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Visual disclosure strategies adopted by more and less sustainability-driven companies

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ABSTRACT

Graph use in annual reports is well documented, and research into photographs is gaining momentum, but less is known about their use in sustainability reports. This research analyses graph and photograph use in sustainability reports of more and less sustainability-driven companies. It aims to determine whether use of imagery differs between these groups in a way reflective of different legitimation tactics. Results suggest that less sustainable companies pursue legitimacy symbolically while sustainability-driven firms convey more about actual impacts and accomplishments. Some sustainability reporters appear, therefore, to be using imagery as a rhetorical "green-washing" tool in their communication with stakeholders.

1. Introduction

Corporations are disclosing increasing amounts of sustainability information in their formal reports (Gibson & O'Donovan, 2007; Kolk, 2003; KPMG, 2008; Raar, 2007). Motivations for social and environmental disclosure by corporations can vary widely, but legitimacy theory is often used as the lens to explain why these disclosures are made (e.g. see Deegan, Rankin, & Tobin, 2002; O'Donovan, 2002). Central to the legitimacy perspective is the concept of a social contract that must be maintained between a corporation and its stakeholders if the former is to continue to operate unfettered. Expectations embodied in the social contract change as society's tolerance of social and environmental impacts changes. As concern about corporate activity increases, more and/or more stringent sustainability-related clauses are implicitly added to that contract and firms must demonstrate that they are meeting these new expectations (Hrasky, 2012).

A key way in which firms can manage their stakeholder relations is through disclosure of information that ratifies the social contract. Increased levels of voluntary disclosure may be a constructive outcome. However, there is the associated risk that, in the pursuit of legitimation, disclosure can actually reduce transparency and "thicken" the corporate veil (Hopwood, 2009: 437). Given that the visual sense is the dominant human sense (Dilla & Janvrin, 2010), imagery might be exploited to construct a credible account of environmental responsibility, regardless of actual implementation of environmentally responsible actions (Bansal & Kistruck, 2006). These observations motivate the research question addressed in this paper:

> *do sustainability-driven firms differ in their utilisation of imagery in their sustainability reports compared to firms that are less sustainability-driven in a manner consistent with the pursuit of different legitimation strategies?*

If Hopwood (2009) is correct in his concern, it is likely that less sustainability-driven firms utilise a visual disclosure strategy more reflective of "green-washing" than reporting on instrumental action associated with improving the sustainability

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of their operations. Green-washing occurs when disclosure lacks substance (Parguel, Benoît-Moreau, & Larceneux, 2011; Ramus & Montiel, 2005) presenting an image of apparent environmental responsibility. This apparent transparency and accountability can create a veil that discourages deeper insight about the societal impact of an organisation's activities. Firms may pursue a symbolic approach to disclosure that results in stakeholders making a positive evaluation of the firm's activities that is not consistent with actual operations.

To be successful, a symbolic strategy arguably needs to utilise powerful information cues and signals to create the effective veneer of legitimacy that the firm seeks. Visual images are likely to be important here. Both graphs and photographs have been identified as playing a rhetorical impression management role in corporate reporting (e.g. Beattie & Jones, 2008; Preston, Wright, & Young, 1996). As Davison (2010: 165) notes, despite receiving relatively little attention by accounting researchers, visual images are "heavyweight signs" in business. Rhetorical use of the visual in corporate social responsibility reports, and specifically its potential to create and manipulate meaning, has been documented giving rise to calls for more research into the use of imagery in CSR reporting (Breitbarth, Harris, & Insch, 2010; Ihlen, 2011; Rämö, 2011).

In this study the use of graphs and photographs by companies that are sustainability leaders is compared to that of companies that are less sustainability-driven. The expectation is that the former are more likely to adopt a behavioural approach to sustainability issues. This is expected to be communicated in their sustainability reports through relatively greater use of graphs and photographs presenting specific economic, social and environmental information compared to those that are less sustainability-driven. The latter are expected to rely relatively more on photographs that are generally reflective of sustainability themes but which convey very little about actual operations, reflecting a more symbolic approach to the pursuit of legitimacy.

