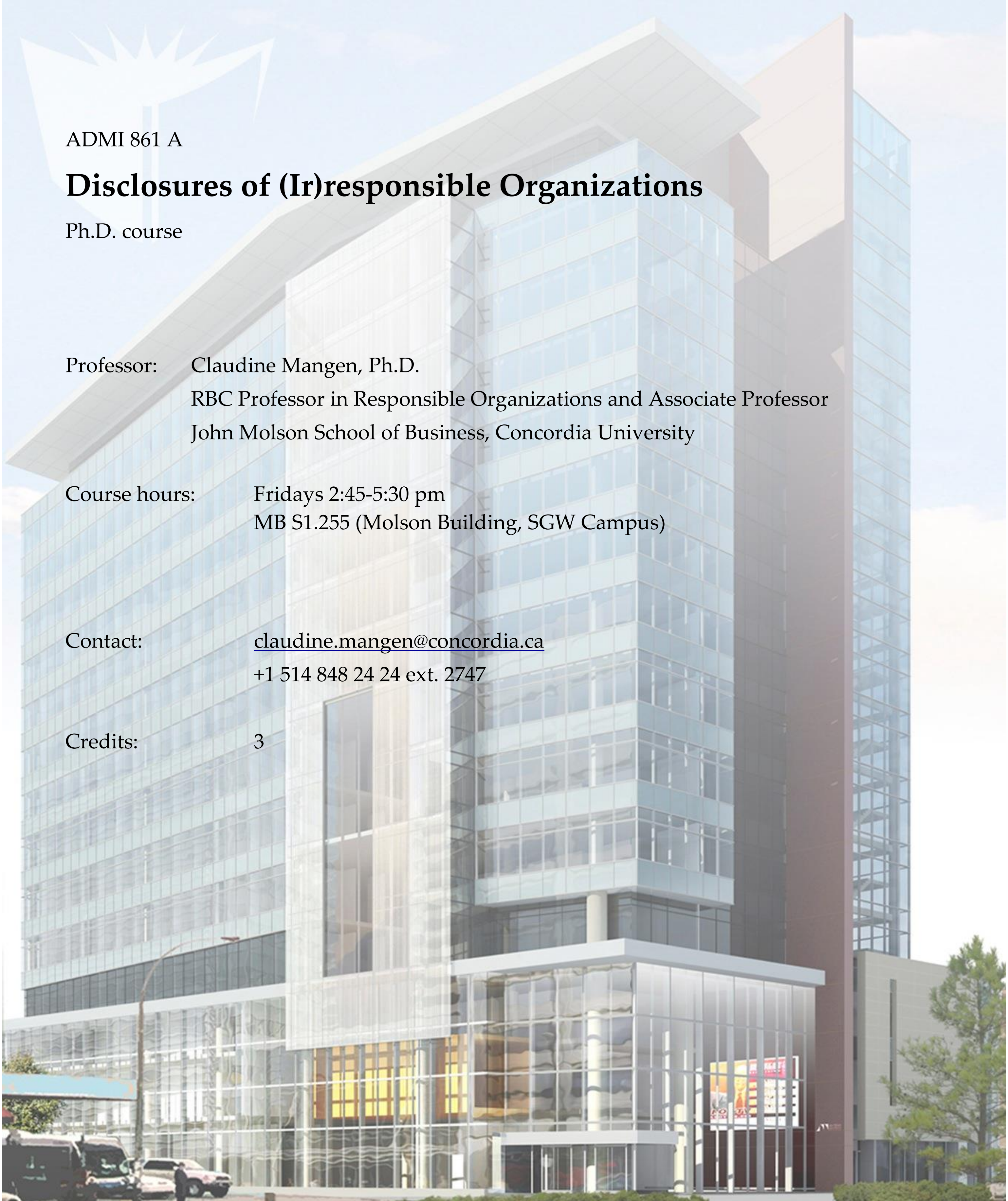

ADMI 861 A

Disclosures of (Ir)responsible Organizations

Ph.D. course

Professor: Claudine Mangen, Ph.D.

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Course hours: Fridays 2:45-5:30 pm

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Credits: 3

Summary and objectives

What do Mouvement des Caisses Desjardins and Loblaw Companies have in common? Both are on the 2017 list of "The 50 Best Corporate Citizens in Canada", a ranking released by Corporate Knights. Mouvement des Caisses Desjardins is leading the list (ranked 2nd) whereas Loblaw Companies is at the tail end (ranked 49th).

This course provides an overview of more and less responsible organizations and the disclosures they release. The course builds on two theoretical frameworks: economics and power. Economics rely on a cost-benefit framework for understanding the issues surrounding (ir)responsible organizations and their disclosures, often taking for granted institutional features and personal preferences. Power theories, in contrast, provide an understanding of how institutional features and personal preferences develop; in particular, they highlight how how actors influence and are influenced by institutional features, including those pertaining to (ir)responsible organizations and their stakeholders. Economics and power theories complement one another to jointly offer a deep understanding of socially (ir)responsible organizations and their disclosures.

The course starts by defining what it is a responsible organization and by exploring how socially (ir)-responsible organizations and their disclosures are approached from economic and power theories. It moves on to discussing (ir)responsible organizations and their disclosures in the contexts of corporate governance, financial markets, socially responsible investments and standardization/regulation. The course closes off with literature reviews, which detail the research on (ir)responsible organizations/their disclosures and outline questions that still need answering.

This course develops your ability to explore (ir)responsible organizations and their disclosures, enhances your knowledge of economics and power theories and offers a space where new and fruitful questions regarding (ir)responsible organizations and their disclosures can be explored. It provides you with a solid foundation for conducting independent research in this field.

Learning Approach

The learning approach for this course relies on three building blocks:

1. You come to class prepared: you do the required readings for each class (described in the class schedule starting on page 4) and any other assigned work.
2. You actively participate in the lectures. Class participation enhances your learning process by encouraging active thinking.
3. You work on an individual research proposal whose topic you select. The project gives you the opportunity to analyze critically a disclosure issue of interest to you.

Required Course Material

The primary materials for this course are the articles detailed in the class schedule starting on page 4. The articles are available through the Concordia University Library's website.

Additional required material may be distributed to you.

Course Evaluation Grid

The final grade for the course is based on the following components:

1. Class participation	10%
2. Papers to read	
· Critiques	20%
· Questions	10%
3. Project	
· Presentation	10%
· Paper	50%

Work handed in late is subject to a 5% penalty per late day.

Readings

Textbook: Iris Marion Young, Responsibility for Justice.

Selected academic articles, detailed in the course schedule

Each week, we read a chapter of this textbook, as well as selected academic articles.

Course Evaluation Details

1. Class participation
   You actively participate in each lecture (i.e., ask and answer questions, volunteer relevant thoughts). Lectures are based on papers detailed in the class schedule. Each week, 2-3 papers will be discussed. You need to work through these papers in a way that allows you to contribute to class discussion.
2. Papers to read
   - Critiques
     Every week, 2-3 students (to be determined at the start of the semester, in class) each pick a different paper amongst the papers scheduled for that week and prepare a written critique of it. The critique addresses the following questions:
     - What is the paper's research question?
     - What is the paper's contribution (i.e., why are the research question and the paper's answer to it important and new)?
     - How does the paper answer the research question (i.e., what are the theories and methods used to answer the research question)?
     - Is the paper's conclusion satisfactory and convincing (i.e., do you buy the paper's own answer to its research question)?

     The critique is limited to two pages of text. The student critiquing a paper guides the class discussion of that paper. The class discussions in Week 13 are shorter, since there will be project presentations.
   - Questions

Students not critiquing a paper in a lecture provide two questions for that paper that they deem relevant and interesting. The questions are handed in at the start of the lecture.

3. Project
   - Presentation (in the last week of the course)
     Your presentation is an outline of your final paper and contains its major ingredients. I will provide you with feedback on your presentation and you revise, based on my feedback, your paper.
   - Paper (due after the last week of the course, date to be specified)
     The paper is between 9 to 10 pages long, and organized into clearly delimited sections that guide the reader. The grade of the paper is based on the extent to which it respects content and formatting requirements discussed further in class.

Academic Integrity

The Code of Conduct at Concordia University states that the "integrity of University academic life and of the degrees, diplomas and certificates the University confers is dependent upon the honesty and soundness of the instructor-student learning relationship and, in particular, that of the evaluation process. As such, all students are expected to be honest in all of their academic endeavours and relationships with the University." (Undergraduate Calendar, section 16.3.14 or Graduate Calendar 2005-2006, pages 667-680). No work should be submitted under your name unless you are the sole author/preparer. Examinations must be written without the use of any unauthorized material. All students enrolled at Concordia are expected to familiarize themselves with the contents of this Code. You are strongly encouraged to visit http://johnmolson.concordia.ca/ugrad/conduct.cfm, which provides useful information about proper academic conduct.

Course Schedule

Week 1: How can we define (ir)responsible organizations?

Gond J-P and D Nyberg (2017) Materializing power to recover corporate social responsibility. Organization Studies 38 (8): 1127-1148.
Through the development of CSR ratings, metrics and management tools, corporate social responsibility is currently materialized at an unprecedented scale within and across organizations. However, the material dimension of CSR and the inherent political potential in this materialization have been neglected. Drawing on insights from actor-network theory and the critical discussion of current approaches to power in CSR studies, we offer an alternative sociomaterial conceptualization of power in order to clarify how power works through materialized forms of CSR. We develop a framework that explains both how power is constituted within materialized forms of CSR through processes of 'assembling/disassembling', and how power is mobilized through materialized forms of CSR through processes of 'overflowing/framing'. From this framework, we derive four tactics that clarify how CSR materializations can be seized by marginalized actors to 'recover' CSR. Our analysis aims to renew CSR studies by showing the potential of CSR for progressive politics.

Freeman I and A Hasnaoui (2011) The Meaning of Corporate Social Responsibility: The Vision of Four Nations. Journal of Business Ethics 100 (3): 419-443.
Corporate Social Responsibility (CSR) has existed in name for over 70 years. It is practiced in many countries and it is studied in academia around the world. However, CSR is not a universally adopted concept as it is understood differentially despite increasing pressures for its incorporation into business practices. This lack of a clear definition is complicated by the use of ambiguous terms in the proffered definitions and disputes as to where corporate governance is best addressed by many of the national bodies legislating, mandating, or recommending CSR. This article explores the definitions of CSR as published on the Internet by governments in four countries (United Kingdom (UK), France, the United States, and Canada). We look for a consensus of understanding in an attempt to propose a more universal framework to enhance international adoption and practice of CSR using the triple bottom line. Our results concur with the findings of both national and international bodies and suggest that both within and among the countries in our study there exists no clear definition of the concept of CSR. While there are some similarities, there are substantial differences that must be addressed. We present a number of proposals for a more universal framework to define CSR.

Young Lee S and Carroll CE (2011) The Emergence, Variation, and Evolution of Corporate Social Responsibility in the Public Sphere, 1980–2004: The Exposure of Firms to Public Debate. Journal of Business Ethics 104 (1): 105-131.
This study examined the emergence of corporate social responsibility (CSR) as a public issue over 25 years using a content analysis of two national news- papers and seven regional, geographically-dispersed newspapers in the U.S. The present study adopted a comprehensive definition encompassing all four CSR dimensions: economic, ethical, legal, and philanthropic. This study examined newspaper editorials, letters to the editor, op-ed columns, news analyses, and guest columns for three aspects: media attention, media prominence, and media valence. Results showed an increase in the number of opinion pieces covering CSR issues over the 25-year period. The prominence of each of the four CSR dimensions varied over time. Each of the four CSR dimensions had its moment of media prominence when it was more

important than the other dimensions. The most prevalent valence of the opinion pieces was negative; the volume of negative pieces increased over the 25 years, whereas the number of opinions with positive, neutral, and mixed tones showed little change over time. The study concludes by tracing the implications of the role of the news media for business ethics research

Week 2: What is the view on (ir)responsible organizations from the perspective economic theories?

Kitzmueller M and J Shimshack (2012) Economic Perspectives on Corporate Social Responsibility. Journal of Economic Literature 50 (1): 51-84.
This paper synthesizes the expanding corporate social responsibility (CSR) literature. We define CSR from an economic perspective and develop a CSR taxonomy that connects disparate approaches to the subject. We explore whether CSR should exist and investigate conditions when CSR may produce higher welfare than other public good provision channels. We also explore why CSR does exist. Here, we integrate theoretical predictions with empirical findings from economic and noneconomic sources. We find limited systematic empirical evidence in favor of CSR mechanisms related to induced innovation, moral hazard, shareholder preferences, or labor markets. In contrast, we uncover consistent empirical evidence in favor of CSR mechanisms related to consumer markets, private politics, and public politics.

Karnani A (2011) "Doing Well by Doing Good": The Grand Illusion. California Management Review 53 (2): 69-86
The idea that companies can "do well by doing good" has caught the attention of executives, business academics, and public officials. It is based on the claim that firms have a corporate social responsibility to achieve some larger social goals, and can do so without a financial sacrifice. While this appealing proposition has convinced many people, it is fundamentally misleading. If markets are working well, there is no need to appeal to companies to fulfill some vague social responsibility. If there is a market failure, then there is a tradeoff between private profits and public interest; in that case, it is neither desirable nor effective to rely on the goodwill of managers to maximize social welfare. When markets fail, some constraints need to be imposed on them. There are four sources of constraints: corporate social responsibility, industry self-regulation, civil society activism, and government regulation. The importance of the latter is too frequently neglected by advocates of corporate social responsibility.

Week 3. What is the view on disclosures of (ir)responsible organizations from the perspective of economic theories?

Chen S and P Bouvain (2009) Is Corporate Responsibility Converging? A Comparison of Corporate Responsibility Reporting in the USA, UK, Australia, and Germany. Journal of Business Ethics 87 (1): 299-317.
Corporate social reporting, while not mandatory in most countries, has been adopted by many large companies around the world and there are now a variety of competing global standards for non-financial reporting, such as the Global Reporting Initiative and the UN Global Compact. However, while some companies (e.g., Henkel, BHP, Johnson and Johnson) have a long standing tradition in reporting non-financial information, other companies provide only limited information, or in some cases, no information at all. Previous studies have suggested that there are, country and industry-specific, differences in the extent of CSR reports (e.g., Kolk et al.: 2001, Business Strategy and the Environment **10**, 15–28; Kolk: 2005, Management International Review **45**, 145–166; Maignan and Ralston: 2002, Journal of International Business Studies **33**(3), 497–514). However, findings are inconclusive or contradictory and it is often difficult to compare previous studies owing to the idiosyncratic methods used in each study (Graafland et al.: 2004, Journal of Business Ethics **53**, 137–152). Furthermore, previous studies have relied mainly on simple measures, such as word counts and page counts of reports, to compare the extent of reporting that may not capture significant differences in the content of the reports. In this article, we seek to overcome some of these deficiencies by using textual analysis software and a more robust statistical method to more objectively and reliably compare the CSR reports of firms in different industries and countries. We examine a sample of leading companies in four countries (US, UK, Australia, and Germany) and test whether or not membership of the Global Compact makes a difference to CSR reporting and is overcoming industry and country specific factors that limit standardization. We conclude that GlobalCompact membership is having an effect only in certain areas of CSR reporting, related to the environment and workers, and that businesses from different countries vary significantly in the extent to which they promote CSR and the CSR issues that they choose to emphasize in their reports. These country differences are argued to be related to the different institutional arrangements in each country.

Holder-Webb L, JR Cohen, L Nath and D Wood (2009) The supply of corporate social responsibility disclosures among U.S. firms. Journal of Business Ethics 84 (3): 497-527.
Corporate social responsibility (CSR) is a dramatically expanding area of activity for managers and academics. Consumer demand for responsibly produced and fair trade goods is swelling, resulting in increased demands for CSR activity and information. Assets under professional management and invested with a social responsibility focus have also grown dramatically over the last 10 years. Investors choosing social responsibility investment strategies require access to information not provided through traditional financial statements and analyses. At the same time, a group of mainstream institutional investors has encouraged a movement to incorporate environmental, social, and governance information into equity analysis, and multi-stakeholder groups have supported enhanced business reporting on these issues. The majority of research in this area has been performed on European and Australian firms. We expand on this literature by exploring the CSR disclosure practices of a size- and industry-stratified sample of 50 publicly traded U.S. firms, performing a content analysis on the complete identifiable public information portfolio provided by these firms during 2004. CSR activity was disclosed by most firms in the sample, and was included in nearly half of public disclosures made during that year by the sample firms. Areas of particular emphasis are community matters, health and safety, diversity and human

resources (HR) matters, and environmental programs. The primary venues of disclosure are mass media releases such as corporate websites and press releases, followed closely by disclosures contained in mandatory filings. Consistent with prior research, we identify industry effects in terms of content, emphasis, and reporting format choices. Unlike prior research, we can offer only mixed evidence on the existence of a size effect. The disclosure frequency and emphasis is significantly different for the largest one-fifth of the firms, but no identifiable trends are present within the rest of the sample. There are, however, identifiable size effects with respect to reporting format choice. Use of websites is positively related to firm size, while the use of mandatory filings is negatively related to firm size. Finally, and also consistent with prior literature, we document a generally self-laudatory tone in the content of CSR disclosures for the sample firms.

Arvidsson S (2010) Communication of Corporate Social Responsibility: A Study of the Views of Management Teams in Large Companies. Journal of Business Ethics 96 (3): 339-354.
In light of the many corporate scandals, social and ethical commitment of society has increased considerably, which puts pressure on companies to communicate information related to corporate social responsibility (CSR). The reasons underlying the decision by management teams to engage in ethical communication are scarcely focussed on. Thus, grounded on legitimacy and stakeholder theory, this study analyses the views management teams in large listed companies have on communication of CSR. The focus is on aspects on interest, motives/reasons, users and problems related to corporate communication of CSR information. A questionnaire survey and in-depth interviews confirm that there is a distinct trend shift towards more focus on CSR in corporate communication. Whilst this trend shift started as a reactive approach initiated by the many corporate scandals, the trend shift is now argued to be of a proactive nature focussed at preventing legitimacy concerns to arise. These findings are significant and interesting, implying that we are witnessing a transit period between two legitimacy strategies. Furthermore, the findings suggest that the way respondents argue when it comes to CSR activities coincides with consequentialism or utilitarianism, i.e. companies engage in CSR activities to avoid negative impacts instead of being driven by a will to make a social betterment or acting in accordance with what is fundamentally believed to be right to do. This provides new input to the ongoing debate about business ethics. The findings should alert national and international policy makers to the need both to increase the vigilance and capacity of the regulatory and judicial systems in the CSR context and to increase institutional pressure to enhance CSR adoption and CSR communication. Furthermore, stakeholders need to be careful in assuming that CSR communication is an evidence of a CSR commitment influencing corporate behaviour and increasing business ethics.

Week 4. What is the view on (ir)responsible organizations from the perspective of power theories?

Siltaoja M (2009) On the discursive construction of a socially responsible organization, Scandinavian Journal of Management 25 (2): 191-202.
Drawing upon critical discourse analysis, this article investigates how a newspaper organization is discursively legitimized as a socially responsible organization. The empirical data are based on 16 interviews conducted among the employees of a newspaper organization. The study has two main implications. First, I suggest that corporate social responsibility in a newspaper organization is constructed around a discursive struggle concerning the role and goals of the newspaper business. More importantly, such debate includes a discursive struggle between professional, social and economic claims. This study further contributes to the literature concerning discursive legitimation strategies in organizational literature by empirically examining their emergence in a CSR framework. I also demonstrate how metaphors can play an important role in constructing legitimacy and illegitimacy for certain organizational practices.

Makinen J and A Kourula (2012) Pluralism **in** Political Corporate Social Responsibility. Business Ethics Quarterly 22 (4): 649-678.
Within corporate social responsibility (CSR), the exploration of the political role of firms (political CSR) has recently experienced a revival. We review three key periods of political CSR literature-classic, instrumental, and new political CSR-and use the Rawlsian conceptualization of division of moral labor within political **s**ystems to describe each period's background political theories. The three main arguments of the paper are as follows. First, classic CSR literature was more pluralistic in terms of background political theories than many later texts. Second, instrumental CSR adopted classical liberalism and libertarian laissez-faire as its structural logic. Third, new political CSR, based on a strong globalist transition of responsibilities and tasks from governments to companies, lacks a conceptualization of division of moral labor that is needed to fully depart from a classical liberalist position. We end by providing a set of recommendations to develop pluralism **in** political CSR.

Archel P, J Husillos and C Spence (2011) The institutionalisation of unaccountability: Loading the dice of corporate social tesponsibility discourse. Accounting, Organizations and Society 36 (6): 327-343.
This paper reports on an in-depth empirical study into recent government-led Corporate Social Responsibility initiatives in Spain. It is found, based on interviews and document analysis, that processes of stakeholder consultation relating to these initiatives are characterised by debate and a plurality of different viewpoints. However, this polyphony can be contrasted sharply with the institutional outcomes of these processes. Institutional outcomes represent the viewpoints of only a subset of the actors involved in the stakeholder consultation processes. It is consequently inferred that stakeholder consultation processes serve problematic functions: on one level, these processes legitimise dominant discourses on CSR by giving the impression that the latter are the outcome of a democratic dialogue that is free from power relations; on another level, these processes themselves show to heretic social actors the futility of their heresy and thus encourage those actors to actively adopt the dominant discourse. We conclude that business capture of Corporate Social Responsibility is ingrained into institutional processes in that domain. This raises serious questions regarding the potential for civil society actors to engage with and move the signifier of Corporate Social Responsibility in a more challenging direction.

Mangen C and M Brivot (2015) The challenge of sustaining organizational hybridity: The role of power and agency. Human Relations doi: 10.1177/0018726714539524.
Hybrid organizations harbor different and often conflicting institutional logics, thus facing the challenge of sustaining their hybridity. Crucial to overcoming this challenge is the identification process of organizational actors. We propose a theorization of how power relations affect this process. More specifically, we argue that an actor's power influences their own professional identity: an increase [decrease] in their power, via the heightened [diminished] control that this power provides them over organizational discourse, boosts [threatens] their identity. Our theorization has implications for the longevity of a newly adopted logic within an organization. If the new logic modifies incumbent power relations, the identities of (formerly and newly) powerful individuals are influenced, which may lead these individuals to promote or resist the new logic, thereby affecting the odds that the logic will survive within the organization. We illustrate our theorization with a case study in a professional service firm. Our study contributes to nascent research on hybrid organizations by emphasizing the role of power and agency in the longevity of hybridity.

Week 5. What is the view on disclosures of (ir)responsible organizations from the perspective of power theories?

Vaara E, S Sonenschein, D Boje (2016) Narratives as sources of stability and change in organizations: Approaches and directions for future research. Academy of Management Annals 10 (1): 495-560.
Although narrative analysis has made significant advances in organization and management studies, scholars have not yet unleashed its full potential. This review provides an understanding of key issues in organizational narrative analysis with a focus on the role of narratives in organizational stability and change. We start by elaborating on the characteristics of organizational narratives to provide a conceptual framework for organizational narrative analysis. We elaborate on three key approaches to narrative analysis on stability and change: realist, interpretative, and poststructuralist. We then review several topic areas where narrative analysis has so far offered the most promise: organizational change, identity, strategy, entrepreneurship, and personal change. Finally, we identify important issues that warrant attention in future research, both theoretically and methodologically.

Joutsenvirta M and E Vaara (2015) Legitimacy Struggles and Political Corporate Social Responsibility in International Settings: A Comparative Discursive Analysis of a Contested Investment in Latin America. Organization Studies 36 (6) 741-777
This paper examines the discursive legitimation of controversial investment projects to provide a better understanding of the ways in which corporate social responsibility is constructed in international settings. On the basis of a discursive analysis of an intense dispute between Finnish, Uruguayan and Argentinean actors over a pulp mill project in Uruguay, we develop a framework that elucidates four legitimating discourses: technocratic, societal, national-political, and global-capitalist. With this framework, our analysis helps to better understand how CSR involves discourse-ideological struggles, how CSR is embedded in international relations, and how CSR is mediatized in contemporary globalizing society. By so doing, our analysis contributes to critical studies of CSR as well as research on legitimation more generally.

Marquis C and C Qian (2014) Corporate Social Responsibility Reporting in China: Symbol or Substance? Organization Science 25 (1): 127-148.
This study focuses on how and why firms strategically respond to government signals on appropriate corporate activity. We integrate institutional theory with research on corporate political strategy to develop a political dependence model that explains (a) how different types of dependency on the government lead firms to issue corporate social responsibility (CSR) reports and (b) how the risk of governmental monitoring affects the extent to which CSR reports are symbolic or substantive. First, we examine how firm characteristics reflecting dependence on the government—including private versus state ownership, executives serving on political councils, political legacy, and financial resources—affect the likelihood of firms issuing CSR reports. Second, we focus on the symbolic nature of CSR reporting and how variance in the risk of government monitoring through channels such as bureaucratic embeddedness and regional government institutional development influences the extent to which CSR communications are symbolically decoupled from substantive CSR activities. Our database includes all CSR reports issued by the approximately 1,600 publicly listed Chinese firms between 2006 and 2009. Our hypotheses are generally supported. The political perspective we develop contributes to organizational theory by showing that (a) government signaling is an important mechanism of political influence, (b) different types of dependency on the government expose firms to different types of legitimacy pressure,

and (c) firms face a decoupling risk that makes them more likely to enact substantive CSR actions in situations in which they are likely to be monitored.

