Nonfinancial Disclosure and Analyst Forecast Accuracy: International Evidence on Corporate Social Responsibility Disclosure

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corporate sustainability. In particular, a ‘middle ground’ discourse in SERs, as highlighted by Higgins and Walker, exposes the socio-structural effects that facilitate the preservation and reproduction of the prevailing social relations while obfuscating the need for a radical social change towards a sustainable future.

This paper examines three early SERs from three New Zealand companies using rhetorical analysis. Supplementing Aristotelian rhetorical appeals of ethos, pathos and logos with Burkean notion of rhetoric which embraces non-verbal elements, Higgins and Walker demonstrate how discursive strategies including words, diagrams and photos used in each report affect the acceptability of the constructed ‘middle ground’ business discourse of sustainability. Diverse and intersecting rhetoric appeals that attempt to foster a shared understanding of a socially reasonable and accountable company were found in the reports, albeit none of these companies’ articulation of their approaches to social responsibility seems, according to Higgins and Walter, to bear any resemblance to normative perspective of ‘strong’ sustainability.

The use of critical rhetorical analysis provides compelling evidence of how discourse is used as an ideological weapon (Dillard 1991) to disproportionately exert influence on construction and reinforcement of a capitalist structure and social relations that privilege business interests over public interest. However, while the influence of discursive strategies is demonstrated, this textual corpus-based study can be extended in the future to embrace a critical analysis of power dynamics which fundamentally attribute to the silencing of alternative perceptions and possible criticisms. Regarding the scope of rhetorical techniques used to frame the issue of sustainability reporting, future studies can also consider other devices, such as metaphors, analogies and metonymies, deployed in both corporate SERs and alternative accounts/counter-reports from non-governmental organizations (NGOs), environmentalists and civic society, to uncover underlying socio-political conflicts and tensions in respect of sustainable development (see e.g. Livesey 2001).

Overall this paper, by revealing how persuasive strategies foster the acceptability of business-as-usual case for sustainability, yields a strong rationale for alternative forms of accounting that support an underlying (radical) social change for an ‘ecological-based (‘strong’)’ sustainable future (Higgins and Walker 2012, 196).

References


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This paper investigates empirically whether the provision of (non-financial) corporate social responsibility (CSR) reports leads to higher analyst forecast accuracy. In general, the authors are interested
in finding out whether CSR information is of any value for investors. If so, this would at least partially explain the constant rise of CSR reports observed throughout the last 20 years or so.

The authors’ main hypothesis is that the accuracy of analyst earnings forecasts increases with CSR disclosure. In addition, they analyse the influence of two moderating variables which might affect this relation. Specifically, they hypothesise that both the level of stakeholder orientation in a company’s resident country and the level of a company’s financial opacity strengthen the association between CSR disclosure and analyst forecast accuracy.

To test their hypothesis a total of 113,345 year-company observations from 19 different industries in 31 countries from 1994 to 2007 are analysed. In these years, 1297 companies issued a total of 7108 stand-alone CSR reports. Based on various regression models, the authors find support for all three hypotheses.

Given how little is known about the consequences (as opposed to determinants) of voluntary CSR disclosure, theoretical and empirical studies such as this by Dhaliwal et al. should be most welcomed, not only in accounting journals. The authors apply a very rigorous methodology and control for a wide range of potentially confounding effects; their results remain qualitatively the same. In consequence, a causal relation can be assumed: forecast earning errors for reporting companies are smaller than for non-reporting companies, because of the differences in CSR disclosure levels. Together with earlier work such as the study of Dhaliwal et al. (2011), there is thus growing evidence suggesting that investors indeed value the information contained in CSR reports.

Such findings lead to the question why exactly this is the case. Dhaliwal et al.’s (2012) study does not provide much information on that question, partly because their CSR disclosure variable (‘CSR report yes/no’) is rather crude (which is understandable, given the size of the sample). But as long as the disclosed information’s content and quality rather than its quantity is not considered, it is hard (if not impossible) to infer why, and exactly how, investors value the information included in CSR reports. This is where future studies might build on and extend the discussed paper’s contribution.

Reference


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Private Standards in the Climate Regime: The Greenhouse Gas Protocol

J. F. Green

This paper contributes to understanding environmental accounting innovations by looking at the adoption and diffusion of the greenhouse gas (GHG) Protocol Corporate Standard. It seeks to explain the success of two non-governmental organisations (the World Resources Institute and the World Business Council for Sustainable Development) in creating the standard for carbon accounting at the organisational level. It follows other contributions such as the one