The remainder of the paper is structured as follows: the next section contains a discussion of sustainability reporting, legitimation and disclosure followed in Section 3 by a brief overview of the literature concerning visual images, specifically graphs and photographs, in corporate communication. This provides the basis from which hypotheses are developed in Section 4. The method used to test these hypotheses is detailed in Section 5, followed by presentation and discussion of the results in Section 6. Their implications are considered in Section 7.

2. Sustainability reporting, legitimation and disclosure behaviour

In his seminal work, Suchman (1995) identifies three broad types of organisational legitimacy: pragmatic, moral and cognitive legitimacy. Both pragmatic and moral legitimacy are underpinned by disclosure of information to relevant stakeholder groups (Suchman, 1995: 585) and are thus, as Hrasky (2012) argues, the most relevant to explore in the context of sustainability-related disclosure strategies. A corporation pursues pragmatic legitimacy by engaging in self-interested behaviour with the aim of impressing the organisation's most immediate stakeholders (Suchman, 1995: 578). One means of achieving pragmatic legitimacy is by projecting an image that is honest and trustworthy, one which embodies and exemplifies the values that stakeholders also value, in a way that reveals very little about the reality of underlying operations.

An organisation is conferred moral legitimacy when its stakeholders make a favourable evaluation of it and the way in which it undertakes its activities (Suchman, 1995: 579). Suchman (1995: 580) identifies consequential legitimacy and procedural legitimacy as two forms of moral legitimacy. Stakeholders judge consequential legitimacy through their evaluation of an organisation's actual accomplishments while procedural legitimacy requires an assessment of the operations used to achieve those accomplishments. A firm will be considered procedurally legitimate if its activities and processes are consistent with socially accepted techniques. To achieve moral legitimacy through consequential and procedural legitimation, a firm must pursue a behavioural approach to disclosure. The disclosure strategy needs to reveal both outcomes and the processes that yield those outcomes to enable stakeholder assessment of moral legitimacy.

Stakeholder evaluations of a company are based, at least in part, on communication of information about corporate actions and/or on symbolic behaviour (Gotsi & Wilson, 2001: 30). KPMG (2008) documents wide variation in the nature and range of sustainability disclosures by firms internationally, suggesting that if disclosures are a response to legitimacy concerns, legitimating tactics vary across firms. Milne and Patten (2002) make a distinction between substantive versus symbolic legitimation tactics. A substantive sustainability disclosure strategy reflects what Kim, Bach, and Clelland (2007) describe as a behavioural management approach. In this approach, firms disseminate information about their activities that demonstrates that their operations are consistent with sustainability goals. Alternately, legitimation efforts may exemplify a symbolic management approach. This is one founded on rhetorical statements designed to create an *impression* of social and environmental responsibility that is not actually supported by the reality of company operations.

Some legitimation strategies can enhance corporate accountability and transparency, and this may be the case when the disclosure strategy reflects underlying behaviour. However, symbolic disclosures practices raise concern that social and environmental disclosures are calculated to convey a strategic legitimate image of the organisation that encourages less monitoring from its audience (Hopwood, 2009). This can give rise to a situation where an impression of openness reduces scrutiny when in fact little of substance is actually known about organisational operations and impacts.

In this context, Hrasky (2012) examined carbon footprint-related disclosures of large Australian companies with the objective of identifying whether symbolic or behavioural approaches seem to dominate. She reports evidence that is consistent with carbon-intensive firms adopting a behavioural approach while the less intensive firms relied more on symbolism. While not addressing the issue of symbolism or behaviouralism directly, Deegan and Gordon (1996) and Deegan and Rankin (1996) found that firms report environmental information that is typically self-laudatory and positive even when firms have