Climate change reporting and multinational companies: Insights from institutional theory and international business

Breeda Comyns
Kedge Business School, Rue Antoine Bourdelle, Domaine de Luminy BP 92, 13 288 Marseille Cedex 9, France

ARTICLE INFO
Keywords:
Climate change reporting
Institutional theory
International business
Multinational company
Sustainability reporting
MNC typology

ABSTRACT
Multinational companies (MNCs) have an important impact on climate change, but knowledge on the greenhouse gas (GHG) reporting practices of MNCs is limited. A theoretical framework is developed to provide an explanation of GHG emissions reporting by MNCs. The framework combines institutional theory with the notion of MNC typology from International Business and explains how institutional pressure acting on each typology of MNC influences standardization of reporting practices and GHG emissions data quality. Propositions are developed and empirically investigated using a case study. Global MNCs are predicted to have better quality GHG emissions reporting compared to multi-domestic or transnational MNCs.

1. Introduction
The 2015 Paris Agreement marks an important step in tackling global climate change, as world nations agree a path forward to reduce greenhouse gas (GHG) emissions and keep global warming below 2 °C. Although companies were not directly involved in the Paris negotiations, more than 500 registered their support by signing the Paris Pledge for Action (University of Cambridge Institute for Sustainability Leadership (CISL), 2015). By signing this pledge, companies agree to implement and even exceed commitments made by governments under the Paris Agreement. Companies and in particular multinational companies (MNCs) have an important impact on climate change. A 2014 study found that MNCs in the fossil fuel and cement industries are amongst 90 “carbon majors” responsible for significant historical anthropogenic greenhouse gas (GHG) emissions (Heede, 2014). Reporting on GHG emissions by companies is important to understand their impact on climate change and to track GHG emissions performance. While there is a significant body of literature providing a very broad range of perspectives on accounting and reporting of climate change with recent special issues in journals such as Accounting, Organizations and Society, Accounting, Auditing and Accountability Journal and Journal of Cleaner Production (see de Aguiar & Bebbington, 2014), particularly relevant in this context is the subset of this literature which deals with the quality of reporting on climate change. Extant research has found widespread quality problems regarding company GHG reporting. For example, reported GHG emissions data have been found to be incomplete, failing to cover all of the company operations (Liesen, Hoepner, Patten, & Figge, 2015). Data reported have been criticized as not useful for decision making (Andrew & Cortese, 2011; Haigh & Shapiro, 2011; Sullivan & Gouldson, 2012) with emissions data not additive at different levels of aggregation (firm, industry and national level) (Haslam, Butlin, Andersson, Malamatenios, & Lehman, 2014). While an increasing number of studies seek to explain climate change reporting by companies in various country contexts (Dragomir, 2012; Hrasky, 2011; Prado-Lorenzo, Rodríguez-Domínguez, Gallego-Álvarez, & García-Sánchez, 2009; Rankin, Windsor, & Wahyuni, 2011) the number of studies which specifically consider reporting by MNCs and their subsidiaries are still quite rare (Beddewela & Herzig, 2013; Islam & Deegan, 2010). This leaves important gaps in the literature which limit our current understanding of MNC GHG reporting.
The climate change reporting literature relies on viewpoints such as legitimacy theory, stakeholder theory and institutional theory to explain organizational GHG reporting practices. Companies may report on GHG emissions to meet societal expectations and maintain legitimacy (Hrasky, 2011) or satisfy stakeholder informational needs (Liesen et al., 2015). There is also the argument that the institutional context in which companies operate is influential and that reporting practices are determined by institutional pressures (regulative, normative or cultural-cognitive) (Aerts, Cormier, & Magnan, 2006; Higgins & Larrinaga, 2014). This literature currently focuses predominately on how GHG reporting practices are shaped by institutional pressures at the level of MNC corporate headquarters (Comyns, 2016; Rankin et al., 2011). This view is limiting as MNCs can operate in tens of countries, each one being a separate institutional environment (with its own rules regulations and social norms) in which legitimacy must be maintained. MNCs also have their own internal organizational field which acts as the institutional environment for the company’s subunits (Kostova, Roth, & Dacin, 2008). MNC subsidiaries experience “institutional duality” with pressure to maintain legitimacy both in the local institutional environment as well as within the MNC organization (Kostova & Roth, 2002). It has been shown in separate studies that both global pressures (Islam & Deegan, 2010) as well as internal organizational pressures (Beddewela & Herzig, 2013) impact sustainability disclosure practices, but these dual pressures have not been considered together. Considering only the institutional context of the corporate headquarters, or either global or internal institutional pressure is inadequate to explain the practices of an organization which spans multiple different institutional contexts as well as having a specific internal institutional environment.

