FIRM IDENTITY AND IMAGE: STRATEGIC INTENT TO ACT SUSTAINABLY AND THE OPPORTUNISTIC ANTECEDENTS TO SUSTAINABILITY REPORTING

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Abstract

This study seeks to examine a firm’s likelihood and level of engagement in sustainability-oriented activities as reflected in their sustainability reporting and the extent to which the range of those activities is influenced by how they engage with stakeholders through their vision, mission and values statements.

Combining stakeholder theory, legitimacy theory and the resource-based view of the firm, this study employed probit regression to test various hypotheses related to the relationship between vision, mission or values messaging, the likelihood to engage in sustainability reporting, and the influence of targeting internal or external stakeholders. A sample of 234 large publicly-traded Canadian companies provided 465 observed statements.

Controlling for size and industry vulnerability, the findings of this study indicate that large, publicly-traded companies are more likely to report, and at greater levels, on their sustainable activities when they
message their strategic corporate social responsibility (CSR) intent. However, including external stakeholders in that messaging has a greater effect than the inclusion of internal stakeholders suggesting these firms are more intent on portraying an external sustainable image, rather than creating an internal sustainable identity.

The research is novel in addressing the strategic intent of the firm to act sustainably, as messaged through its vision, mission or values statements, and the level by which it actually monitors and reports on its sustainable activities. Furthermore, comparing the results of including internal or external stakeholders in that messaging to determine whether that intent is related to image or organizational identity provides additional originality and value.

While reputation is a valuable intangible resource (Spear, 2017), it is not directly controlled by the corporation but is affected by organizational action and communications, takes time to be developed and is also uniquely affected by stakeholder perception. By discussing how creating legitimacy in the eyes of critical stakeholders enhances an organization’s reputation which is a critical resource, we provide suggestions to managers about the importance of matching their public statements and their actions while communicating with their critical stakeholders. Moreover, our results have an economic significance too as firms that have gained legitimacy in the eyes of their stakeholders are able to better access financing, critical human resources and consumer loyalty (Ali, Frynas, & Mahmood, 2017; Seuring & Gold, 2013).

Academic Implications - We make three contributions to existing research. First, we advance the broader literature concerned with understanding whether public statements on CSR by an organization matches their subsequent actions or are simply a way for them to impress their stakeholders by saying the right things. Second, it is the number and diversity of initiatives that cover all three pillars of sustainability that indicate the extent of their commitment to sustainability and unlike past research, we go beyond organizational characteristics to predict organizational commitment to sustainability. Finally, this paper contributes to the call for research that examines sustainability as a unique domain of business research (Balmer & Podner, 2021; Carroll, 2015) and provides further insight and empirical validation about how engaging in sustainability allows organizations to increase their reputation, an intangible resource which is not easily imitable and which in turn furthers their access to other critical resources (Barney, 1991) controlled by their stakeholders.
REFERENCES


