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ABSTRACT

With increasing attention to sustainable business, reporting by MNCs about the social and environmental dimensions of their activities – alongside their economic impacts – has become rather common. While research has documented sustainability reporting and looked at reports' contents, studies on MNC reporting as institutionalised phenomenon, considering evolving patterns at the firm level, have been lacking. This paper presents developments and trajectories of sustainability reporting by a panel of Fortune Global 250 firms, and also explores MNCs' reporting trends in their sector-specific settings. Using three data points covering a period of nine years, five patterns are found: consistent reporters, late adopters, laggards, inconsistent reporters, and consistent non-reporters. Different dynamics can be seen in the various sectors, with some in which reporting has become established and others where it is more emerging. Many sectors show European frontrunners, particularly when it comes to publishing verified reports at a relatively early stage. Peculiarities and implications for research and practice are discussed.

TRAJECTORIES IN SUSTAINABILITY REPORTING BY MNCS

Attention to the social and environmental dimensions of business activities has increased considerably, and is frequently linked to firms' economic impact in the notion of sustainability or triple bottom line (triple P) (Elkington, 1997), to point to the need for managers to focus concurrently on People (social), Planet (environmental) and Profit (economic). Current interest in the role that firms (can) play to further sustainability, as a business case and in societal terms (cf. Dyllick & Hockerts, 2002), has been preceded by a period in which non-governmental organisations (NGOs) campaigned against the negative implications of globalisation in general and the power of multinational corporations (MNCs) in this process in particular. In this setting, MNCs started to increase their accountability to stakeholders on environmental and social issues, most notably by publishing reports in which they expressed their commitment and outlined activities undertaken to prevent environmental pollution, human rights violations and other 'externalities' of international trade and production. A growing number of firms has become active in such sustainability reporting, as shown by various studies (e.g. ACCA, 2004; Baskin, 2006; Context, 2007; Kolk, 2003; KPMG, 2005, 2008; Standard & Poor's/SustainAbility/UNEP, 2006).

Despite considerable attention to sustainability reporting, however, the explicit international business dimension has not been highlighted much. Surveys published by accounting and consulting firms, though frequently covering MNCs, have focused on documenting trends or the phenomenon in general. They show best practices and areas for improvement, but do not aim to map developments and disclosure strategies at the level of the firm. If categorisations are made, these serve to benchmark firms on the basis of the comprehensiveness of items included in reports, or to classify types or stages of reporting, in order to be able to give advice on reporting practices and ways to further the quality of disclosure (which usually also includes the promotion of external auditing of reports). While very valuable to outline trends, this does not shed light on whether, for example, particular firms are leaders while others follow and/or lag behind, whether the increase applies in general and represents a steady, gradual spread of reporting, or whether some firms stop reporting (temporarily) and more irregular patterns can be seen. Thus, despite attention for MNCs and sustainability reporting, these surveys have not yielded firm-level insights that can improve our understanding of different MNCs' strategies and the dynamics involved.

This basically also holds for other studies published in more academic outlets, which have often taken MNCs as the sample for investigation (e.g. Kolk, 2003; Krut & Moretz, 2000; Line et al., 2002; Rondinelli & Berry, 2000) or compared firms cross-nationally (e.g. Adams et al., 1998; Adams & Kuasirikun, 2000; Buhr & Freedman, 2001; Halme & Huse, 1997; Holland & Boon Foo, 2003; Van der Laan Smith et al., 2005). They were neither embedded in the international business literature nor meant to contribute to the specific discussions related to MNCs, but rather aimed to shed light on the phenomenon or explore factors influencing disclosure, the latter frequently published in accounting journals (cf. Berthelot et al., 2003; Lee & Hutchison, 2005). Exceptions, in which country-level differences received attention, include Chapple and Moon (2005), Kolk (2005a), Maignan and Ralston (2002), and Meek et al. (1995). Also there, however, an analysis of how such disclosures have developed (i.e. broadened) over the years at the level of specific firms is lacking. Furthermore, and because of the predominance of cross-sectional research, there is not much insight into the trajectories that firms have followed in their reporting. The limited number of studies that covers multiple years (Buhr & Freedman, 2001; Kolk, 2005a) used two data points to focus on discovering institutional factors (respectively Canada-US, and the Triad) to explain and compare firms' reporting in the respective countries/regions overall.

Hence, we do not know to what extent patterns of sustainability reporting can be found at the level of the firm, and whether firms seem to follow particular strategies in this area. Such insight would enable a more informed study into drivers and influencing factors of sustainability reporting by MNCs over time. This can thus help to move research beyond, as Berthelot et al. (2003, p. 37) labelled it in their review paper, the prevailing view of reporting as a 'deterministic response to economic and public pressures', and unravel the dynamics. Or, as Berthelot et al. (2003, p. 37) put it in the sentence following the one just quoted: 'However, in reality, most firms may be simply imitating other firms that are perceived to be leaders'. They thus recommended studies that could help examine reporting as an institutionalised development, paying attention to sector-wide and country-wide trends. Furthermore, the authors noted that each individual firm is different, but that such firm-specific factors have not been captured by the generic approaches taken in disclosure research.