The climate change reporting literature has to date given little consideration to the international business aspect of MNC operations (Kolk, 2010). The International Business literature concerns itself with the study of companies where activities extend from one country to another, with the MNC being central in this context (Morrison & Inkpen, 1991). This literature body identifies that there are different typologies of MNC. These have been termed global, multi-domestic and transnational (Ghoshal & Bartlett, 1990; Harzing, 2000). This classification is based on organizational structure and the strategies adopted by companies in the product-market environment. In each case, MNC subsidiaries have different levels of interdependence and responsiveness to the local context (Harzing, 2000). There is evidence to suggest that company strategy on corporate social responsibility (CSR) seems to conform to MNC organizational strategy (Husted & Allen, 2006), so it is likely that disclosure practices will likewise be influenced by organizational strategy. Current studies on sustainability disclosure consider MNCs as a single organizational type (see for example Beddewela & Herzig, 2013; Comyns, 2016) and do not take into account that within this broad classification there are important differences.

In terms of MNC environmental performance, an important aspect discussed in the International Business literature is whether MNCs adopt standardized levels of environmental management practices and performance throughout the organization or whether they adapt practices in line with local institutional contexts (Aguilera-Caracuel, Hurtado-Torres, Aragón-Correa, & Rugman, 2013; Ang & Massingham, 2007). Some authors argue that by operating transnationally MNCs can take advantage of countries with lax environmental regulatory requirements and situate polluting activities in so called “pollution havens” (Cole & Elliott, 2005). However, MNCs may adopt standardized environmental practices which can exceed host country regulatory requirements (Aguilera-Caracuel, Aragón-Correa, Hurtado-Torres, & Rugman, 2012; Christmann, 2004). In terms of climate change reporting, the Greenhouse Gas Protocol (WBCSD & WRI, 2004) recommends that “standardized reporting formats be used to ensure that data received from different business units and facilities is comparable, and that internal reporting rules are observed” (WBCSD & WRI, 2004, p. 45). MNC subsidiaries should therefore collect and measure emissions data in a consistent way so that they can be accurately aggregated at the level of the corporation. Data from different facilities can have problems of comparability and compatibility with compatibility problems arising due to differences in sampling procedures or data formats ( Köhl, Traub, & Päivinen, 2000). Although the literature on climate change reporting considers difficulties around accounting and reporting of corporate carbon footprint emissions, including the malleability of the reporting boundary as well as evolving measurement methodologies and conversion factors (Andrew & Cortese, 2011; Haslam et al., 2014), the importance of standardization of reporting practices within the organization needs to be given greater consideration (Dragomir, 2012).

In this paper a theoretical framework to explain GHG emissions reporting by MNCs is developed. The framework combines institutional theory, focusing on institutional duality, with the notion of MNC typology from International Business. The framework explains how institutional pressure acting on each typology of MNC influences standardization of carbon reporting practices and so GHG data quality. In the final part of the paper an initial empirical investigation of the propositions developed is carried out using a case study. The case study examines the quality of GHG reporting by three oil and gas companies (ExxonMobil, Royal Dutch Shell and BP), representing different MNC typologies. It is found that all MNC typologies do not have the same approach to standardization of reporting practices which in turn will influence the quality of reported data. Global MNCs are much more likely than multi-domestic or transnational MNCs to standardize reporting practices and so are more likely to report better quality GHG emissions data.

This article contributes to the literature which focuses on the quality of climate change reporting. It provides a more thorough understanding of the climate change reporting practices of MNCs, explaining specifically the quality of GHG emissions data reported. The framework developed offers an alternative explanation for observed poor quality reporting of GHG emissions, highlighting the fact that MNC typology is likely to be an important antecedent. This framework is useful to explain problems around why MNCs may not transparent about the methodologies used to report GHG emissions (Dragomir, 2012) or why companies do not adequately describe emissions from subsidiaries (Sullivan, Crossley, & Kozak, 2008). The results also offer insights for policy makers. Findings highlight that the requirements of current reporting frameworks are not always consistent with the internal organization of MNCs, so even where organizations attempt to use accepted frameworks, as a result of competing institutional pressures, this will not always result in good quality emissions data. This study also answers the call for more research into sustainability reporting practices among MNCs (Beddewela & Herzig, 2013; Islam & Deegan, 2010; O’Dwyer, 2005) and by considering the international business aspect in the
دریافت فوری
متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات