Corporate Sustainability Reporting and Disclosure on the Web: An Exploratory Study

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ABSTRACT

Sustainability reporting is now a best practice for most companies around the world. The Web, with its advanced technologies enables companies to create a positive impact on stakeholder perceptions of transparency in reporting. Using empirical data from websites of companies in the Dow Jones Industrial Average, the authors analyze design and content of sustainability information. We conclude that while nearly all companies provide routine content disclosure using minimal web design features, they stop short of issuing a proactive display of compliance and due diligence content. Companies with higher Newsweek Green Ranking scores employ better disclosure than others. This asymmetry in self-governance arises from a combination of factors, including low level of transparency, incomplete information, and a lack of comparability of sustainability reports. The authors develop a prescriptive framework to help companies improve their web sites by including more content that reflects due diligence and transparency for sustainability.

KEYWORDS

Compliance, Content, Design, Disclosure, Due Diligence, Framework, Newsweek Green Ranking, Sustainability Reporting, Transparency, Web

1. INTRODUCTION

The drive to enhance sustainability has progressed from the margins of corporate activity to the mainstream. The concept of corporate sustainability is rooted in the notion of sustainable development (Schwartz & Carroll, 2008), reflecting the idea that an organization, in order to remain fundamentally sustainable in the long term, must consider the environmental, social and economic contexts in which it resides (Hahn et al., 2015). To achieve a successful transformation towards sustainability, an organization needs to integrate ecological, social and economic dimensions into corporate decisions without a priori emphasizing any one over the others (Hahn et al., 2015; Muller & Pfleger, 2014). Research has proposed the need to reclaim the concept of sustainability without the ambiguity and fuzziness surrounding its definition and measurement (Johnston et al., 2007).

In the early stages of the field, the focus of corporate sustainability research rested solely on protecting the environment to the degree possible while making business decisions (Sarvaiya &
Wu, 2014). Gradually, issues such as an organization’s responsibility to its stakeholders and to the public at large entered the equation. In time, the introduction of the triple bottom line (TBL) framework (Elkington, 1998) to simultaneously pursue economic prosperity, environmental quality and social integrity secured the field (Bansal, 2005; Seidel et al., 2017). There is emphasis on the need to interpret sustainability in a way that encompasses developments in public policy in addition to corporate decision making. There is also a need to address not just consequences of major threats to sustainability, but the root causes (Johnston et al., 2007).

Corporate commitment to sustainability is often reflected in a well-developed sustainability strategy with goals, targets, and performance indicators. To meet these sustainability aims and metrics, the company implements various plans and projects. The results of these endeavors are shared publicly in the form of sustainability reports. The reports contain qualitative and quantitative information on the company’s key economic, environmental, and social issues of interest to various stakeholders (Searcy & Buslovich, 2014).

Through sustainability reporting, companies seek to increase transparency, enhance their reputation, establish benchmarks in the industry, signal their competitiveness, motivate employees, and support corporate processes. While corporate financial reporting relates specifically to the disclosure of financial information, corporate sustainability reporting relates to disclosure of non-financial information (Barkemeyer et al., 2014). Most importantly, sustainability reporting can facilitate companies in communicating their commitment to sustainability.

Advances in information technology facilitate implementation of multiple aspects of corporate sustainability. The web, as an information technology, enables companies to use corporate websites for the timely production and cost-effective dissemination of information. The key role of the web - in particular the corporate website - lies in facilitating communication between the company and its stakeholders (Bunting & Lipski, 2000; Dickenson et al., 2008; Jamali & Mirshak, 2007). This research draws on this premise and merges the literature from two areas: corporate sustainability reporting and the role of the web in reporting.

In this empirical study, we use the Newsweek Green Ranking (NGR) scores of 30 companies in the 2015 Dow Jones Industrial Average (DJIA) to group them into high (green) and low (not green) sustainability groups. We then compared the companies in terms of how they reported their sustainability initiatives through the web. Newsweek assesses the largest publicly held companies and ranks them on the level of greenness by incorporating environmental impact, management policies, and management disclosures. Part of the disclosure score is derived based on the breadth and quality of the company’s environmental reporting, while the other part is derived from the company’s involvement with transparency efforts such as the Global Reporting Initiative and Carbon Disclosure Project. We extend the disclosure aspect of companies a step further by focusing on the firm’s communication of sustainability through its presence on the Web. We look at the design and content aspects of reporting through the Web. While it is true that sustainability reporting may not directly translate into sustainable performance, it is nevertheless a key metric to measure a company’s commitment to environmental performance and ongoing improvement (Reilly & Hynan, 2014; Yarett, 2012).

In our research, even though the sample size is small our research contributes to the domain of corporate sustainability reporting by offering a framework incorporating different types of sustainability communication and reporting activities. In a field such as sustainability reporting that is one with more voluntary than mandated standards, research that enforces structure and objectivity in defining the concept is highly significant.

Our overarching research questions in the research are:

What is the role of the web in facilitating and enhancing corporate sustainability reporting?

How do companies utilize the web for the content and design of sustainability information in reporting?
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