This paper seeks to respond to the call for more research of this kind at the level of the firm to further understanding of sustainability reporting. It presents developments and trajectories of sustainability reporting by a panel of Fortune Global 250 firms. Using three data points covering a period of nine years, subsequent sections will analyse firms' sustainability reporting patterns as well as peculiarities. This includes some attention to reporting trends of MNCs considered in their sector-specific settings as a first exploration of possible dynamics at play, followed by a discussion of implications for research and practice. Before moving to the empirical study, however, the next section will first briefly discuss, as background, some of the relevant literature on sustainability reporting.

SUSTAINABILITY REPORTING: BACKGROUND AND LITERATURE

Attention to sustainability and the role of multinationals is not an entirely new phenomenon. Already from the 1970s onwards at least, there have been considerable societal, policy and academic concerns related to role of MNCs, at the time specifically in developing countries, and their environmental and social impact (e.g. Gladwin & Walter, 1980; Leonard, 1988). The 1970s also witnessed a first wave of corporate accountability in the form of so-called social reports published by firms in the US and Western Europe, many of them MNCs (US Department of Commerce, 1979). In the 1980s, however, this social reporting lost momentum as it was not institutionalised, and interest faded away (Dierkes & Antal, 1986; Kolk, 2005b).

In the late 1980s, non-financial reporting re-emerged, but this time with a particular focus on environmental issues (Berthelot et al., 2003; KPMG, 1993), and disclosure has grown substantially since. In the past decade, it has broadened to cover social (and increasingly some economic) aspects as well, frequently in stand-alone reports, but otherwise as separate sections in financial reports (KPMG, 2005; Kolk, 2005b). The labels used for such reporting have varied considerably, ranging from sustainability or sustainable development to corporate (social) responsibility and corporate citizenship.

Research on disclosure has sometimes included both environmental and social aspects as well, following the original approach from the field of environmental and social accounting (e.g. Gray et al., 1985). In many cases, however, studies have focused on one of the two, most often the environment, as also reflected in two review articles published in recent years (Berthelot et al., 2003; Lee & Hutchison, 2005). Originating from the accounting discipline, these two articles have yielded an overview of aspects related to voluntary disclosure by firms, generally based on cross-sectional research (see also Kolk, 2005b). It should be noted, however, that several interrelated factors play a role, or as Deegan (2002, p. 291) put it, 'expecting that one motivation might dominate all others would be unrealistic'.

Hence, publications have likewise distinguished a range of possible drivers at the firm, sector and societal levels (Lee & Hutchison, 2005; cf. Berthelot et al., 2003). A basic consideration has been that firms balance internal and external pressures from a variety of stakeholders, some more powerful than others, to whom corporate information can be useful in their decision-making and behaviour vis-à-vis the firm. Firms and their managers thus seem to weigh perceived advantages and disadvantages (costs and benefits) of voluntary reporting (cf. Martin & Hadley, 2008), although insight into firm-level specifics has been lacking (cf. Berthelot et al., 2003). Various aspects involved already emerged from a practitioner study that requested MNCs to list reasons for publishing an environmental report – or not – a decade ago (see the overview compiled in Table 1, and also further below for the non-reporting aspects).

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In addition to cost-benefit frameworks, the objective to keep and/or enhance legitimacy within society has motivated voluntary reporting (Deegan, 2002; cf. Berthelot et al., 2003). This can also be related to impression management, according to which firms provide information to manage their reputation and the perceptions of key stakeholders, including government (for example, to pre-empt disclosure regulation). These externally-oriented theories imply that the socio-political context, including for example the occurrence of environmental incidents and targeted campaigns against particular firms, influences the extent of disclosure. The overviews of relevant factors in this regard show that size matters, with large firms more likely to report, presumably due to greater visibility and exposure to media and NGO attention – public pressure and government stimuli in firms' home countries have, more generally, helped to further disclosure (e.g. Adams et al., 1998; Kolk, 2005a; Lee & Hutchison, 2005). This greater likelihood also applies to firms in more environmentally-sensitive (polluting) sectors, with sector as a more important determinant for explaining reporting than country, although the latter has increased in importance (Kolk, 2005a). Sector membership can play a role as well if firms are supposed (via 'peer' pressure) to participate in, for example, collectively adopted codes that include reporting requirements.

Sector-related, competitive factors have also come to the fore in a recent study on non-reporting, which explored the relative importance of the aspects as also included in the bottom half of Table 1. To this end, Martin and Hadley (2008) first conceptually grouped several aspects into 'competition', 'implementation', 'reputation/commitment' and ‘repercussions’, and sent a survey to UK FTSE 350 firms. While they only asked them to weigh the individual drawbacks to (environmental) reporting, if we, taking their findings, add the factors mentioned by non-reporting firms into groups again, competition (which included the fact that competitors do not publish reports) and implementation (including data collection problems) scored highest. Interestingly enough, reputational aspects were considered least important, which seems to nuance the relevance of legitimacy and impression management frameworks. It should be noted, however, that the non-reporters were mostly firms outside the FTSE100, so this smaller size may have played a role, also regarding implementation issues.

Still, the high score for competition is notable, also because sector dynamics have hardly been considered in reporting research (Berthelot et al., 2003). It has received more generic attention, though, in the international business and strategy literatures, because particularly MNCs operating in global industries closely watch the behaviour of competitors, with a tendency to ‘follow the leader’ (cf. Knickerbocker, 1973) or to jump on the bandwagon (cf. Abrahamson and Rosenkopf, 1993). A firm may copy rivals’ moves even if benefits are unclear or negative, as it wants to prevent competitors from gaining undue advantage (Chen & MacMillan, 1992). In the sustainability area, the significance of such sector influences has been shown in the case of climate change, particularly when comparing different response patterns by US versus European firms to the issue over the years (Kolk and Levy, 2004).

Building on these findings, this paper will also examine developments over time, to look at trajectories of sustainability reporting of MNCs in main countries and sectors, and subsequently explore the sector settings to help shed some light on possible institutional dynamics, as recommended by Berthelot et al. (2003). This helps to address the limitations of cross-sectional studies that have predominated the academic literature and of the practitioner-oriented surveys that have not offered much insight into firm-level patterns. The next section will present the data of a panel of Fortune Global 250 firms.

AN ANALYSIS OF SUSTAINABILITY REPORTING TRAJECTORIES

To obtain more insight into trajectories of sustainability reporting by MNCs, we focused on a panel of the Fortune Global 250 firms. All the firms in the Fortune Global 250 (the first half of Fortune’s Global 500 list), as published on 3 August 1998, were included in this study, as long as they ‘survived’ into the year 2005 (n=213). Data on sustainability reporting was collected for three points in time: 1999, 2002 and 2005 – covering reporting over the years 1998, 2001 and 2004 respectively. The period 1998-2005 was a crucial period in terms of the adoption of sustainability reporting by large MNCs and thus very helpful to obtain insight into developments and emerging patterns.

At each of the three data points, the multinationals were approached, several times if that was necessary, and requested to send their most recent corporate report that dealt with environmental, health and safety, corporate responsibility, sustainability, social or similar types of information. This could be either a separate non-financial report or, if that was not available, the annual financial report if it contained a substantial section with non-financial information. It should be noted that over the years, an increasing number of reports has been published online, on corporate websites. Thus, particularly in the last year covered, we initially visited the websites of all the firms in the sample to actively search for such reporting on sustainability in the specific year, and only if this did not yield results, the firms were contacted.

General characteristics and trends

Before moving to the trajectories and subsequently the sector perspective, first some general information about trends in the sample will be given, with percentages of reporters overall and for main sectors and countries of origin (Tables 2 and 3). Chi-square tests have been conducted to assess the significance of the change in sustainability reporting. Overall, reporting has grown significantly over the years, from 39% in 1999 to 52% in 2002 and 69% in 2005, increasing in all countries. Growth was particularly significant in France, Germany, Japan and the UK. Concerning the countries with larger numbers of firms, European and Japanese firms reported more than (the high) average for the Fortune Global 250, and their US and South Korean counterparts consistently less.

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Growth obviously also prevails when the sample is considered from a sector perspective (Table 3). Industrial, more 'polluting' sectors have traditionally been most active in this regard, although the number of banks and insurance firms that publishes a sustainability report is increasing, and almost catching up most recently. Besides financial firms, other sectors which have traditionally reported less than average are trade & retail, services, and communications & media, but it must be noted that significant increases can be observed here as well. This means that differences with (traditionally high reporting) sectors such as chemicals & pharmaceuticals, computers & electronics, automobiles, utilities, and oil & gas, are decreasing.

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Looking at the types of reports published by the panel, this clearly underlines the trend towards sustainability reporting. While none of the 1999 reports could be labelled as sustainability (triple P), in 2002 this increased to 15% and in 2005 to 71%. The share of environmental (sometimes combined with health and safety) reports had decreased accordingly, from 99% (1999) to 69% (2002) and 16% (2005). Reports that combined social and environmental aspects, just 1% in 1999, was another considerable category in 2002 (13%) and 2005 (12%), with the remainder in 2002 and 2005 (respectively 3% and 1%) being social reports. The emergence of sustainability reports mirrors the development in the field of voluntary standard-setting where the multi-stakeholder Global Reporting Initiative launched its first sustainability reporting guidelines in 1999 – the second and third versions were published in respectively 2002 and 2006.

An element that has received considerable attention in these guidelines has been external voluntary verification of report contents, as part of efforts to move towards assurance as provided for financial reports – even though auditing of social and environmental information is still more complex. In the panel, an increase in verification can be noted, from 9% in 1999 to 16% in 2002 and 21% in 2005. This is particularly a European phenomenon, with almost half of the European firms engaging external parties to check their reports, while this is exceptional in the case of US firms, and Japanese firms are somewhere in between. In both 1999 and 2002, over 60% resorted to a big accounting firm for verification, but this has decreased to slightly less than half since. As to the form it is noteworthy that particularly in 2005 firms start to integrate substantial environmental and social information in their annual, financial report (16% of total), and that 22% of these has a specific verification for this part.

Trajectories of reporting

Moving from general trends to those at the firm-level, various patterns are possible (see Table 4). The most obvious ones are those in which a firm consistently publishes a report, or refrains from doing this, which can be labelled as 'consistent reporters' and 'consistent non-reporters' respectively. Both account for a considerable percentage of the sample, respectively 32% and 24%. Another category consists of those firms that started later, that is they did not publish a report in 1999, but adopted the practice afterwards. These 'late adopters' encompassed 16% of the panel set. What could be called 'laggards' did not publish a sustainability report on the first two data points, but had one in 2005 – this applies to 19%. The final group brings together 'inconsistent reporters', which is the remainder (8%), and comprises firms that do not follow a clear pattern, publishing intermittently. They as such 'disturb' the general trends as indicated in Tables 2 and 3 so their peculiarities are useful to consider as well.

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The *consistent reporters* are leaders in sustainability reporting. Not surprisingly in view of the general peculiarities set out above, US firms are relatively underrepresented in this group compared to the overall sample, and Japanese and European firms – except for France – overrepresented. Particularly Dutch firms, even though a small number in total, are notable, as three quarters of them falls in this category. As to sectors, particularly the underrepresentation of banks and insurance firms stands out, as well as the overrepresentation of electronics & computers, chemicals & pharmaceuticals, and automotive. Looking at the other extreme – the category *consistent non-reporters* – there hardly any European firm can be found, and US firms are overrepresented, they account for almost 60% of non-reporters (while they account for one third in the total sample). There is a strong overrepresentation of banks & insurance, and trade & retail, while automotive, chemicals & pharmaceuticals, and electronics & computers are fully absent here.

Focusing on the category of *consistent reporters*, they were – as could be expected in view of their leading role – early in adopting verification as a practice: 26% already engaged external parties to check their reports in 1999, and this increased to respectively 41% and 43% in subsequent years. Interestingly, from 2002 onwards they were much less interested in engaging accounting firms for verification than the average indicated above, as this declined to one third. Also noteworthy is that some firms stopped external verification in 2005 after having pursued it in previous years; this included two US firms, leaving none US firm in the set that had their report verified for the full period (see also the next section). Amongst those that adhered to verification, we find especially UK and Dutch firms. Looking at the *late adopters* in terms of verification, they are slightly more active here than average. Especially in 2002 almost all firms involved accounting firms for external verification. In addition, almost half of those that had their report verified in 2002, stopped with this practice in 2005. *Inconsistent reporters* stand out for the fact that they never adopted verification.

As to further peculiarities of late adopters and laggards, banks and insurance firms, while underrepresented in the *late adopters* category (like in the consistent reporters), are overrepresented amongst *laggards* – as Table 3 already showed, it is in the latest period that reporting really started to take off there. In addition, *late adopters* are characterised by an overrepresentation of Japanese firms in particular, and by their French counterparts to a lesser extent. French firms are even more notable for their large presence in the *laggards* category, where they account for 25% (while they form only 8% of the sample); Japanese firms are very underrepresented here. How this works out when considered from a sector perspective will be shown in the next section.

The reporting hikes for Japanese and French firms in respectively 2002 and 2005 can be related to the institutional context (Kolk, 2005a; KPMG/UNEP, 2006). In Japan, the government published rules and guidelines on environmental reporting and accounting that have led many firms to start reporting; in France, legislation was adopted that obliges publicly-quoted firms to report on environmental and social issues – this applied to the 2005 set only. The influence of country-of-origin factors also seems to have played a role in the *inconsistent reporters* category, as it noteworthy that they are characterised (like the non-reporters) by a large percentage of US firms (61%). The litigious tradition, characterised by a formal legal approach and contestation (Kagan & Axelrad, 2000), appears to have stimulated a compliance orientation, in which voluntary reporting has consequently made much less headway than in other countries, especially in comparison to Europe (Kolk, 2005a).

It would be interesting to obtain more insight into why particular firms act in line with the institutional setting, such as in the case of non-reporting US firms, while others do not, and report in spite of that, or even hesitate between one or the other and publish intermittently. While a detailed investigation into a range of possible factors is beyond the scope of this paper, below the reporting trajectories will be placed in MNCs' sector-specific settings to explore some of the possible dynamics at play. A sector perspective seems appropriate as an earlier study has shown that this explains the occurrence of environmental reporting better than MNCs' home country; it should be noted, however, that the importance of firms' region/country of origin in this respect has increased somewhat in importance over the years (Kolk, 2005a).

Exploring sector dynamics

This section will consider in which cases and to what extent trajectories of reporting might have been influenced by sector dynamics, for example if competitors overwhelmingly report (or not). To this end, Table 5 gives an overview of the patterns of sustainability reporting for the same sectors as included in Table 3. Overall, it shows the different patterns as noted in the preceding section, and variety across the sectors in the adoption of reporting within the general tendency that clearly indicates growth.

There are three things that the analysis of reporting trajectories per sector reveals in addition to what has already been mentioned.

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First, it helps to shed light on the extent to which inconsistent reporters disturb the overall trend, with the relative importance differing per sector, and on the degree to which the practice seems to have become an established one or is still emerging. A relatively high percentage of inconsistent reporters can be found in automotive, a sector in which reporting overall seems to have become established in view of the absence of non-reporters, with half of them as consistent reporters. In the case of chemicals & pharmaceuticals, firms have either reported all years (90% of the sample) with one (Merck) showing an inconsistent pattern, with no report in 2002.[1] Metals & manufacturing, a much more diverse set of firms, so in that sense somewhat less likely to be subject to sector-related 'peer pressure', also shows a high percentage of inconsistent reporters. In addition to chemicals & pharmaceuticals and automotive, other sectors characterised by at least 50% of consistent reporters are utilities, oil & gas and, more prominently in view of the absence of consistent non-reporters, electronics & computers.

Second, and perhaps more insightful for the dynamics is that the information helps to assess which firms are early movers and which ones follow (or not), or seem to hesitate. It could be explored, for example, if country of origin appears to play a role in that regard, or whether other factors might be at play. Such an analysis may get an extra dimension if, third, the patterns related to external verification of reports are added, as included per sector in Table 6, in a similar format as Table 5. Both dimensions will be combined in the further discussion on sectors and firms below, looking at the main sectors in which, in view of the nature of the products, coherence and thus a potential sector-induced dynamic might be discovered. Where appropriate, subsectors are considered to some extent as well, in those cases where sectors consist of two related clusters.

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As Table 6 shows, reporting has become rather common in automotive, but verification has not; only two firms went that route in two out of the three years: Toyota in 1999 and 2005, and Volkswagen in 1999 and 2002. The major firms in the sector, including those in the US, have all adopted reporting – although Ford started a little later. Automotive has, like oil & gas, been examined as global industries, where firms closely watch one another (cf. Kolk & Levy, 2004), and this seems to be reflected in reporting patterns as well. When main firms adopt the practice, the overall tendency is that others do the same, or follow a little later. In the case of oil & gas Marathon Oil, Pemex and Petrobras are late adopters. The only two firms that did not publish a report in the last year were PDVSA and SK, where lack of pressure in their home countries (respectively Venezuela and South Korea) may have played a role. Inconsistencies in both sectors might have been due to merger & acquisition activities (ChevronTexaco, Renault, Volvo), but such aspects would be worth further study. Interesting in oil & gas is that, contrary to automotive, verification has become relatively widespread, amongst half of the set – either consistently doing it the full period or as late adopter. Legitimacy and reputational issues may be behind this (cf. Van de Wateringen, 2005). And while reporting as such is taken up by US firms, verification is not. The European firms BP, Royal Dutch Shell, ENI and Statoil are consistent verifiers, while Nippon Mitsubishi Oil (Japan), Pemex (Mexico) and Repsol (Spain) are late adopters, with the remainder refraining from it. The only European firm in the sample without verification is Total Fina Elf, perhaps related to its less proactive approach to environmental issues than its European competitors in this period (Van de Wateringen, 2005).

Sectors where reporting has become normal, as shown by the fact that all firms have published a report at least once, are utilities, chemicals & pharmaceuticals and electronics & computers. The three have different peculiarities, however, with utilities standing out for its traditionally low degrees of internationalisation (Fortanier & Van Tulder, 2007), and thus presumably somewhat less global sector pressure. In spite of this, utilities appear to demonstrate a sector dynamic for reporting. If we leave aside Enron, which still existed as utility in the last year covered by the study (by now it has become an almost asset-less shell that handles liquidation without involvement in energy any longer) and thus included in the tables, all firms have reported since 2002, but verification is rare. The only firms that engaged external auditors are Enel (consistently), RWE and Suez (laggards) – again the European firms in the sample (with EDF as only exception).

In chemicals & pharmaceuticals, reporting is common, and verification to some extent as well. This had already developed before 1998, the first reporting year included in this study. Again, verification has been adopted by all four European firms, with Novartis (pharmaceuticals), Bayer and ICI (chemicals) over the full period, and BASF (chemicals) as laggard. By contrast, the US firms have abstained from it, except for Bristol-Myers Squibb (pharmaceuticals), which in the first two years had an external check of its report, but then stopped it. In electronics & computers, reporting is prevalent, with all firms having published reports at least once, and 70% consistent reporters and 20% late adopters. In electronics, the two late adopters were the only South Korean firm (Samsung Electronics) and one Japanese firm (Sanyo Electric), the rest consisted of consistent reporters; in computers, the picture was a little more varied, with firms in all four categories. Interestingly, the Dutch firm Philips Electronics had its report verified all years, with its competitor Sony as a later adopter of this practice.

Sectors that are characterised by a different picture in terms of the spread of reporting (and verification) include banks & insurance, communication & media, food & beverages, and those in trade and retail more broadly. As discussed before, reporting developed from a focus on the environment to sustainability, so in these less polluting sectors it took off more slowly. It seems to have gained momentum, though, particularly amongst specific sets of competitors. In telecommunications, BT (UK) has published verified reports the full period, while US firms have predominantly been non-reporters, with only one (AT&T) reporting – but only in 1999 and 2002, not in 2005. Other firms have followed different patterns of adoption in between. Verification has, other than BT, only been asked by two European firms, Telecom Italia and Telefonica.

Largely similar is the situation in food and drug stores, where the two US firms have not reported at all, while Sainsbury (UK) had consistently verified reports, with almost all other firms from a variety of countries (Germany, France, Netherlands, Japan, Australia) in between. Food & beverages has Unilever (Netherlands) as consistent reporter including verification, with Nestlé (Switzerland) as late adopter without verification, and Sara Lee (US) as non-reporter in the period.[2] Deviating from the pattern found in many other sectors, Altria (US) is a consistent reporter and was much earlier than BAT industries (UK), a laggard which, however, immediately started with a verified report. Coca-Cola and Pepsico, both US firms, published a report only in the last year, but Coca-Cola had it also verified.

By contrast, general merchandisers hardly publish reports (yet), and this also applies to a considerable extent to insurance, where only a limited number of firms, generally outside the US, have been active. Much more activity can be seen in banking, where 26% consistent reporters, 13% late adopters and 43% laggards are found. With just 17% that never published a report, or only the first year, reporting seems to have taken off there particularly in the period under investigation. The Dutch Rabobank has published verified reports the full period (the only one with consistent verification); the two other Dutch banks have been consistent reporters and late adopters regarding verification – a similar pattern applied to two UK banks (Lloyds and Barclays). Interestingly, Bank of America, also a consistent reporter never resorted to verification.

Overall, different dynamics can be seen in the various sectors, although there are also similarities. Drivers behind these patterns are likely to have been firm-specific in addition to competition-related. Furthermore, there is an influence of country of origin: many sectors show one or more European frontrunners, particularly when it comes to publishing verified reports at a relatively early stage; in some sectors US firms follow later, but they almost never adopt verifications. Follow-up studies might be helpful to shed more light on this. Possible firm-specific factors may include the internal organisational structure, the role and power of particular departments or individuals, markets in which firms operate – for example, B2B or B2C, or located in particular countries where customers are more or less sensitive to environmental and social responsibility – as well as reputation, branding, visibility and size.

Finally, while the reporting behaviour of the Fortune Global 250 is very helpful to shed light on trajectories and peculiarities, the overwhelming majority of firms is smaller and may have been less confronted so far with disclosure on environmental and social issues, or the phenomenon has emerged more recently. It is also in this realm where interesting implications for practitioners might be found, and which will be discussed in the final section of this paper.

DISCUSSION AND IMPLICATIONS

On the basis of the analysis of data from the Fortune Global 250, it can be seen that large MNCs follow different trajectories of sustainability reporting. This paper distinguished five patterns which were labelled as consistent reporters; consistent non-reporters; late adopters; laggards; and inconsistent reporters. Around one third has consistently reported, usually in stand-alone reports, and been relatively eager to have these externally verified as well. Sector dynamics were specifically explored, also in response to a call in a review paper by Berthelot et al. (2003) for more research on industry-wide and country-wide trends, and to help shed some more light on individual-firm level patterns as part of it as well. This showed a distinction between sectors where reporting has become more or less established, in a few cases already before 1998, or in the period covered by this study, and those (sub)sectors where it is more emergent still. There are also differences in terms of verification, with some sectors in which one UK or Dutch firm led the way, and others where only some European firms adopted the practice, or where it has not made headway so far.

While sector and country differences seem to be important, it would be worthwhile to trace further determinants in a sector-specific setting. Such additional research could take the form of a detailed sector study into converging and diverging pressures for reporting over time, similar to what Kolk and Levy (2004) did for climate change in automotive and oil & gas. Such a focused approach allows for a more detailed analysis than the current one that took the Fortune Global 250 as a whole.

While the data has limitations, and more research can be done to obtain further insight, as also indicated above, the findings might already be helpful for practitioners, especially because the Fortune Global 250 firms have been much more active in sustainability reporting than other firms (KPMG, 2005; 2008). This means that patterns noticeable amongst this set can help shed light on developments on the part of early movers, as well as aspects and/or dilemmas that play a role more generally in sustainability reporting. The fact that, for example, one quarter consistently did not report suggests that there are disadvantages (or no perceived benefits) to sustainability reporting as well, even for large well-known firms of which most peers have already engaged in it. However, as already indicated in the literature section, a recent study on motivations for non-reporting showed that in addition to 'competition' – a factor to which this paper paid some more attention – 'implementation' also scored high amongst the 'smaller' firm in the UK FTSE 350 (Martin & Hadley, 2008). This includes factors related to the difficulty of data collection and the choice of performance indicators as well as the cost and effort involved.

Obviously, implementation can be a clear barrier to start reporting. However, given that a growing number of firms, frequently competitors in the same sector or corporate customers (for example, if firms supply to large MNCs), publishes reports, there is more knowledge available and more opportunities to learn from others. Thus, while it continues to be difficult to gather consistent data, particularly in the first year of publication, selection of indicators has been facilitated to some extent by the publication of guidelines and formats, such as those of the Global Reporting Initiative (GRI). On the other hand, the long list of possible indicators, which has definitely increased over the years, for example via GRI which helped systematise them, may also put off smaller firms in particular. Assessing criteria and methods for inclusion of some topics and not others may be cumbersome, also because guidelines stipulate that this requires a process of stakeholder dialogue. In addition, firms may be hesitant to provide certain information as it might be sensitive for reasons of competitiveness or because of potential legal implications – the latter fear appears to have relevance mainly in the US.

The number of choices to be made for reporting has also increased over the years in view of considerable diversity in types (environmental, social and sustainability reports), formats (stand-alone or part of the financial report; targeted at specific stakeholder groups or generally), means (electronic and/or on paper, one or multiple languages) and external involvement (from stakeholders, verification of data, and if so, by which party/parties). Particularly verification also brings considerable costs, which may be the reason why the majority of even the largest MNCs still refrains from it, and more so when they publish a report for the first time. The pattern found for consistent reporters and late adopters (which started reporting in 2002) is that interest in engaging accounting firms was largest in the first year they reported and declined subsequently. In the case of laggards, which only reported in 2005, a much lower percentage (one third) involved accounting firms. Declining interest in hiring accounting firms may be due to degree of stringency (and thus complexity) that the Big-4 applies post-Enron and since Sarbanes Oxley, as well as the costs involved. It may also be that the first verification experience induced firms to choose another auditor next time. This might be an interesting area for further research.

In deciding about whether to report or not, there is another dimension to be considered which is that once a firm has started to publish a report, it runs the risk that discontinuation may arouse negative publicity. In fact, rising expectations might result in the 'paradox of information': the more information firms supply, the higher the request for new data, and the greater the likelihood that stakeholders ask them to live up to their promises and guarantee the accuracy and reliability of the data. Firms might end up supplying more information than originally intended and turn to external experts for verification. Reporting may become an instrument for some governments as well, aiming to check compliance or the appropriateness of self-regulation. Although this could be associated with litigation, especially in the US context, this development is not necessarily bad to firms. To the contrary, when 'forced' in this way to watch the validity, the whole management system might be geared to providing the correct and relevant information, leading to an additional control on efficiency and effectiveness. This 'all or nothing' approach to sustainability reporting, which reflects a certain path dependence as past decisions constrain subsequent choices, does not apply in all cases, but it is a potential cycle that firms might want to reckon with. The data in this paper, which show that a relatively small percentage of firms (8%) publishes every now and then (inconsistent reporters), seems to provide some support, but this requires more in-depth, additional study.

Hence, although reporting behaviour of firms is influenced by institutional factors, sector dynamics, country and firm-specific factors related to organisational structure as well as type and location of markets, there is also considerable managerial choice. This has to do with the aspiration, values and perceptions on the part of the managers involved, and adds the individual level to the equation (cf. Aguilera et al., 2007). While in some countries mandatory standards are in place, in most cases, particularly when smaller firms are involved, managers have options in terms of how and what to report (or not), and it is up to them to balance stakeholder expectations, organisational and individual ambitions, costs, competitive pressures and overall trends, including those on the part of global peers. To contribute to this decision-making process, this study outlined some of the peculiarities of sustainability reporting by large MNCs, aiming to shed light on the various trajectories as well as aspects that seem to have played a role in this development.

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NOTES

[1] In response to a standard letter sent to the set of Fortune Global 250 firms asking for a copy of the most recent report that contained information on sustainability, the company's director of corporate communications responded, quite exceptionally, to decline the request in view of the many requests for participation in studies of this kind (letter dated 17 December 2001). On the website, we could not find sustainability reporting by the company in that period.
[2] Sara Lee published a non-verified report in December 2008.

