CORPORATE SOCIAL DISCLOSURE: THE INFLUENCE OF LOBBY GROUPS

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Introduction & Literature Review

The academic literature on social and environmental reporting contains many references to the various stakeholders of a company and/or the users of corporate social disclosure (CSD). Ten years ago a paper was published in this area (Tilt, 1994) and found that while such groups did use social and environmental information produced by companies, and did attempt to influence their actions, they considered the information produced at the time to be unreliable, not particularly useful and of poor credibility.

More analysis of the demand for CSD has since been called for, yet, since the Tilt (1994) study, only a limited number of studies have been undertaken on lobby groups’ influence on reporting, including a few that indicate that the relationship between corporations and lobby groups is changing.

Deegan and Gordon (1996) found a positive relationship between increases in membership of environmental organisations and environmental disclosure by companies. Deegan and Blomquist (2001) investigated the influence of one of the major environmental organisations in Australia, the World Wide Fund for Nature (WWF), and found that they were able to influence environmental reporting practices.

Other papers suggest that lobby groups are now working with organisations in order to find mutually beneficial outcomes. In Australia, Fiedler and Deegan (2002, p. 30) investigated some interactions between NGOs and businesses in the construction industry. They found that collaborations were motivated by stakeholder pressure, publicity, and the ability to “set an example for other … projects to follow”.

The most recent study on lobby groups to be undertaken is one by O’Dwyer et al. (2003), who interviewed lobby groups in the Republic of Ireland. They were interested in examining ‘less economically powerful stakeholders’ and found that there is a demand for social disclosure information by lobby groups, motivated primarily by a desire for accountability, but that current CSD practice in Ireland is viewed with “disdain, cynicism and … scepticism” (O’Dwyer et al., 2003 p. 1). They also found that there is predominantly an antagonistic relationship between corporations and lobby groups.

While some of these more recent studies indicate that the adversarial nature of the relationship has softened somewhat, the research has been concentrated mostly in the area of environment and has been limited to a few large, high profile, lobby groups.

This paper reports the preliminary findings of a study that attempts to replicate the Tilt (1994) study to determine whether the attitudes of lobby group members has changed over the past ten years and to document the amount of influence social and environmental lobby groups have, or attempt to have, on the reporting
activities of large companies. It reports the results of a survey taken in 2003 of 85 major social and environmental lobby groups in Australia, most of which were surveyed in the Tilt (1994) study. Although the final response rate was only 25%, those surveys that were returned provided some useful data upon which to base discussion.

Results and Discussion
Almost all respondents to the survey claimed to have seen some form CSD, mostly being annual reports, supplements and advertisements, and most had received some sort of CSD unsolicited from companies. This suggests that companies recognise that lobby groups are a potential audience for their disclosures. Only around half of the respondents actively sought information from companies. This shows little change since 1994.

Respondents were asked to assess each item of CSD they had seen according to its credibility and understandability on a scale of 1 to 5, with 5 being most credible/easy to understand. Table 1 presents the results.

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<tr>
<td>Annual Reports</td>
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<td>3.13 (3.16)</td>
<td>-0.03</td>
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<td>Supplements*</td>
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<td>-0.11</td>
<td>3.30 (2.76)</td>
<td>+0.54</td>
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<td>-0.55</td>
<td>2.43 (2.08)</td>
<td>+0.35</td>
</tr>
<tr>
<td>Product Labels</td>
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<td>+0.87</td>
<td>2.67 (2.65)</td>
<td>+0.02</td>
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* supplements were defined as items separate from the annual report but produced at the same time, such as social or environment reports.

Since 1994, the major changes are that the understandability of annual reports and labels has increased, as has the credibility of supplements. The increased credibility of supplements most likely reflects the increase in environmental reporting via separate booklets that has been reported recently (Tilt, 1997) and thus, reflects the greater amount of effort directed at the presentation of these reports.

Despite almost all organisations that responded to the survey claiming to have seen some form of CSD, 65% felt that the amount of social disclosure made by companies is not currently sufficient (down from 77% in 1994), while 90% felt that such disclosure was necessary.

They considered that disclosure should be both narrative and quantified and should be part of the annual report and in separate booklets or supplements to the annual reports. There was also support for some disclosure via the media.

Half of the organisations surveyed claimed to support companies with good disclosure practices by making public comment on their activities via the media, however two respondents reported that they worked with companies in collaborations or partnerships to help them with their environmental strategies and activities.

Fewer companies claimed to lobby poor performing companies directly (30%), with indirect lobbying appearing more
common (55%). The prevailing method of lobbying was via the media but also involvement in legislation and attendance at industry forums and company AGMs to raise issues. Again, these figures are not significantly different to those found ten years ago.

Most respondents (80%) felt that the amount of CSD produced had increased over the last ten years, but notwithstanding that, 85% still believe that legislation is needed to require social and environmental reporting (86% considered legislation was needed in 1994).

When asked what companies should disclose, responses were almost unanimous in suggesting that ‘anything and everything’ related to the community and the environment should be reported upon. Some suggested that measurable information is more useful, and the ‘Triple Bottom Line’ was mentioned by a few. Generally however, responses indicated that the individuals from the lobby groups had an undeveloped and even naïve knowledge of social and environmental reporting, and appeared unaware of any ‘best practice’ examples.

In the general comments provided at the end of the survey there did appear a distinct note of pessimism regarding the social and environmental activities and reporting by Australian companies. Although they admitted that reporting had increased, most appeared sceptical about the motives for reporting, many suggesting that economic imperatives were still considered paramount.

Conclusions and Implications

Preliminary analysis of the survey suggests that lobby groups do have some interest in directly trying to influence what is reported by companies, but their primary focus is on changing their activities. This could mean they assume that reporting will flow naturally from this, or that they do not consider reporting to be an important mechanism for changing corporate actions. This is an important finding, given the attention in the social and environmental accounting literature on reporting as a means of making companies transparent and thus accountable.

Lobby groups did appear to be aware of many types of CSD but did not view any of them as particularly credible or useful, a finding that concurs with other recent research in the area (O’Dwyer et al., 2003).

Finally, on comparison with the study published in 1994, there appeared to be little change in perceptions of CSD after ten years, despite major changes and increases in reporting practice. This poses questions that have been suggested previously, such as who is the intended audience for the increased amount of reporting being produced by companies, and what are the objectives of social reporting.

It does appear that despite some minor engagement with the corporate reporting process, such as the WWF reporting Scorecard, and a few groups’ involvement in the Age Newspaper’s company reputation index, lobby groups are not taking up the challenge to try to influence social and environmental reporting in Australia. An important comparison would be to determine whether the level of influence is greater in other developed countries, and to determine why Australian groups have not seen such engagement as appropriate to date.

References


**ARE YOUR ENVIRONMENTAL REPORTING PRACTICES READY FOR CLERP 9?**

Frances Richards
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This paper looks at and provides:
- Statutory and non-statutory requirements for environmental reporting
- The impact of CLERP 9
- A checklist for responding to requirements for environmental reporting

As the trend toward greater corporate transparency and accountability gathers pace, environmental reporting is becoming an increasingly important part of corporate disclosure practices. Industry has recognised this for some time through voluntary triple bottom line reporting.

Under changes proposed by the Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Bill 2003 (Cth) (CLERP 9), environmental reporting will soon become a critical component of the statutory reporting regime for public listed companies. CLERP 9 is currently before parliament and is intended to come into force on 1 July 2004.

Here we review existing statutory and non-statutory requirements for environmental reporting and consider how CLERP 9 will add to this framework. We also discuss the implications for companies that will be