PERFORMATIVE EFFECTS OF SUSTAINABILITY DISCLOSURE

Over the last decade organizations have become subject to a new wave of certifications, ratings, and rankings that measure their conduct on issues related to social and environmental conduct (Margolis & Walsh, 2003). For example, “Corporate Knights” is a Canadian magazine which has been publishing annual rankings such as “Best 50 Corporate Citizens in Canada” and “Global 100 Most Sustainable Companies” since 2001. Other notable initiatives in this field that started around the same time are the Dow Jones Sustainability index (DJSI), a socially responsible investment (SRI) fund which has been publishing lists of “market leaders” since 1999; its British equivalent FTSE4good (Slager, 2014; Slager, Gond, & Moon, 2012); and the Carbon Disclosure Project (CDP) which has been analyzing and scoring corporations’ disclosures of environmental data over roughly the same period of time. In addition to these explicit measurement tools (Matten & Moon, 2008), sustainability reporting is another instrument that allows organizations a benchmark against which to compare their social performance, by awarding organizations with certificates corresponding to the extent of their reports. Here I use the term “Social evaluation tools” (SET’s) to discuss certifications, ratings, accreditations and similar devices of this kind that are related to the context of corporate responsibility (George, Dahlander, Graffin, & Sim, 2016).

Although SET’s are meant to promote awareness and transparency regarding a variety of social and environmental ills, and even though some of them have been well-accepted among large audiences (KPMG, 2013), organizational academics are highly skeptic regarding the potency of these tools to meaningfully promote any social causes. For one, rather than being viewed as serving the public good by transmitting substantial information about corporate behavior, SET’s are often perceived in the literature as “impression management” devices (Cho, Laine, Roberts, & Rodrigue, 2015), as that they allow organizations to successfully decouple actual practice from measured performance (Boiral, 2007; Marquis & Qian, 2013; Okhmatovskiy & David, 2012; Sine, David, & Mitsuhashi, 2007). Second, the association of SET’s with generally undesirable outcomes has been amplified by research in sociology that highlighted the “gaming strategies” that are often enacted in response to these tools (Espeland & Sauder, 2007; Sauder & Espeland, 2009). Third, the methodological soundness of SET’s, especially in terms of their validity and reliability, has been repeatedly questioned (A. Chatterji, Durand, Levine, & Touboul, 2014; A. K. Chatterji, Levine, & Toffel, 2009; Delmas, Etzion, & Nairn-Birch, 2013).

In this paper I suggest a different interpretation of SET’s, one that emphasizes their socially desirable outcomes rather than undermining them. Specifically I argue that SET’s are able to drive meaningful process of change in how organizations conceive and manage corporate responsibility. I use performativity theory (Callon, 2006; Orlikowski & Scott, 2008; Scott & Orlikowski, 2014; Slager, Gond, & Moon, 2012) to interpret these tools as “calculative devices” (Callon & Muniesa, 2005) that perform and materialize the concept of “corporate responsibility” within organizations (Hasselbladh & Kallinikos, 2000; MacKenzie & Millo, 2003; Zbaracki, 1998).

MacKenzie and Millo (2003) provided a classic example for how a calculative device can become performative. Looking at the context of the Chicago Board Options Exchange, they argued that the initial gaps between the classic Black and Scholes option pricing theory’s predictions and the actual prices were quite notable, but that those gradually diminished as floor traders increasingly grew accustomed to using this tool not only for initial prediction but also for subsequent price adjustments. Originally conceived as an economic state-of-the-art, they claim that the classic pricing theory has hardly functioned as a truly predictive device at any stage. MacKenzie and Millo (2003) used the term "performativity" in order to describe how the theory instead proved useful in counter-balancing earlier negative public image regarding derivative trading, and was eventually one of the main drivers for the stupendous thrive of this market between the early 1970's and the 1987 stock crisis.

Based on this example, my essential argument is that sustainability reporting performs corporate responsibility the same way that option pricing theory performed option pricing. To support this argument I focused on organizational response to the Global Reporting Initiative (GRI) guidelines, a central sustainability reporting standard which I use as an instance of social evaluation tools. I show that organizations have generally improved their levels of application of the third version of the guidelines (GRI/G3) over the years, and suggest that rather than hinting a mere symbolic act of conformance, this finding points to a fruitful learning process that reporters went through over the years in terms of how to manage their corporate responsibility. A time-series analysis was conducted to support the notion that improvement in application levels took place over time. In addition, I intend to conduct interviews with key practitioners in Israeli corporations who practice sustainability reporting, in order to shed light on how practices and norms of corporate responsibility management were changed as a result of the emergence of GRI/G3.

My research contributes to the performativity literature by showing how its theoretical underpinnings apply to a new setting, that of sustainability disclosure. It also contributes to the literature on evaluation tools such as rankings, ratings and certifications by showing that such tools may generate effects other than reactivity and "gaming strategies" (Espeland & Sauder, 2007) or decoupling (Boiral, 2007). Specifically, I claim that the performative effects of these tools may be associated with socially desirable outcomes such as organizational learning of what it means to behave responsibly. Showing this positive potential is particularly important in the context of sustainability reporting, which is often criticized based on both merit and methodology (Gray & Milne, 2002)

Future research, however, is needed to pinpoint which types of SET's are associated with which type of organizational dynamics and outcomes. For example, it could be that ratings exert effects that are more suited for organizational learning compared to rankings (Knorr-Cetina, 1999; Lamont, 2012): First, as they endow each actor with an absolute grade, ratings account for the individual progress made by each actor, thereby possibly diminishing manipulation by actors given to rankings. Second, unlike rankings, ratings allow organizations to directly compare past and present performance, thus possibly harnessing the potential of consistent measurement to motivate progress (Drucker, 1954, 1967).

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