Chapter 9
Quality of Corporate Communication in a Sustainable Environment

ABSTRACT

In this chapter the focus of research is on analyzing the quality of information disclosed by companies. Financial and non-financial reports are considered important communication tools which can ensure greater corporate transparency and can enable a better engagement with stakeholders. Through an empirical study, it is shown how corporate reporting objective interacts with social and environmental factors in reconsidering traditional disclosure during crisis period. Possible associations, between the quality of social and environmental disclosure and the size of the company, are tested. The results show that the impact of global crisis on reporting social and environmental information is extremely powerful. It signals an upward trend of pushing companies to provide to their stakeholders comprehensive, integrated, and certified information on sustainability of their activities. The stakeholders' needs and requirements are the main determinants for companies to expand the unilateral reporting process, creating support for the development of dialogic communication, as a tool for knowledge transfer. A critical analysis for various aspects to which they address and a debate of those aspects in the context of usefulness to stakeholders are conducted.

INTRODUCTION

The global economic crisis really started to show its effects beginning with 2007 middle year. Around the world, stock markets have fallen, large financial institutions have collapsed or they have been bought out, and governments in even the wealthiest nations have had to come up with 'rescue packages' to secure their financial systems. During periods of crisis, the time comes to rethink business economics in some way. Even mainstream media, usually quite supportive of the dominant neoliberal economic ideology, entertains thoughts that economic policies and ideas need rethinking.

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Expectations about the responsible role of business in society are increasing and the recent research on corporate social responsibility discourse shows that there have been developments of a variety of instruments that aim to improve, evaluate and communicate socially responsible practices (Golob & Bartlett, 2007). Even since the beginning of 2000's, the demand for disclosure of most important listed companies has dramatically increased and the failures of large companies listed on the most important stock exchanges have placed extra pressure on them and standard setters for the increase in the quality of corporate reporting (Beretta & Bozzolan, 2004). The quality of disclosure is highly correlated to the extent of reporting measured on a sentence count while certain types of information are more useful to stakeholders than other types (Hooks & Staden, 2011). Thus, the interest in researching the links between social responsibility and the company's position on the market is an added incentive determining the emergence of ethical investment funds and the interest of companies' shareholders in socially responsible behavior (Archel Domench, 2003). During the 2000's, most global corporations reported a hard to manage financial environment and many business difficulties. The challenges resulting from this, both financially and related to sustainability were reported, with the emphasis on the fact that sustainability is not a nice-to-have, but an essential component of doing business.

Corporate social responsibility (CSR) is gaining more importance in today's business life, and its different approaches emphasize its contribution to sustainability. The core idea sustains that the business sector should play a proactive role in society, in addition to its economic purpose of making profits. These issues have led the industry to engage in a sustainability debate and initiate strategies for responding to the challenges of sustainable development, in the spirit of Brundtland Commission Report (UN, 1987). More and more companies provide concise and focused sustainability information in their annual report, as proof of reliable disclosure, accompanied by full sustainability reports on their websites, reflecting a growing maturity on CSR disclosures (Lungu, Caraiani, Dascalu, & Colceag, 2010). Many corporations have claimed that their sustainability-oriented measures and policies resulted from their commitment to increased CSR. However, Jeffers, Lin, Romero and DeGaetano (2014) consider that many companies might have been intended to enhance the bottom line, as thei need to focus on their objective of increasing their performance.

CSR is part of the Europe 2020 strategy for smart, sustainable and inclusive growth. Countries such France, the Netherlands, UK, and Denmark developed incentives and requirements to enlarge the scope of conventional reporting to include non-financial information. Some actions are motivated by national environmental and social policy goals, others by investor pressures to obtain a clearer picture of corporate performance via the securities regulatory process. Complementary to European Union specific requirements, there is evidence that the majority on European companies use the Global Reporting Initiative (GRI) Guidelines for reporting social, environmental and economic aspects of their activity (Lungu et al., 2010). Lozano and Huisingh (2011), in their analysis on various sustainability reporting frameworks, concluded that GRI guidelines have the broadest scope, and it tends to be the most frequently used set of guidelines for social and environmental reporting. According to Brown, de Jon and Levy (2009), GRI's major contribution to the field of reporting, and its own source of legitimacy, has been to popularize a multi-stakeholder process.

Companies can communicate their CSR information using advertising, public relations and their websites (Gray, Kouhy, & Lavers, 1995). They prepare and publish either separate sustainability reports, or a dedicated section within annual reports or having an integrated format. Many companies also have board committees that take responsibility for, and oversee, sustainability on the board's behalf. Most companies also complied with a voluntary reporting framework and disclosed adequate adherence to

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