TABLES AND FIGURES

Table 1 Firms' motivations for reporting or non-reporting

Reasons for reporting

- Enhanced ability to track progress against specific targets
- Facilitating the implementation of the environmental strategy
- Greater awareness of broad environmental issues throughout the organisation
- Ability to clearly convey the corporate message internally and externally
- Improved all-round credibility from greater transparency
- Ability to communicate efforts and standards
- License to operate and campaign
- Reputational benefits, cost savings identification, increased efficiency, enhanced business development opportunities and enhanced staff morale

Reasons for not reporting

- Doubts about the advantages it would bring to the organisation
- Competitors are neither publishing reports
- Customers (and the general public) are not interested in it, it will not increase sales
- The company already has a good reputation for its environmental performance
- There are many other ways of communicating about environmental issues
- It is too expensive
- It is difficult to gather consistent data from all operations and to select correct indicators
- It could damage the reputation of the company, have legal implications or wake up 'sleeping dogs' (such as environmental organisations)

Source Compiled from Sustainability/UNEP (1998); Kolk, 2005b, p. 396

Table 2 Sustainability reporting by panel of Fortune Global 250 firms in 1999, 2002 en 2005
(for countries with the highest number of firms)

		% of firms with report			*% difference between years*		
Country	***N***	*1999*	*2002*	*2005*	*1999-2002*	*2002-2005*	*1999-2005*
US	70	33	34	44	1	10	11
Japan	49	43	65	74	22 **	9	31 ***
Germany	21	52	57	86	5	29 *	34 **
France	18	17	39	94	12	55 ***	67 ***
UK	14	57	71	100	14	29 **	43 ***
Netherlands	8	75	88	88	13	0	13
South Korea	6	0	17	17	17	0	17
Switzerland	6	50	83	100	33	17	50 **
Italy	5	40	80	80	40	0	40
All firms	213	39	52	69	13 ***	17 ***	30 ***

*** p<0.01; ** p<0.05; * p<0.10

Table 3 Sustainability reporting by panel of Fortune Global 250 firms in 1999, 2002 en 2005 (for sectors with the highest number of firms)										
		% of firms with report			*% difference between years*					
Sector	***N***	*1999*	*2002*	*2005*	*1999-2002*		*2002-2005*		*1999-2005*	
Automotive	16	69	81	88	12		7		19	
Banks & insurance	56	20	29	57	9	***	28	***	37	***
Chemicals & pharmaceuticals	10	100	90	100	0		-10		0	
Communications & media	13	15	46	69	31	*	23		54	***
Electronics & computers	20	75	95	95	20	*	0		20	*
Food & beverages	9	22	44	78	22		34		56	**
Metals & manufacturing	9	67	56	56	-11		0		-11	
Oil & gas	14	64	79	86	15		7		20	
Trade & retail	36	19	31	42	22		11		33	**
Other services	11	0	9	64	9		55	***	64	***
Utilities	10	40	100	90	60		-10		50	**
All firms	213	39	52	69	13	***	17	***	30	***
*** p<0.01; ** p<0.05; * p<0.10										

Table 4 Patterns of sustainability reporting by panel of Fortune Global 250 firms					
			Reporting pattern		
Category	*%*[†]	***N***	1999	2002	2005
Consistent reporters	32	68	Yes	Yes	Yes
Late adopters	16	35	No	Yes	Yes
Laggards	19	40	No	No	Yes
Consistent non-reporters	24	52	No	No	No
		4	Yes	No	Yes
Inconsistent reporters	8	5	Yes	Yes	No
		6	Yes	No	No
		3	No	Yes	No
[†] Percentages do not add up to 100 due to rounding					

Table 5 Patterns of sustainability reporting for main sectors within panel of Fortune Global 250 firms (in % of sector total)†					
Sector	*Reporting pattern*				
	Consistent reporters	*Late adopters*	*Laggards*	*Inconsistent reporters*	*Consistent non-reporters*
Automotive	50	19	6	25	0
Banks & insurance	18	9	30	4	39
Chemicals & pharmaceuticals	90	0	0	10	0
Communications & media	8	31	31	8	23
Electronics & computers	70	20	5	5	0
Food & beverages	22	22	33	0	22
Metals & manufacturing	33	22	0	33	11
Oil & gas	57	21	0	7	14
Trade & retail	14	14	17	6	50
Other services	0	9	55	0	36
Utilities	50	40	0	10	0

† Percentages may not add up to 100 due to rounding

Table 6 Patterns of verification of sustainability reports for main sectors within panel of Fortune Global 250 firms (in % of sector total)†					
Sector	*Verification pattern*				
	Consistent verification	*Late adopters*	*Laggards*	*Inconsistent verification*	*Consistent non-verification*
Automotive	0	0	0	13	88
Banks & insurance	2	14	5	2	77
Chemicals & pharmaceuticals	30	0	10	10	50
Communications & media	8	8	15	0	69
Electronics & computers	5	10	10	0	75
Food & beverages	11	0	33	0	56
Metals & manufacturing	11	0	0	0	89
Oil & gas	29	21	0	0	50
Trade & retail	0	0	6	8	86
Other services	0	0	9	0	91
Utilities	10	0	20	0	70

† Percentages may not add up to 100 due to rounding