Week 6: How are (ir)responsible organizations governed?

Chin MK and DC Hambrick and LK Treviño (2013) Political Ideologies of CEOs: The Influence of Executives' Values on Corporate Social Responsibility. Administrative Science Quarterly 58: 197-232.
This article examines the influence on organizational outcomes of CEOs' political ideology, specifically political conservatism vs. liberalism. We propose that CEOs' political ideologies will influence their firms' corporate social responsibility (CSR) practices, hypothesizing that (1) liberal CEOs will emphasize CSR more than will conservative CEOs; (2) the association between a CEO's political ideology and CSR will be amplified by a CEO's relative power; and (3) liberal CEOs will emphasize CSR even when recent financial performance is low, whereas conservative CEOs will pursue CSR initiatives only as performance allows. We test our ideas with a sample of 249 CEOs, measuring their ideologies by coding their political donations over the ten years prior to their becoming CEOs. Results indicate that the political ideologies of CEOs are manifested in their firms' CSR profiles. Compared with conservative CEOs, liberal CEOs exhibit greater advances in CSR; the influence of CEOs' political liberalism on CSR is amplified when they have more power; and liberal CEOs' CSR initiatives are less contingent on recent performance than are those of conservative CEOs. In a corroborative exploration, we find that CEOs' political ideologies are significantly related to their corporate political action committee (PAC) allocations, indicating that this largely unexplored executive attribute might be more widely consequential.

Zhang JQ, H Zhu and H Ding (2013) Board composition and corporate social responsibility: an empirical investigation in the post Sarbanes-Oxley Era. Journal of Business Ethics 114 (3): 381-392.
Although the composition of the board of directors has important implications for different aspects of firm performance, prior studies tend to focus on financial performance. The effects of board composition on corporate social responsibility (CSR) performance remain an under-researched area, particularly in the period following the enactment of the Sarbanes-Oxley Act of 2002 (SOX). This article specifically examines two important aspects of board composition (i.e., the presence of outside directors and the presence of women directors) and their relationship with CSR performance in the Post-SOX era. With data covering over 500 of the largest companies listed on the U.S. stock exchanges and spanning 64 different industries, we find empirical evidence showing that greater presence of outside and women directors is linked to better CSR performance within a firm's industry. Treating CSR performance as the reflection of a firm's moral legitimacy, our study suggests that deliberate structuring of corporate boards may be an effective approach to enhance a firm's moral legitimacy.

Rao K and C Tilt (2016) Board Composition and Corporate Social Responsibility: The Role of Diversity, Gender, Strategy and Decision Making. Journal of Business Ethics 138 (2), 327-347.
This paper aims to critically review the existing literature on the relationship between corporate governance, in particular board diversity, and both corporate social responsibility (CSR) and corporate social responsibility reporting (CSRR) and to suggest some important avenues for future research in this field. Assuming that both CSR and CSRR are outcomes of boards' decisions, this paper proposes that examining boards' decision making processes with regard to CSR would provide more insight into the link between board diversity and CSR. Particularly, the paper stresses the importance of studies linking gender diversity and CSR decision making processes, which is quite rare in the existing literature. It also highlights the importance of more qualitative methods and longitudinal studies for the development of understanding of the diversity–CSR relationship.

Week 7: The governance of (ir)responsible organizations: What is the role of disclosures?

Robinson JR, Y Xue and Y Yu (2011) Determinants of Disclosure Noncompliance and the Effect of the SEC Review: Evidence from the 2006 Mandated Compensation Disclosure Regulations. The Accounting Review 86 (4): 1415-1444.
We investigate the economic forces that influence noncompliance with mandatory compensation disclosures and the effect of a subsequent focused enforcement action. We utilize SEC evaluations of compensation disclosures mandated by rules adopted in 2006 to examine whether noncompliance is associated with excess CEO compensation, proprietary costs, or previous media attention. We further test whether subsequent CEO compensation declines after the SEC publicly identifies noncompliance. We construct measures of defective disclosures from SEC critiques and find that disclosure defects are positively associated with excess CEO compensation and media criticism of CEO compensation during the previous year. We find no evidence supporting the contention that compensation disclosure defects are associated with proprietary costs. Furthermore, we are unable to document that the level of disclosure defects identified by the SEC is associated with a reduction in excess CEO compensation in the subsequent year.

Janney JJ and S Gove (2011), Reputation and Corporate Social Responsibility Aberrations, Trends, and Hypocrisy: Reactions to Firm Choices in the Stock Option Backdating Scandal. Journal of Management Studies, 48: 1562–1585.
Drawing on strategic corporate social responsibility (CSR) and reputation theory, this paper examines the market reaction to firm disclosures of involvement in the US stock option backdating scandal. We examine how a firm's prior signals regarding ethical behaviour and values, as demonstrated through CSR initiatives, may both ameliorate and exacerbate market reactions. CSR initiatives may buffer a firm against general wrong-doing but expose it to greater scrutiny and sanction for related wrong-doing. Our results show that firms with enhanced overall reputations for CSR are partially buffered from scandal revelations. However, we find that when firms possess an enhanced reputation for CSR associated with corporate governance, violations pertaining specifically to governance are viewed as hypocritical and more harshly sanctioned. We also find lower and negative market reactions for firms that delay but self-disclose their involvement in the scandal. The study extends the emergent, related literatures on strategic CSR and reputation management, and documents dynamics in the relationship between corporate social and financial performance.

Moroney R, C Windsor and YT Aw (2012), Evidence of assurance enhancing the quality of voluntary environmental disclosures: an empirical analysis. Accounting & Finance, 52: 903–939.
In response to investor and public concerns about harm to the environment, companies are increasingly disclosing environmental information. To enhance the quality of corporate environmental disclosures in a largely voluntary context, various stakeholders are also demanding independent assurance. This study uses a stakeholder-agency theoretical perspective to examine whether the quality of voluntary environmental disclosures is enhanced when assured. This study also examines the difference in the quality of voluntary environmental disclosures when assurance is provided by either professional accountant assurers or private consultants. Our sample comprises listed companies voluntarily disclosing environmental information in stand-alone reports, annual reports, and websites. We use an index based upon the Global Reporting Initiative (GRI) to measure the quality of company environmental reporting. Results of this matched pairs study show that the quality of voluntary environmental disclosures scores

significantly higher for assured companies than unassured companies. For assured companies, the quality is no different when assured by accountants or consultants. Additional analysis provides preliminary evidence that experience improves the quality of environmental disclosures.

