Toward a Taxonomy of Corporate Reporting Strategies
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Studies of corporate reporting that focus on information disclosure do so primarily from a mandatory, financial perspective owing the decision to the rationality of corporate actors. Yet, social and environmental disclosures—often reported voluntarily—are increasing in importance because of their impact on a firm’s performance and perceived value. Likewise, disclosure decisions are made based on managerial choice, often being communicated for a specific strategic purpose. The aim of this article is to illuminate the importance of voluntary disclosures as an aspect of corporate reporting and to integrate the deterministic and behavioral elements of disclosure decisions. A taxonomy of the disclosure process, activities, tasks, forms, types, and strategies is provided to add to our understanding of the additive and corrective nature of proactively disclosing information either to provide context to existing disclosures or to use information in a preventive manner.

**Keywords:** corporate reporting; disclosures; voluntary; integrative taxonomy; strategy

Information disclosure has generated a great deal of attention from both academic- and practitioner-based literatures during the past two decades primarily because it lies at the core of corporate reporting quality. Since required and voluntary disclosure decisions are a highly salient area of reporting, and more broadly of corporate governance, they have a significant impact on academia, industry, and government.

Recent regulatory reforms in the United States such as the Sarbanes-Oxley Act (SOA) and Regulation Fair Disclosure underscore both the value of timely and accurate corporate reporting as well as some of the problems associated with information disclosure. As a result of these regulations,
there have been significant changes in the oversight of required corporate reporting and in the role that information disclosure plays in decision making in the United States and in parts of Europe and Asia (Robins, 2006; Sheehan, 2005). Yet, information released voluntarily can also be a powerful indicator of performance and “far the more likely to represent a signal to markets” than required disclosures (Murray, Sinclair, Power, & Gray, 2006, p. 235) precisely because it can reveal richer information by going beyond the proscribed practices of mandatory reporting. Such disclosures, however, have tended to be underutilized and not uniformly understood (Engardio, 2007; Healy & Palepu, 2001; Lev, 1992).

The term voluntary disclosure is commonly thought of as information that is not required by laws or regulations (Lev, 1992); therefore, it can refer to information that is released in a subject area that is nonmandatory or to information that goes beyond the minimum requirement in a mandatory area (Gray, Javad, Power, & Sinclair, 2001). By way of example, researchers categorized voluntary disclosures as being strategic, nonfinancial, or financial in a comprehensive analysis of U.S., U.K., and continental European multinational firms (Meek, Roberts, & Gray, 1995). Strategic information refers to discussions of corporate strategic intent, acquisitions, research and development, and future prospects. Nonfinancial information includes information about directors, employees, or intangible assets. Financial information refers to business segment information, financial review information, foreign currency information, and stock price information. These items are consistent with the areas in which the Securities and Exchange Commission (SEC) notes managers should use their discretion (see National Investor Relations Institute [NIRI], 2004).

A number of academic researchers claim that companies primarily engage in reactive voluntary reporting, especially with environmental and social information, when previous events pose a threat to a company’s legitimacy. Often, companies aim to decouple good behavior from bad (Elsbach & Sutton, 1992), influence stakeholder perceptions following a negative incident, or distract audience focus (see Lindblom, 1994, as quoted in Deegan, 2002), often by co-opting the current political debate (Cheney & Christenson, 2001) or attempting to redefine the corporate image and stakeholder concerns in a way that serves the company’s own interests (Livesey, 1999; Livesey & Kearins, 2002). For example, Royal Dutch/Shell voluntarily prepared reports about its people and profits to repair its image following the Brent Spar oil rig dumping and for its failure to intervene in the execution by the Nigerian government of an anti-Shell activist (Livesey & Kearins, 2002).
Voluntary corporate reporting can also be used proactively to anticipate the concerns of various constituents, and is sometimes used synonymously with the term *value reporting* (Livesey & Kearins, 2002). Value reporting refers to providing more transparent information to multiple users beyond the investor. However, it calls for managers to use both voluntary and required disclosures and indicates information sharing as a management obligation that extends beyond the generally accepted accounting principles (GAAP), the first tier of reporting, to providing comparable industry and specific business/management information, respectively, tiers two and three (DiPiazza & Eccles, 2002). As in the case of USA Networks Inc., the company released its actual internal budget, along with detailed business segment information, voluntarily (see DiPiazza & Eccles, 2002). Therefore, value reporting is only voluntary and proactive in tiers two and three. Financial statements prepared according to GAAP are required and are backward focused (i.e., reactive) by their very nature.

While some value reporting items are disclosed through channels that meet the standard imposed by the SEC for broad dissemination, some of it is not. An information item is officially disclosed when it has been publicly issued via a broadly disseminated news release, or Form 8-K, commonly referred to as the current report, or Form 10-K, known as the annual report (Botosan, 1997, Lang & Lundholm, 1993; NIRI, 2004; SEC, 2004). These vehicles are listed from the most timely to the least. Therefore, the term *disclosure* in this article refers to a deliberate, timely, and formal release of voluntary or required information via one of these three vehicles versus the informal reporting practices that have increased in recent years such as press releases outlining various social initiatives or the production of sustainability reports.

While it is true that some companies issue press releases and reports only “in the name of progressive change” or as a public relations tool (Livesey & Kearins, 2002, p. 251), the types of voluntary disclosures analyzed in this article follow those outlined by Meek and colleagues (1995), with an effort to update them by recognizing the increased complexity of disclosures (DiPiazza & Eccles, 2002; Gray et al., 2001) and the changes in regulatory and social expectations since the SOA in 2002.

Therefore, it is not the intent of this article to analyze the sincerity of disclosure activities, or to disparage prior work, but to draw a distinction between voluntary disclosures and value reporting and to convey that by viewing corporate disclosures through the lens of voluntary or required terminology, business communicators will avoid serious violations in reporting, on the one hand, and will reveal opportunities to leverage the power of
corporate information, on the other. As such, this discussion focuses on social, environmental, and financial disclosures that companies use proactively to stay within the prevailing social, regulatory, and market-based priorities. As these priorities are likely to influence a company’s decision to disclose information, this article attempts to illuminate the connection between these priorities and a company’s strategic response while offering a taxonomy describing the tasks, activities, and processes of disclosure.

This article proposes a common taxonomy of voluntary disclosures as follows: In the next section I present a new, broader definition of corporate disclosure, and subsequently, an analysis of the trends surrounding corporate reporting that created the impetus for the taxonomy. The proposed taxonomy is then presented and explained along with details of the process of disclosure, its activities, and tasks as well as the factors likely to affect the process. An integration of the forms and types of disclosure is presented, and a set of voluntary disclosure strategies is provided in detail to complete the taxonomy. Finally, the article chronicles a set of future research opportunities.

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UNDERSTANDING AND REDEFINING DISCLOSURE

Although disclosures have been noted to be an important corporate activity, on par with production, marketing, and finance (Lev, 1992), and to be multidisciplinary (Hooghiemstra, 2000; Roberts, 1992; Verrecchia, 2001), disclosure research has continued to be challenging for several reasons. First, the prevailing definition of disclosure describes only one type of disclosure, financial (Gibbins, Richardson, & Waterhouse, 1990; Ullmann, 1985). Definitional problems persist as there is often no real distinction made in the literature between voluntary disclosures and those that are mandatory (Gray et al., 2001) or between disclosures and the
information practices of other disciplines such as corporate social responsibility and public relations, despite some similarities (Clark, 2000; Livesey, 2001; Wood, 1991).

Second, analysis of the factors affecting disclosure decisions tend to focus primarily on the capital market effects of disclosures, from an accounting perspective, while relatively few studies focus on the social or the environmental effects. Since the majority of studies are from an accounting perspective, they use a single level of analysis, the institutional level (specifically the capital markets), without much regard for the firm- or industry-level factors that are clearly at play in disclosure decision making (Aguilera & Jackson, 2003; C. C. Williams, 2005a).

Third, information disclosure studies tend to consider either required or voluntary forms of disclosure, rarely both forms simultaneously, even though they are more likely to play off one another (Bartlett & Jones, 1997; Gray et al., 2001; C. C. Williams, 2003). Last, there are a small number of studies, mainly from a practitioner orientation, that address the strategic nature of disclosures (Eccles & Mavrinac, 1995; Kohut & Segars, 1992; Lev, 1992; Orsato, 2006), yet these efforts do not consider all types, forms, and activities of disclosure.

These challenges facing disclosure research stem from the fact that there is substantial disagreement about what disclosure is, what it should be, and what the proper disciplinary focus is. For example, Verrecchia (2001), in his historical essay on disclosure, states that there is no current unifying theory of disclosure. He attributes this absence of theory to the eclectic nature of disclosure studies, which, to him, span three literature streams: accounting, finance, and economics. While there is truth to the heterogeneity of disclosure—providing a sound reason to create an integrative taxonomy—the topic of disclosure extends to other literatures as well.

Management theory, specifically strategic choice and upper-echelon theory (Child, 1972, 1997; Hambrick, 2007; Hambrick & Mason, 1984, Lev, 1992), also plays a role in disclosure and in corporate governance in general (Lubatkin, Lane, Collins, & Very, 2007). Top managers differ in their worldview and ideology, encompassing their values and beliefs, which provide signals of how they will act (Goll & Zeitz, 1991). Since these managers have both superior access to and control over corporate information when compared to other corporate constituents (Marcoux, 2003), much of the decision to disclose rests on their discretion and strategic intent regarding the release of certain voluntary information.
Since disclosure is a process involving the behavior of top managers, it is unlikely that such behavior will be explained by a single, deterministic force that pervades the economics, finance, and accounting literature. Therefore, this discussion will focus on the topic of disclosure from a strategic choice decision-making perspective in order to more fully account for the effect of both internal and external pressures on managerial discretion. Specifically, I will rely on the notion that executives exercise choice based on real or perceived external expectations (Child, 1972; Hitt & Tyler, 1991; Miles & Snow, 1978; Oliver, 1997). Also, since external expectations (e.g., disclosure regulations) can often be unclear and overly general, managers have little choice but to adapt them to their specific corporate or industry context, presenting further opportunities for managerial discretion and interpretative latitude (DiMaggio, 1988; Weaver, Trevino, & Cochran, 1999).

By broadening the definition of information disclosure to include a greater variety of forms and types and by providing an integrative typology of disclosure processes and strategies, researchers and practitioners will be better able to solve some of the core challenges facing contemporary corporate reporting. In doing so, this article attempts to open up the content and strategic uses of corporate disclosures while also revealing the associated activities and tasks. This article is intended as descriptive of the formal, mainly written, disclosure forms, versus informal disclosures (e.g., social responsibility reports) or inadvertent disclosures (e.g., information leaks or employee whistle-blowing).  

The definition of disclosure proposed in this article is expanded to consider all types (social, environmental, financial) and forms (voluntary and mandatory) of disclosure, and thus, it is referred to as corporate disclosure. This definition tracks the prevailing financial disclosure terminology (see Gibbins et al., 1990), but with a critical difference: It captures a broader set of disclosure types and forms and addresses a variety of stakeholders, a focus that is relatively rare in the accounting literature (see Healy & Palepu, 2001) but one that is gaining traction in the management literature (Cormier, Gordon, & Magnan, 2004; Deegan, 2002; Eccles & Mavrinac, 1995; Lev, 1992; Ullmann, 1985; Wood, 1991).

I define corporate disclosure, then, as any purposeful public release of information—financial, social or environmental, required or voluntary, qualitative or quantitative—that is likely to have an impact on the company’s competitive performance and on the strategic decision making of its internal and external audiences. This definition of disclosure is designed to be sufficiently broad so as to allow researchers and practitioners from a wide variety of fields to study disclosure more holistically.
TRENDS IN CORPORATE REPORTING: TRADITIONAL TO CONTEMPORARY

This section discusses the traditional meaning of corporate reporting and seeks to expand this meaning by noting the recent changes in the practice of corporate reporting during the last two decades pointing to the need for a more contemporary view.

For most companies listed on an official stock exchange, in almost any part of the world, there are requirements to report financial information in the form of corporate filings such as annual or quarterly reports. Such disclosures are defined by their content, which is regulated by country-specific statutes. For example, in the United States, financial statements containing specific data such as the income statement, balance sheet, and statement of cash flows are mandatory financial disclosures and represent the traditional meaning of corporate reporting. Yet, the nature of corporate reporting has begun to change in two notable ways. First, companies have begun to use voluntary disclosures more often, usually for strategic reasons, and second, there is an increasing tendency to use combinations of various types of disclosure (e.g., social and environmental information) in tandem and in the context of existing financial data.

These changes to traditional corporate reporting are significant and represent an opportunity to explore certain aspects of value reporting (DiPiazza & Eccles, 2002) as well as the claim that disclosures can and must be managed to counter potential interpretation problems (see Gibbins et al., 1990). These ideas build on the notion that proactive communication can offer a legitimate signal of organizational openness, transparency, and trust (Elkington, 1998, Livesey & Kearins, 2002; C. C. Williams, 2005b) and can be used as a device to communicate the organization’s values and sharpen its identity (Cheney & Christensen, 2001; Dowling & Pfeffer, 1975; Hooghiemstra, 2000).

Increasing Use of Voluntary Disclosures

Required disclosures have been noted as critical to the functioning of the capital markets (Healy & Palepu, 2001) and the product markets of most firms (Gibbins et al., 1990), but they can also be used in concert with voluntary disclosures in order to achieve certain strategic ends. Academics and practitioners have begun calling for more voluntary disclosures (Lev, 1992; Eccles & Mavrinac, 1995; Ho & Wong, 2003; McNamee, 2001) as a way for companies to differentiate themselves from competitors, provide more
relevant data beyond what is required, and generate positive financial and social outcomes (Hooghiemstra, 2000; Weaver et al., 1999). When voluntary and required disclosures are used in complementary or supplementary ways, they have the potential to broaden the traditional scope of a company’s corporate reporting efforts to the benefit of constituents beyond the investor.

Although voluntary disclosures are commonly thought of as information that is, simply, not required by laws or regulations, in today’s often anti-corporate and highly regulated environment, voluntary disclosures are more appropriately thought of as not explicitly required because they are not governed by statues but are nonetheless expected by constituents, many of whom are leery of corporate activity following the global debacles of Enron, Worldcom, Parmalat, and PollyPeck International. Likewise, they make good business sense because they are “useful in valuing the firm’s future prospects” (Verrecchia, 2001, p. 141), thus contributing to overall organizational success, often through legitimacy-enhancing or legitimacy-preserving endeavors (Ashforth & Gibbs, 1990; Weaver et al., 1999).

For example, today’s increasingly ideological consumer tends to use a combination of company information to determine whether or not to buy the company’s products, employees use company information to seek employment, environmentalists use it to gauge emissions standards, and communities use it to determine tax levies (Engardio, 2007). As a result, commonly used voluntary disclosures include statements of management strategy, detailed discussions of brand or industry information, changes in environmental or personnel policies, and new research and development information (Lev, 1992; Meek et al., 1995). These disclosures are often placed in the context of the broader social, political, and economic forces, providing a high level of value that can result in more informed decision making (DiPiazza & Eccles, 2002; Engardio, 2007).

Most social and environmental corporate reporting remains primarily voluntary (Deegan, 2002; Gray et al., 2001) even while voluntary disclosures have a significant and positive effect on both the perception of the company and its market value (Hooghiemstra, 2000; Lev, 1992). However, shareholders are increasingly pushing for more voluntary information. Bill Ford, former CEO of Ford Motor Company, illustrates this point: “We have long identified climate change as a serious environmental issue, and shareholders are increasingly asking about the risks as well as the opportunities associated with it” (ComplianceWeek, 2005).
Increasing Use of Combined Forms of Disclosure

Another important trend is the emphasis on the valuable information that can be gleaned from the combination of social, financial, and environmental disclosures. In the practitioner environment, Dow Chemical’s CEO Andrew Liveris aptly states, “There is a 100% overlap between our business drivers and social and environmental interests” (Engardio, 2007, p. 54).

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As noted, however, the bulk of the research on voluntary disclosures is conducted from different theoretical perspectives according to the type of disclosure. For example, research into social disclosures is mainly conducted from a stakeholder theory perspective (Roberts, 1992; Ullmann, 1985), while studies of environmental disclosure are typically viewed from a legitimacy theory perspective (Deegan, 2002; Magness, 2006) or impression management and communication perspective (Elsbach, 1994; Hooghiemstra, 2000; Livesey, 1999, 2001; Neu, Warsame, & Pedwell, 1998). Voluntary financial disclosures are treated in the accounting literature from a capital market or regulatory perspective (Gibbins et al., 1990; Healy & Palepu, 2001; Lev, 1992).

Table 1 provides an integration of these three forms alongside the two types, required and voluntary, to demonstrate how each is related and to provide contemporary examples based on recent literature (e.g., Cormier et al., 2004; Deegan, 2002; Gray et al., 2001; Magness, 2006). In the upper right quadrant, voluntary financial disclosures are differentiated from required forms. Voluntary financial disclosures include forward-looking information, management forecasts, industry and business segment information (e.g. what the cellular phone industry might look like in 5 years), and discussions about a company’s market strategies (e.g., why exiting a market is financially advantageous). These types of disclosure are distinctly different from required financial statement data. Just below this quadrant are voluntary social disclosures, as opposed to a required social disclosure (e.g., the company’s code of ethics). Common voluntary social disclosures are independent audits of company facilities, the number of minorities hired, or...
employee training costs. Voluntary environmental disclosures, as opposed to the required compliance on emissions and disposal activities, relate to the impact or risks of environmental management programs, pollution controls, or environmentally friendly office policies and green architecture (e.g., hydroelectricity, solar panels) as they relate to costs or revenues.

Yet, these categories are not mutually exclusive. Reebok International provides a good example; it has partnered with the Fair Labor Association, which requires members to adhere to an international code of conduct for workers including independent monitoring of its factories around the world. Reebok makes the independent factory audit report available on its Web site and provides details of the impact via a news release and its 10-K report. By doing so, Reebok is voluntarily releasing information that sharpens its identity as a caring, transparent, and socially responsible organization. In this way, Reebok is enacting its organizational identity through communication (Cheney & Christensen, 2001), helping it to separate itself from certain competitors (e.g., Nike and its sweatshop identity) through information that has social, environmental, and financial performance implications.

Similarly, in 2005 Starbucks Coffee Company’s management team revealed that global warming was one of its key emerging issues likely to
impact the quality of its coffee beans. Since coffee quality is at the heart of its brand image, this information is significant to consumers, competitors, and employees alike, as it may impact the company’s brand equity and competitive advantage.

Convergence of these disclosure forms is likely to dominate the future of corporate reporting. Academic researchers from the behavioral accounting and communication disciplines have recently begun to make note of the increasing convergence of voluntary disclosures (see Deegan, 2002; Livesey & Kearins, 2002), while others have noted the positive effect of social and environmental disclosures on the overall public image of an organization (Hooghiemstra, 2000; Neu et al., 1998) and in attracting stakeholders other than investors such as employees, customers, regulators, and suppliers (Richardson & Welker, 2001). Calls for required social and environmental disclosures are becoming quite commonplace as well (Deegan, 2002; Magness, 2006, C. A. Williams, 1999). Even the SEC’s recently issued list of required disclosures implies that companies should consider the social effect on communities and the environment from the “costs associated with exit or disposal activities” (SEC, 2004, see Item 2.05; see also Table 1).

There is also much discussion in the practitioner literature about the importance of convergence mainly for strategic reasons (ComplianceWeek, 2004; Karr, 2004) or to convey corporate accountability (Elkington, 1998). A recent study of investment managers confirms this trend: The study noted that 73% predict that social and environmental performance indicators will be mainstream in 10 years (ComplianceWeek, 2005).

Building on the discussion of trends in corporate reporting and the expanded definition of corporate disclosure, I propose a taxonomy of corporate disclosure in terms of process, tasks, activities, and strategies in the section to follow.

A TAXONOMY OF CORPORATE DISCLOSURE

The design of this taxonomy follows a general format for building taxonomies in business communication (see Lowry, Curtis, & Lowry, 2004). Its purpose is not only a classification tool making note of key differences, as is suggested by organizational semantics literature (McKelvey, 1982), but also an integration mechanism to expand and combine the existing literature on disclosure and to present some predictive value, specifically with regard to voluntary disclosure strategies.
Building on the discussion of trends in corporate reporting and the expanded definition of corporate disclosure, I propose a taxonomy of corporate disclosure in terms of process, tasks, activities, and strategies.

Corporate Disclosure Process, Activities, and Tasks

Building off of the framework espoused in Figure 1, the process of corporate disclosure can be summed up in three words: determine, disclose, and document. This process hinges on managerial choices, perceived opportunities, and likely consequences, which are based on a manager’s personal knowledge and values that vary (represented by dotted arrows) but is at the same time bounded by existing regulations (solid arrows), which are less variable. These predilections are the cognitive “givens” that each decision maker brings to a situation (Hambrick & Mason, 1984).

In both voluntary and required disclosure processes, there are choice paths and determined paths as shown in Figure 1. In terms of choice paths, one manager may place a higher value on more open, proactive disclosure, while another may be more conservative in her approach (Eccles & Mavrinac, 1995). Therefore, these choices are likely to be determined by both the specific corporate situation (Child, 1972) and by the prevailing regulatory framework. Disclosure committees, comprising high-level officers such as the investor relations officer, the chief financial officer (CFO), the CEO, and general counsel (C. C. Williams, 2004), are more likely to influence the disclosure process than simply the CEO alone as suggested by Gibbins and colleagues (1990). Nearly 75% of large companies recently surveyed have established such committees following the SOA of 2002 (Financial Executives International [FEI], 2003). As Figure 1 depicts, via a dotted line, some firms will funnel their deliberations through the committee which, being composed of individuals, is also affected by values, knowledge, and interpretation.

The process of disclosure relies heavily on determining materiality; therefore, managers and committees spend much of their time on the tasks of analysis and interpretation (see Table 2). A key activity in determining
whether a piece of information is voluntary or required is to analyze available regulatory, corporate, and competitor information in order to make an informed decision about the meaning of *material* within a given corporate
Material information is broadly defined as information that if omitted would have a strong likelihood of altering the total mix of information available to a reasonable investor (American Institute of Certified Public Accountants, 1999).

If the information is determined to be material, it is considered a required disclosure. The process for required disclosure is fairly straightforward: Under current U.S. securities law, material information must be released immediately and fully to the public. The required vehicle for disclosing is a widely disseminated news release. Once the information is disclosed, the company is required to provide documentation to the SEC in the form of an 8-K corporate filing and later in either a quarterly or an annual report, whichever is due to be issued next (Davis & Humes, 2004).

The process for disclosing voluntary information begins when an information issue has been determined to be nonmaterial. Once this decision is made, many choice paths open up. Some managers will withhold all information that is nonmaterial, as noted above, but increasingly managers choose to proactively disclose the information for strategic purposes, mainly via a news release or a 10-K filing. It is recommended that an 8-K be filed especially if a company is in doubt about whether an information event is required or voluntary (NIRI, 2004). Both the decision to withhold temporarily or to disclose it in a more timely fashion are strategic choices, which will be elaborated below.

When the decision is made to treat the disclosure as required or voluntary, the information is communicated to internal and external audiences.
In some companies, it is the public relations manager who prepares the news release, while in others it is the investor relations manager (C. C. Williams, 2004).

Factors Affecting the Corporate Disclosure Process

This section builds on the above discussion of the disclosure decision-making process by integrating the specific factors likely to inform these decisions, many of which involve managerial choices and interpretation as well as more deterministic elements.

While some required disclosures involve managerial interpretation (e.g., confidential information about mergers or acquisitions not yet completed), voluntary disclosures rely heavily on managerial interpretation. Historically, voluntary disclosure decisions have been viewed solely through a legal and rational perspective. For example, companies are advised to disclose voluntary, nonmaterial information if it helps the company’s efforts to access capital (Healy & Palepu, 2001) or when the financial benefits outweigh the costs (Botosan, 1997; Healy & Palepu, 2001; Verrecchia, 2001) such as in preventing unwanted regulation (Watts & Zimmerman, 1978).9 The common theme in this research stream is that if the direct cost outweighs the perceived benefit, the information should be withheld. But decision making is not always so rational and deterministic; for if it were so, it would deny any amount of free choice proving fatal to the discipline of management strategy which relies on the notion that managers “make choices precisely because they believe these to contribute substantially to the performance and survival of their organizations” (deRond & Thietart, 2007, p. 535). In support of this notion, Meek and colleagues (1995) noted that multinational firms pay close attention to the voluntary disclosure decisions of their closest competitors, especially with regard to nonfinancial information, and Lev (1992) explained that these disclosures often help maintain a firm’s competitive advantage.

Also, because the disclosure regulations are not perfectly efficient in practice (see Healy & Palepu, 2001; Gibbins et al., 1990), and are often too general to apply to a specific corporate context (Weaver et al., 1999), the decision to disclose voluntary information results from bounded managerial interpretation. That is, managers have discretion but it is limited by the existing regulatory standards and by a manager’s own knowledge and values (Child, 1972; Manning, 1986).

Legal decision-making scholars note that some element of the forces lying outside the immediate decision context also affect and shape it
Influences such as economic, cultural, social, and political forces will influence managerial interpretation of information issues. For example, the climate of increased transparency in the early 2000s caused companies to include more information about being caring and trustworthy. Transparency of information can promote self-regulation and keep the informal regulators (i.e., activists, nongovernmental organizations [NGOs]) and formal regulators at bay (DiPiazza & Eccles, 2002), decreasing the pressure from sociopolitical factors. Similarly, when regulation is pervasive or when investor trust is low, monetary fines and a decreased stock value become real economic consequences of poorly made disclosure decisions.

Other factors are equally likely to affect a company’s approach to corporate disclosures. For example, Gibbins and colleagues (1990) found that in the area of required financial disclosures, managers are motivated by either ritualistic or opportunistic disclosure postures whereby managers disclose information that is in accordance to the firm’s standards, rules, and procedures (i.e., its rituals) or seek to use disclosures to take advantage of opportunities for gaining ground among competitors. These postures result from certain internal antecedents (e.g., corporate history, strategy, and CEO attitudes) as well as external antecedents (e.g., capital market pressures and government demands).

Guthrie and Parker (1990) classified the literature on incentives to divide voluntary social disclosures into two main categories: utility and political economy. From the utility viewpoint, corporations tend to disclose social information in order to “act consistently with widely shared social priorities” (p. 165). From the political economy perspective, voluntary social disclosures are an attempt to demonstrate a “constructive response to social pressure and avoid further regulation” (p. 166). Stakeholder theorists have noted that disclosures can be used to enhance or maintain organizational legitimacy (Gray, Kouhy, & Lavers, 1995; Roberts, 1992).

By slightly reframing these influences to accommodate corporate disclosures of all types and forms, voluntary disclosures play a number of roles in business communication: (1) they aid companies in conforming to regulatory priorities by both avoiding violations and further regulation; (2) they enable adherence to market-based priorities such as access to capital; (3) they help a company to communicate its social legitimacy; and (4) they serve as a differentiation tool when comparing corporate social or environmental performance. The first two roles are mainly driven by regulatory or capital market influences, while the latter two are more the result of social or competitive influences. These influences are at play in proactive corporate disclosure strategies, the focus of the next section.
Proactive Corporate Disclosure Strategies

While relatively little research addresses disclosure strategy specifically, a plethora of literature exists on management strategy in general (Besanko, Dranove, & Shanley, 2000; Mintzberg & Waters, 1985; Porter, 1980, 1996; Saloner, Shepard, & Podolny, 2001). The description and role of disclosure strategy in this article is taken from Mintzberg’s (1978) definition of strategy as a pattern in a stream of decisions but is also reflective of the general concept of strategy as an overall framework that guides specific decisions to achieve certain business goals over time (Saloner et al., 2001). Even while the concept of corporate disclosure is a part of the firm’s overall management strategy (Gibbins et al., 1990), the decisions involved tend to show distinct patterns resulting from the factors and influences noted in the previous section.

Management strategies change due to external environmental forces (e.g., product or capital market, regulatory, and social) and managerial preferences (Mintzberg & Waters, 1985); therefore, it is likely that voluntary disclosure strategies will also vary. Although disclosures can be made reactively, the dynamic regulatory climate, the increasing social/environmental demands, and intense competitive environment require that a company exceed expectations in some form by anticipating issues or shaping the agenda beyond merely responding, ad hoc, to a crisis event. Therefore, the interest here is on proactive disclosure strategies, and thus, the primary focus of this section is to include these types of disclosure strategies as the final element of the proposed taxonomy.

While scholars have noted various types of organizational strategies (see Miles & Snow, 1978; Mintzberg & Waters, 1985; Porter, 1980; Saloner et al., 2001), there has been comparatively little research on disclosure strategies in particular (Eccles & Mavrinac, 1995; Gibbins et al., 1990; Lev, 1992, are notable exceptions). Eccles and Mavrinac (1995) characterized highly proactive voluntary disclosures by two hallmarks: (1) an ability to anticipate issues and (2) an ability to maintain a continuous dialogue with a company’s external constituents, especially when new information becomes available. The first hallmark is noted to be the more proactive of the two.

In the proposed taxonomy, I expand these two proactive strategies in order to provide a richer and more contemporary understanding of disclosure decision making by capturing the various states of the disclosure dimensions noted above: Managers will value more or less proactivity, more or less openness, more or less interest (or ability) in anticipating issues, and will be more or less influenced by social or regulatory forces. Therefore, the proposed set of disclosure strategies can be placed on a continuum ranging from reactive to proactive.
from least proactive to most proactive, as shown in Figure 2. Below, I introduce four types of strategies that fall along this continuum, not as any firm or final typology but simply to move the discussion toward a more complete taxonomy of voluntary disclosures. These strategies are not intended to be mutually exclusive in that companies can shift between them as circumstances and environmental forces change.

Additive or corrective strategic responses. Proactive disclosure responses can be either additive or corrective depending on the strategic intent and the personal values of the upper echelon. The word *additive* is described as improving the performance of something (e.g., fuel or food), often to produce specific desirable effects (Encyclopædia Britannica Online, 2007). Additive strategies are more proactive than corrective strategies because the latter quite literally means *to correct, to make right* (Webster’s II, 1988). Although corrective strategies may imply the presence of a negative event, this type of disclosure strategy is intended to capture the practice of some firms that use voluntary information to correct potential misinterpretations or to safeguard themselves, rather than to rebuild a damaged image.

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Contextual or preventive disclosure content. Proactive disclosure strategies also vary according to the disclosure content, whereby some companies
are prone to include more contextual data while others will use information that will be more preventive. *Contextual data* refers to highly descriptive information that is offered within a broader set of other relevant data such as business segment data offered in relation to a competitor analysis, the effects of ethics training on employee turnover, complete market share analyses, or disclosures about intangible assets (e.g., patents and brand equity). This type of information is generally richer in content than information on board of director backgrounds or the number of employees, for example, which are also voluntary (see Meek et al., 1995). Often, these disclosures are situated within the organization’s macroenvironment such as the effects of interest rates or inflation on the company’s future prospects. In this way, contextual disclosures can be seen as an organization’s attempt to go well beyond compliance toward achieving ethical and social expectations, a move that is characteristic of legitimacy-enhancing efforts (Weaver et al., 1999) and overall firm success (Ashforth & Gibbs, 1990).

Harvey Pitt, former chairman of the SEC, led a campaign to encourage companies to disclose more contextual information and to seek ways to measure it on financial statements (McNamee, 2001). Perhaps in response, value-reporting proponents began calling for more contextual information in the three-tier model (DiPiazza & Eccles, 2002). Likewise, governance researchers recently highlighted the need for more contextual factors in order to move away from the largely deterministic approach of agency theory (Aguilera & Jackson, 2003).

The content of disclosures can also be preventive; that is, it can contain information that is specifically designed to prevent misunderstandings of previous statements or to help separate a company from the practices of untoward others in the industry (Elsbach & Sutton, 1992). Watts and Zimmerman (1978) noted that companies have incentives to use disclosures to guard against potential government involvement in their activities. These disclosures are decidedly more limited in their scope but contain just enough information to allow the company to adhere to what society contends is a “good citizen” (Woodward, Edwards, & Birkin, 1996, p. 332). These disclosure attempts are generally more compliance driven or capital-market driven and are consistent with corporate activities that preserve a company’s legitimacy rather than enhance it (Weaver et al., 1999; Woodward et al., 1996).

For the purpose of simplifying the disclosure strategy framework (see Figure 3), a widely disseminated news releases is assumed to be the tool used to disclose information because it is the prevailing medium for timely and full disclosure, as noted above. The author recognizes that
other communication tools could be used; however, this tool helps to clarify the boundaries between disclosure documents and public relations or marketing reports.

Corrective Strategies

Preventive. Gibbins and colleagues (1990) found that some firms will strictly adhere to company norms and rituals when disclosing financial information. Logically, managers in firms that value the close adherence to regulations and norms will use a minimal amount of voluntary disclosure about social, environmental, or financial issues in order to avoid compliance violations. Typically, the information disclosed will attempt to address the gray area of disclosure mandates, noted previously, in an effort to be safe rather than sorry.

While this strategy is not easily distinguishable from the recently required disclosure mandates (see SEC, 2004), it serves as a starting point...
for the four disclosure strategies presented in this analysis by illuminating the least demanding form of voluntary disclosure. This strategy is similar to the minimalist approach described by Eccles and Mavrinac (1995) in which companies provide additional information only when it is relevant or useful, stopping short of disclosing proprietary information. In this way, companies disclose the minimum amount of information needed in order for society to judge it to be legitimate (Woodward et al., 1996). Companies that are performing poorly tend to disclose information at this level to avoid litigation and reputation losses (Holder-Webb & Cohen, 2007; Skinner, 1994). Managers in these firms are minimally proactive, and disclosure content will follow a pattern of being preventive (i.e., made in order to clarify misunderstandings, avoid further regulation, or preserve legitimacy). Because these firms are largely compliance driven, they are likely to respond in a corrective manner by attempting to “make things right.” This strategy can be called corrective-preventive.

Mattel, Inc., one of the largest toy manufacturers in the world, provides a recent example. While it is required that the company issue a news release on the recall of high levels of lead paint on some of its toys, which it did on September 4, 2007, it subsequently issued a release offering corrective information on the financial effect of such recalls. In a news release issued 3 weeks later, the company provided the following information:

Mattel produces approximately 800 million toys annually. Out of these, less than 0.3% were recalled because of impermissible levels of lead contained in the paint . . . and the toys recalled in connection with impermissible levels of lead in paint were 2.2 million pieces. (Mattel, Inc., 2007)

The release volunteered further information about design elements, contracting relationships with Chinese subcontractors, and statements intended to correct the information about the company’s recent meeting with Chinese officials. These efforts were aimed at correcting misinformation and preventing further regulation of its activities by the SEC and the Consumer Product Safety Commission, while also cognizant of child safety.

Contextual. While “prospector” firms, as described in the strategy literature, are more oriented toward problem finding, other companies choose to defend their market niche and are more focused on problem solving; these firms are called “defenders” (Miles & Snow, 1978). Established companies, often in complex industry environments, defend their niche in order to compete (Saloner et al., 2001) but typically allocate
only a small amount of time and personnel to monitoring constituent events and trends because they tend to ignore developments outside of their narrow domain (Miles & Snow, 1978).

These companies are likely to be concerned with disclosing their unique-value drivers relative to their competitors in order to explain key competitive advantages clearly and frequently, an aspect of contextual disclosure approaches. However, these firms are primarily concerned with making certain their niche is clearly understood, especially by analysts who typically specialize in one industry sector, and avoiding misunderstandings about management focus or appearing too similar to another company for competitive reasons (Meek et al., 1995) or to disassociate themselves from companies behaving poorly (Elsbach & Sutton, 1992) in a legitimacy-enhancing manner. Most often, they will value the efficient use of information typical of defender companies, and they will be moderately proactive in their information disclosures.

In summary, these firms will use highly descriptive, contextual information for a variety of corrective reasons: (1) to maintain the narrow position they have carved out in their industry domain, (2) to differentiate themselves from other firms in the industry, or (3) perhaps to defend their position on an issue. Such an environment would require a company to frequently readjust, that is, to correct the information about their strategic position as industry players jockey for position. Therefore, these strategies are called corrective-contextual strategies.

A classic example of this type of disclosure strategy is the increase in voluntary environmental disclosures by petroleum companies in the wake of the Exxon Valdez oil spill in the early 1990s (see Patten, 1992).

In both corrective strategies, although this information is released voluntarily at the company’s discretion, managers will tend to release it in a more timely fashion because of the immediacy of preventing misunderstandings or violations (see Figure 1).

Additive Strategies

Preventive. Researchers have hypothesized that some firms disclose more information due to ethical considerations (see Holder-Webb & Cohen, 2007), even though some will be more interested in creating the impression that they are responsible, transparent (Elsbach, 1994; Livesey, 2001), or rational (Cheney & Christensen, 2001). Regardless of intent, some of these efforts are aimed at preventing further government regulation (Carroll, 1981) by shaping and controlling the institutional environment through communication (Dowling & Pfeffer, 1975).
It is likely, then, that some firms will disclose voluntary information about the company’s business practices to avoid an information vacuum (Livesey & Kearins, 2002), especially among powerful stakeholders (Ullmann, 1985) such as government regulators, NGOs, or investors. Social issues are often viewed by these companies as salient because they can quickly become tomorrow’s legislated policies, an example of opportunism (Gibbins et al., 1990).

These companies tend to provide a variety of disclosures to multiple constituents in an attempt to pacify and bargain with stakeholders (Oliver, 1991), thus anticipating and preventing criticism or burdensome regulation or true harm. These companies tend to see the external environment as imposing some restrictions on their choices and options. Thus, their strategy emerges from these imposed guidelines toward a compromise position (Mintzberg & Waters, 1985); in the case of disclosures, it is between additive and preventive elements. Such companies will provide additional information to enhance their performance, as additive strategies do, but only insofar as it can help them prevent further externally imposed restrictions. In doing so, these firms are more proactive than the previous two corrective strategies and will make use of combined forms of disclosure (e.g., social, environmental, and financial) while focusing their content on prevention (i.e., made in order to clarify misunderstandings, avoid further regulation, or preserve legitimacy). Thus, these strategies are called additive-preventive strategies.

As an example of this strategy, AES Corporation, an electrical and power company, issued a news release about its carbon offset partnership with GE Financial Services in January 2007. Recognizing the role that carbon offsets play in halting global warming, AES committed $10 billion to wind, liquid natural gas, and climate change sectors over a 5-to-10-year period. It announced a target to produce up to 40 million tons of greenhouse gas emission offsets per year by 2012. GE pledged to more than double its investment in the development of cleaner energy technologies, from $700 million to $1.5 billion by 2010, reduce its greenhouse gas emissions 1% by 2012, reduce the intensity of its greenhouse gas emissions 30% by 2008, and improve the company’s energy efficiency 30% by the end of 2012 (AES Corporation, 2007). According to the news release, the partnership is designed to provide alternative energy sources in order to mitigate the negative environmental impacts of growth and to explain the risks factors of the company’s environmental management program; this information is also included in the 10-K filing with the SEC.

The AES-GE partnership information fits with the findings of the study of worldwide multinational firms and voluntary disclosure practices by
Meek and colleagues (1995), who found that companies in the oil, chemical, energy, and mining industries seem particularly inclined to provide additional nonfinancial information to prevent more restrictions in these industries.

**Contextual.** As noted in the strategy literature, some companies tend to more regularly experiment with the external environment in order to take note of emerging trends—which they do by accessing information in a timely manner. Such firms have been labeled *prospectors* (Miles & Snow, 1978). This high level of organization-environment interaction is likely to entail the use all three forms of voluntary disclosures, and by doing so, the company is better able to communicate its distinctive identity (Cheney & Christensen, 2001). Managers in these firms demonstrate their desire to anticipate issues of importance to constituents, as is consistent with highly proactive disclosure policies (Eccles & Mavrinac, 1995), but are likely to actively engage in anticipating such issues so that they may predict what will be important to their constituents in the future. Their behavior tends more toward opportunism (Gibbins et al., 1990), as in the additive-preventive approach, but these firms value information more as a shared social good (Anonymous, 2002), in keeping with a more a deliberate ideological strategy (see Mintzberg & Waters, 1985). These firms are likely to view the discretion in disclosure regulations not only as an opportunity but as an obligation to provide more complete information, regardless of whether the information is “good” or “bad” (Holder-Webb & Cohen, 2007). Often, the motivation is due to ethical reasons in an attempt to enhance the company’s legitimacy (Weaver et al., 1999).

The example of Starbucks’ anticipation of the effect of the environment on its coffee bean quality is a contextual disclosure designed to place the information in the broader social and environmental world while also additive in that it is designed to enhance the performance of the firm as well. Although The Body Shop may have been overly opportunistic, according to some critics (Livesey & Kearins, 2002), it was one of the first companies to engage in voluntary disclosures by providing detailed quantitative metrics of its financial, environmental, and social performance aimed at providing shareholders, employees, suppliers, and communities with contextual data. These patterns of action may be called *additive-contextual* strategies and represent the most proactive disclosure stance.

In both additive strategies, although this information is released voluntarily, companies will tend to release it in a less timely fashion, or even withhold it, for a variety of possible reasons: It is generally less urgent than
corrective information, it must be timed so that it does not compromise their competitive advantage (Livesey & Kearins, 2002), or it may set an unwanted future obligation on the part of the company (Core, 2001; see Figure 1).

**RESEARCH OPPORTUNITIES**

Although there are many potential research directions to consider, this section will focus on two primary paths: globalizing the taxonomy and enhancing its predictive value.

While the taxonomy categorizes the activities, types, forms, process, and strategies of corporate disclosures, with a specific interest in voluntary disclosures, it tends to favor disclosures made in common law countries such as the United States or the United Kingdom. These types of countries generally offer greater minority investor protection through specific rules and regulations (e.g., Aguilera & Jackson, 2003; La Porta, Lopez-de-Salinas, Shleifer, & Vishny, 1997). Therefore, it may be easier to differentiate what information is required and what is voluntary. Since there are recognized country differences in disclosure and corporate reporting practices (Gillan & Starks, 2003), future research is needed to create a taxonomy that incorporates these differences.

The relationship between voluntary and mandatory disclosures and dispersion of ownership is also a fruitful area of global disclosure research. For example, it has been suggested that mandatory information disclosures favor small investors because larger investors tend to enjoy the advantage of private information (Aguilera & Jackson, 2003). Therefore, one might expect a correlation between countries with more dispersed ownership structures (e.g., United States, United Kingdom, Australia) and more mandatory requirements. Yet, disclosures are largely voluntary and principles-based in the United Kingdom and Australia. Likewise, the
number of individual shareholders in the United Kingdom and the United States is decreasing, which may, in turn, decrease the call for more requirements. Yet, both countries seem to be increasing the amount of regulation in recent years. To date, there is evidence that in countries where disclosure mandates are weaker, more voluntary information is used. For example, Meek and colleagues (1995) document that continental European companies disclose more nonfinancial information than their U.K. counterparts, who in turn disclose more than their U.S. counterparts. A possible explanation is that less regulation causes companies to be freer to design their own disclosure policies, making managers less worried about sanctions. In the United Kingdom, for example, the central viewpoint of the country’s disclosure policies are that firms should design, structure, and operate their management freely within a broad set of principles (not rules). Deviations from these principles are to be explained and justified. In that sense, corporate reporting recommendations are voluntary, in contrast to the approach taken elsewhere (Aguilera, Williams, Conley, & Rupp, 2006).

