand challenge of corporate control: Opening strategy to the normative pressures of networked professionals. Organization Theory, 1(4), p.2631787720969697.

Wu, W., Liang, Z. and Zhang, Q., 2020. Effects of corporate environmental responsibility strength and concern on innovation performance: The moderating role of firm visibility. Corporate Social Responsibility and Environmental Management, 27(3), pp.1487-1497.

Yang, A. and Ji, Y.G., 2019. The quest for legitimacy and the communication of strategic cross-sectoral partnership on Facebook: A big data study. Public Relations Review, 45(5), p.101839.

Yang, A. and Liu, W., 2020. CSR communication and environmental issue networks in virtual space: A cross-national study. Business & Society, 59(6), pp.1079-1109.

Yu, J., Lo, C.W.H. and Li, P.H.Y., 2017. Organizational visibility, stakeholder environmental pressure and corporate environmental responsiveness in China. Business Strategy and the Environment, 26(3), pp.371-384.

Zyglidopoulos, S. and Fleming, P., 2011. Corporate accountability and the politics of visibility in 'late modernity'. Organization, 18(5), pp.691-706.