Mangen C and M Magnan (2012) "Say on Pay": A Wolf in Sheep's Clothing? Academy of Management Perspectives 26 (2): 86-104.
This paper debates whether "Say on Pay" can fix executive pay. We argue that Say on Pay benefits executive pay when shareholders' voice offsets CEO power and mitigates directors' information deficiencies. We warn, however, that Say on Pay may raise two novel problems. First, executive pay may harm stakeholders whose interests differ from those of shareholders influential in pay setting. Second, boards may resist shareholders' intervention in pay setting and, as a result, manage compensation disclosures to ensure a passing shareholder vote. Consequently, Say on Pay may not only fail to remedy suboptimal pay but also legitimize it.

Week 8: How are (ir)responsible organizations linked to financial markets?

Reid EM and MW Toffel (2009), Responding to public and private politics: corporate disclosure of climate change strategies. Strat. Mgmt. J. 30: 1157–1178.
The challenges associated with climate change will require governments, citizens, and firms to work collaboratively to reduce greenhouse gas emissions, a task that requires information on companies' carbon risks, opportunities, strategies, and emission levels. This paper explores the conditions under which firms participate in this endeavor. Building on theories of how social activists inspire changes in organizational norms, beliefs, and practices, we hypothesize that shareholder actions and regulatory threats are likely to prime firms to adopt practices consistent with the aims of a broader social movement. We find empirical evidence of direct and spillover effects. In the domain of private politics, shareholder resolutions filed against a firm and others in its industry increase a firm's propensity to engage in practices consistent with the aims of the related social movement. Similarly, in the realm of public politics, threats of state regulations targeted at a firm's industry as well as regulations targeted at other industries increase the likelihood that the firm will engage in such practices. These findings extend existing theory by showing that both activist groups and government actors can spur changes in organizational practices, and that challenges mounted against a single firm or a single industry can inspire both firm and field-level changes.

Flammer C (2015) Does Corporate Social Responsibility Lead to Superior Financial Performance? A Regression Discontinuity Approach. Management Science 61 (11): 2549–2568
This study examines the effect of shareholder proposals related to corporate social responsibility (CSR) on financial performance. Specifically, I focus on CSR proposals that pass or fail by a small margin of votes. The passage of such "close call" proposals is akin to a random assignment of CSR to companies and hence provides a quasi-experiment to study the effect of CSR on performance. I find that the adoption of close call CSR proposals leads to positive announcement returns and superior accounting performance, implying that these proposals are value enhancing. When I examine the channels through which companies benefit from CSR, I find that labor productivity and sales growth increase after the vote. Finally, I document that close call CSR proposals differ from non-close proposals along several dimensions. Accordingly, although my results imply that adopting close call CSR proposals is beneficial to companies, they do not necessarily imply that CSR proposals are beneficial in general.

Cheng B, I Ioannou and G Serafeim (2014) Corporate social responsibility and access to finance. Strat. Mgmt. J. 35: 1–23.
We investigate whether superior performance on corporate social responsibility (CSR) strategies leads to better access to finance. We hypothesize that better access to finance can be attributed to (1) reduced agency costs due to enhanced stakeholder engagement and (2) reduced informational asymmetry due to increased transparency. Using a large cross-section of firms, we find that firms with better CSR performance face significantly lower capital constraints. We provide evidence that both better stakeholder engagement and transparency around CSR performance are important in reducing capital constraints. The results are further confirmed using several alternative measures of capital constraints, a paired analysis based on a ratings shock to CSR performance, an instrumental variables approach, and a simultaneous equations approach. Finally, we show that the relation is driven by both the social and environmental dimension of CSR.

Week 9: How are (ir)responsible organizations linked to financial markets? The role of financial disclosures

de Villiers C, CJ van Staden (2010) Shareholders' requirements for corporate environmental disclosures: A cross country comparison. The British Accounting Review 42 (4): 227-240.

We survey individual shareholders in Australia, the UK and the US regarding corporate environmental disclosures. In general, respondents in the three countries are interested in, and positively disposed towards, these disclosures. We observe country and gender differences with Australian and female respondents more in favour of environmental reporting than others. Specifically, respondents require disclosure of an overview of environmental risks and impacts, the environmental policy, performance against measurable environmental targets and information on a range of environmental costs. Most shareholders require environmental disclosures to be audited. Shareholders call for environmental information because they believe managers should be accountable to shareholders for their companies' environmental impacts. Furthermore, shareholders have indicated the uses for specific types of environmental information. Our results imply that legislators, standard setters and companies have to consider the policy implications of these shareholder views.

Dhaliwal DS, S Radhakrishnan, A Tsang and Y George Yang (2012) Nonfinancial Disclosure and Analyst Forecast Accuracy: International Evidence on Corporate Social Responsibility Disclosure. The Accounting Review 87 (3): 723-759.

We examine the relationship between disclosure of nonfinancial information and analyst forecast accuracy using firm-level data from 31 countries. We use the issuance of stand-alone corporate social responsibility (CSR) reports to proxy for disclosure of nonfinancial information. We find that the issuance of stand-alone CSR reports is associated with lower analyst forecast error. This relationship is stronger in countries that are more stakeholder-oriented—i.e., in countries where CSR performance is more likely to affect firm financial performance. The relationship is also stronger for firms and countries with more opaque financial disclosure, suggesting that issuance of stand-alone CSR reports plays a role complementary to financial disclosure. These results hold after we control for various factors related to firm financial transparency and other potentially confounding institutional factors. Collectively, our findings have important implications for academics and practitioners in understanding the function of CSR disclosure in financial markets.

Kim Y, M Seok Park, and B Wier (2012) Is Earnings Quality Associated with Corporate Social Responsibility?. The Accounting Review 87 (3): 761-796.

This study examines whether socially responsible firms behave differently from other firms in their financial reporting. Specifically, we question whether firms that exhibit corporate social responsibility (CSR) also behave in a responsible manner to constrain earnings management, thereby delivering more transparent and reliable financial information to investors as compared to firms that do not meet the same social criteria. We find that socially responsible firms are less likely (1) to manage earnings through discretionary accruals, (2) to manipulate real operating activities, and (3) to be the subject of SEC investigations, as evidenced by Accounting and Auditing Enforcement Releases against top executives. Our results are robust to (1) controlling for various incentives for CSR and earnings management, (2) considering various CSR dimensions and components, and (3) using alternative proxies for CSR and accruals quality. To the extent that we control for the potential effects of reputation and financial performance, our findings suggest that ethical concerns are likely to drive managers to produce high-quality financial reports.

Week 10: How are (ir)responsible organizations linked to socially responsible investors?

Hill RP, T Ainscough, T Shank and D Manullkang (2007) Corporate Social Responsibility and Socially Responsible Investing: A Global Perspective. Journal of Business Ethics 70 (2): 165-174.
This research examines the relationship between corporate social responsibility (CSR) and company stock valuation across three regions of the world. After a brief introduction, the article gives an overview of the evolving definition of CSR as well as a discussion of the ways in which this construct has been operationalized. Presentation of the potential impact of corporate social performance on firm financial performance follows, including investor characteristics, the rationale behind their choices, and their influence on the marketplace for securities worldwide. The unique method used to select socially responsible investments is then provided that also includes a description of the quantitative techniques employed in the analyses. Results are offered subsequently, and the close describes implications for global enterprises as socially responsible investments.

Renneboog L, JT Horst, C Zhang (2008) Socially responsible investments: Institutional aspects, performance, and investor behavior. Journal of Banking & Finance 32(9):1723-1742.
This paper provides a critical review of the literature on socially responsible investments (SRI). Particular to SRI is that both financial goals and social objectives are pursued. Over the past decade, SRI has experienced an explosive growth around the world reflecting the increasing awareness of investors to social, environmental, ethical and corporate governance issues. We argue that there are significant opportunities for future research on the increasingly important area of SRI. A number of questions are reviewed in this paper on the causes and the shareholder-value impact of corporate social responsibility (CSR), the risk exposure and performance of SRI funds and firms, as well as fund subscription and redemption behavior of SRI investors. We conclude that the existing studies hint but do not unequivocally demonstrate that SRI investors are willing to accept suboptimal financial performance to pursue social or ethical objectives. Furthermore, the emergence of SRI raises interesting questions for research on corporate finance, asset pricing, and financial intermediation.

Markowitz L, D Cobb and M Hedley (2012) Framing ambiguity: insider/outsiders and the successful legitimation project of the socially responsible mutual fund industry Organization 19: 3-23.
This article uses a Bourdieuian notion of organizational field and social movement's frame analysis to understand the successful legitimation project of the socially responsible (SR) mutual fund industry. We show how institutional entrepreneurs, as both insiders and outsiders of the dominant organizational field, compete with existing mutual fund logics and become a legitimate presence in the mutual fund industry. The SR mutual fund industry has grown exponentially since its introduction in the 1970s, even though the product it sells is ambiguous in nature (Wood, 2000). Thus, while the product could be perceived as subversive, as the SR industry is arguing that companies should act 'responsible' in their efforts to make money, the reality is that industry innovators do not disrupt the existing mutual fund logic of 'fiduciary responsibility' in order to legitimate themselves. Rather, SR institutional entrepreneurs use their social location in multiple organizational fields to argue that consumers can 'make money while doing good'. Such a frame is not completely subversive nor completely compliant with the existing logic, yet it successfully appeals to both mutual fund insiders and social movement outsiders.

Cox P and PG Wicks (2011) Institutional Interest in Corporate Responsibility: Portfolio Evidence and Ethical Explanation. Journal of Business Ethics 103 (1): 143-165.

This study examines the extent to which corporate responsibility influences the demand for shares by institutions. The study follows Bushee (Account Rev 73(3):305–333, 1998) in categorising institutions as dedicated or transient. The demand for shares is organised according to three factors: a long-term factor, corporate responsibility; a short-term factor, market liquidity; and a time-independent factor, portfolio theory. The rank and importance of the factors for the different types of institutional investor are analysed. For one of two types of dedicated institution, corporate responsibility is as important as portfolio theory in influencing the demand for shares. For all dedicated institutions, corporate responsibility influences the demand for shares more than market liquidity. For two of the three types of transient institution, market liquidity is the most important factor in share selection. For all transient institutions, the least important factor is corporate responsibility. Findings suggest that corporate responsibility positively and significantly influences the demand for shares by dedicated institutions. The discussion considers the extent to which these trends are constitutive of significant shifts in ethicality within the context of institutional investment. Looking at this from within a highly institutionalised Anglo market model, dedicated institutions' commitment to broader and longer-term concerns could be interpreted as a small but significant step towards a more axiologically informed ethical business practice. Such a form of engagement calls for sensitive attention to a fuller range of features deemed to be relevant to investment decisions, as opposed to more narrow reliance on legislation, codes of practice and fiduciary principles.

Week 11. What are standards and rules regarding (ir)responsible behavior?

Consolandi A, A Jaiswal-Dale, E Poggiani and A Vercelli (2009) Global Standards and Ethical Stock Indexes: The Case of the Dow Jones Sustainability Stoxx Index. Journal of Business Ethics 87 (1): 185-197.
The increased scrutiny of investors regarding the non-financial aspects of corporate performance has placed portfolio managers in the position of having to weigh the benefits of 'holding the market' against the cost of having positions in companies that are subsequently found to have questionable business practices. The availability of stock indexes based on sustainability screening makes increasingly viable for institutional investors the transition to a portfolio based on a Socially Responsible Investment (SRI) benchmark at relatively low cost. The increasing share of socially responsible investments may play a role in providing incentives towards a continuous upgrading of sustainability standards to the extent that their performance is not systematically inferior to that of the other funds. This article examines whether these incentives have been so far detectable with particular reference to the Dow Jones Sustainability Stoxx Index (DJSSI) that focuses on the European corporations with the highest CSR scores among those included in the Dow Jones Stoxx 600 Index. The aim of the article is twofold. First, we analyse the performance of the DJSSI over the period 2001–2006 compared to that of the Surrogate Complementary Index (SCI), a new benchmark that includes only the components of the DJ Stoxx 600 that do not belong to the ethical index to evaluate more correctly the size of possible divergent performances. Second, we perform an event study on the same data set to analyse whether the stock market evaluation reacts to the inclusion (deletion) in the DJSSI. In both cases, the results suggest that the evaluation of the CSR performance of a firm is a significant criterion for asset allocation activities.

Eccles NS (2010) UN Principles for Responsible Investment Signatories and the Anti-Apartheid SRI Movement: A Thought Experiment. Journal of Business Ethics 95 (3): 415-424.
There appears to be a growing disquiet amongst academics surrounding the ascendancy of 'responsible' investment that is egoist or self-interested in character – 'business case' responsible investment. This ascendancy has in no small measure been associated with the uptake of United Nations Principles for Responsible Investment (PRI) as a de facto standard for mainstream responsible investment. This article contributes to this disquiet. It does this by examining how egoist 'responsible' investors (as endorsed by the PRI) might have behaved had they been around in the 1970s, 1980s and early 1990s during days of the anti-apartheid socially responsible investment (SRI) movement. Armed with near perfect (hindsight grade) enhanced analytics, it is clear that the signals that such egoist 'responsible' investors would have sent to company management in terms of the apartheid issue would have been highly muddled and therefore ineffective. The net conclusion is that there is nothing inherently or inevitably 'responsible' about egoist investment and that the aversion to behaving ethically amongst institutional investors must be challenged and not swept under a carpet of rhetoric.

Ramchander, S., Schwebach, R. G. and Staking, K. (2012), The informational relevance of corporate social responsibility: evidence from DS400 index reconstitutions. Strat. Mgmt. J., 33: 303–314.
This study examines the relationship between corporate social responsibility and financial performance by analyzing the intra-industry wealth impact of additions and deletions to the Domini Social 400 index. Results from the event study analysis indicate that additions to the index generate a positive share price response for the announcement firm and a negative response by rival firms. The opposite reaction is observed for index deletions. Additionally, the share price response is more pronounced for informationally opaque industries. Our study highlights the importance of external monitoring agencies

in providing meaningful information that helps resolve investor uncertainty regarding the quality of a firm's relationships with its primary stakeholders. Copyright © 2011 John Wiley & Sons, Ltd.

Slager R, J-P Gond and J Moon (2012) Standardization as Institutional Work: The Regulatory Power of a Responsible Investment Standard. Organization Studies 33: 763-790.
This paper conceptualizes standardization as institutional work to study the emergence of a standard and the deployment of its regulatory power. We rely on unique access to longitudinal archival data for exploring how the FTSE4Good index, a responsible investment index, emerged as a standard for socially responsible corporate behavior. Our results show how three types of standardization work – calculative framing, engaging and valorizing – support the design, legitimation and monitoring processes whereby a standard acquires its regulatory power. Our findings reveal new facets in the dynamics of standardization by approaching standardization as a product of institutional work and in showing how unintended consequences of that work can be recaptured to strengthen the regulatory power of the standard.

Brunsson N, A Rasche and D Seidl (2012) The Dynamics of Standardization: Three Perspectives on Standards in Organization Studies. Organization Studies 33: 763-790.
This paper suggests that when the phenomenon of standards and standardization is examined from the perspective of organization studies, three aspects stand out: the standardization of organizations, standardization by organizations and standardization as (a form of) organization. Following a comprehensive overview of existing research in these three areas, we argue that the dynamic aspects of standardization are under-represented in the scholarly discourse. Furthermore, we identify the main types of tension associated with standardization and the dynamics they generate in each of those three areas, and show that, while standards and standardization are typically associated with stability and sameness, they are essentially a dynamic phenomenon. The paper highlights the contributions of this special issue to the topic of standards as a dynamic phenomenon in organization studies and makes suggestions for future research.

Week 12: Looking back: What is the state of research, and where do we go from here?
Aguinis H and A Glavas (2012) What We Know and Don't Know About Corporate Social Responsibility: A Review and Research Agenda Journal of Management 38: 932-968.
The authors review the corporate social responsibility (CSR) literature based on 588 journal articles and 102 books and book chapters. They offer a multilevel and multidisciplinary theoretical framework that synthesizes and integrates the literature at the institutional, organizational, and individual levels of analysis. The framework includes reactive and proactive predictors of CSR actions and policies and the outcomes of such actions and policies, which they classify as primarily affecting internal (i.e., internal outcomes) or external (i.e., external outcomes) stakeholders. The framework includes variables that explain underlying mechanisms (i.e., relationship- and value-based mediator variables) of CSR–outcomes relationships and contingency effects (i.e., people-, place-, price-, and profile-based moderator variables) that explain conditions under which the relationship between CSR and its outcomes change. The authors' review reveals important knowledge gaps related to the adoption of different theoretical orientations by researchers studying CSR at different levels of analysis, the need to understand underlying mechanisms linking CSR with outcomes, the need for research at micro levels of analysis (i.e., individuals and teams), and the need for methodological approaches that will help address these substantive knowledge gaps. Accordingly, they offer a detailed research agenda for the future, based on a multilevel perspective that aims to integrate diverse theoretical frameworks as well as develop an understanding of underlying mechanisms and microfoundations of CSR (i.e., foundations based on individual action and interactions). The authors also provide specific suggestions regarding research design, measurement, and data-analytic approaches that will be instrumental in carrying out their proposed research agenda.

Bebchuk L and MS Weisbach (2010) The state of corporate governance research. The Review of Financial Studies 23 (3): 939-961.
This article, which introduces the special issue on corporate governance cosponsored by the Review of Financial Studies and the National Bureau of Economic Research (NBER), reviews and comments on the state of corporate governance research. The special issue features seven articles on corporate governance that were presented in a meeting of the NBER's corporate governance project. Each of the articles represents state-of-the-art research in an important area of corporate governance research. For each of these areas, we discuss the importance of the area and the questions it focuses on, how the article in the special issue makes a significant contribution to this area, and what we do and do not know about the area. We discuss in turn work on shareholders and shareholder activism, directors, executives and their compensation, controlling shareholders, comparative corporate governance, cross-border investments in global capital markets, and the political economy of corporate governance.

Baden D and I A Harwood (2013) Terminology Matters: A Critical Exploration of Corporate Social Responsibility Terms. Journal of Business Ethics 116 (3): 615-627.
The purpose of this paper is to highlight the importance and impact of terminology used to describe corporate social responsibility (CSR). Through a review of key literature and concepts, we uncover how the economic business case has become the dominant driver behind CSR action. With reference to the literature on semiotics, connotative meaning and social marketing we explore how the terminology itself may have facilitated this co-opting of an ethical concept by economic interests. The broader issue of moral muteness and its relation to ethical behaviour is considered. We conclude by proposing a number of important attributes for any proposed terminology relating to ethical/socially responsible/sustainable business.

Week 13: Presentations