Therefore, several intriguing questions remain regarding the globalization of the taxonomy presented here: If a country’s corporate reporting system is largely voluntary, how does the taxonomy change, if at all? Are the activities and tasks the same or different in common law versus civil law countries? Is the disclosure process altered—and how—in different countries given the differing external forces (social, technological, economic, and cultural)? These different external forces will likely change management decision making (i.e., their cognitive givens), but how, and what will that look like in terms of voluntary strategies?

With regard to the predictive value of the proactive disclosure strategies, it would be interesting to make even further inferences about the types of companies, and their characteristics, that would adopt either the additive and corrective strategies. For example, using Porter’s (1980) categories, will differentiators use additive strategies while low-cost leaders use corrective strategies? Likewise, what resources and capabilities will the company need in order to exercise either an additive or corrective strategy? For example, would there be a correlation between intangible resources and contextual strategies and tangible resources and preventive strategies?

Even though there has been considerable research into managerial choice, testing the relationship between specific managerial decisions and disclosure strategies has not been a well-researched area, especially in terms of looking at this relationship over a long time (Gray et al., 2001). There are interesting questions in this domain as well: How will different
disclosure orientations affect the program scope (breadth and depth), and do disclosure orientations map into factors affecting ethics programs (Weaver et al., 1999) and environmental programs (Lee & Rhee, 2006)? How will external forces such as increased media attention affect the scope of a company’s disclosure program? Will companies tend to move in predictable directions as circumstances change? For example, companies may choose to adopt a less proactive approach in a highly regulated time period (i.e., corrective-preventive) and shift to a more proactive strategy in a deregulatory environment (i.e., additive-contextual). Further empirical testing is required to explore these types of correlations.

Finally, while some researchers note that reactive strategies consist of ignoring the issues altogether (Lee & Rhee, 2006), an important research question is whether some companies, over time, will move from corrective-preventive strategies to a reactive strategy. Similarly, the way in which an issue is raised may affect a company’s response in the disclosure strategy framework, as some have suggested for highly confrontational issues (Dawkins, 2005). For future research on reactive postures, a 5-to-10-year case study could be useful in revealing answers to these questions.

CONCLUSION

This article has shown that voluntary disclosures are a critical aspect of corporate reporting and that despite its lack of uniform study, corporate disclosures are likely to continue in importance in the future. The article has also pointed out that while there is discussion of disclosures in various literatures, what is offered is diffuse and derived largely from an accounting perspective, thereby limiting the potential for a comparative theory of disclosure. Greater holistic research opportunities exist when disclosure is considered from a multidisciplinary perspective and when its study combines elements of both determinism and managerial choice. In order to stimulate this type of research, a much expanded and inclusive definition of corporate disclosures is presented along with a taxonomy of the disclosure process, forms, activities, tasks, and strategies.

NOTES

1. Corporate governance entails the structuring of rights and responsibilities of a firm’s different stakeholders (Lubatkin, Lane, Collins, & Very, 2007). Required and voluntary forms of disclosure are examples of such responsibilities.
2. The final checklist consisted of 85 items of information categorized into three major groups of information types and, further, into 12 subgroups: (a) strategic information: (1) general corporate characteristics, (2) corporate strategy, (3) acquisitions and disposals, (4) research and development, (5) future prospects information; (b) nonfinancial information: (6) information about directors, (7) employee information, (8) social responsibility and value-added disclosures; (c) financial information: (9) segment information, (10) financial review information, (11) foreign currency information, and (12) stock price information.

3. The Security and Exchange Commission (SEC’s) rule Regulation Fair Disclosure lists the types of information or events that should be carefully reviewed to determine whether they are material. The SEC cautions that the list is not “exhaustive” but includes the following: (1) earnings information; (2) mergers, acquisitions, tender offers, joint ventures, or changes in assets; (3) new products or discoveries, or developments regarding customers or suppliers (e.g., the acquisition or loss of a contract); (4) changes in control or management; (5) change in auditors or auditor’s notification that the issuer may no longer rely on an auditor’s audit report; (6) events regarding the issuer’s securities—for example, defaults on senior securities, calls of securities for redemption, repurchase plans, stock splits or changes in dividends, changes to the rights of security holders, public or private sales of additional securities; and (7) bankruptcies or receiverships.

4. Furthermore, value reporting has been taken to mean values reporting when the former is about adding value to the existing corporate information and not about communicating the social and environmental values of the company (e.g., as in a mission and values statement).

5. In addition to filing annual reports on Form 10-K and quarterly reports on Form 10-Q, public companies must report material corporate events on a more current basis. Form 8-K is the “current report” companies must file with the SEC to announce major events that shareholders should know about (available at http://www.sec.gov/answers/form8k.htm).

6. Discretion is used here to denote the “latitude of action” (Hambrick, 2007) that occurs when a decision is subject to a baseline set of standards that have been outlined by an outside authority (Manning, 1986). With disclosures there is discretion in terms of interpreting the existing laws and standards but also regarding the content of some disclosures.

7. According to the SEC, material information is released in a full and timely fashion via a written news release and an 8-K corporate filing. Since this format is the only one to satisfy full and fair disclosure, it is appropriate to consider such written communication the primary kind of communication used in both forms of disclosure discussed in this article (required and voluntary). Likewise, much of the voluntary disclosure literature is focused on information provided in annual reports. These too fall under the written form. Although oral conference calls are used by companies, they do not satisfy formal requirements.

8. Elkington’s (1998) “triple-bottom line” terminology, arguing that companies report, audit, and measure their social, environmental, and financial bottom lines, has appeared in many high-profile company press releases but has recently been criticized for being merely parallel to the position of most corporate social responsibility researchers and for lacking any real measurement tool (Norman & MacDonald, 2004). In the present article, although social and environmental disclosures are put forth as vital information to report, as Elkington does, the author agrees with the position that there is no current mechanism for measuring a “social” or “environmental” bottom line as one can for a financial bottom line.
(i.e., the last line on an income statement). However, voluntary disclosures may offer a fertile ground for experimentation with triple bottom line approaches and provide insights into improving its measurement.

9. The costs emphasized in the accounting literature are typically direct costs such as transaction costs, effects on market capitalization and future firm value, costs of information processing, and the cost (benefit) of withholding information that is not required. For example, Botosan (1997) found that there is a negative correlation between cost of capital and the extent of voluntary disclosures for firms with a low level of analyst following.

10. Note that in environmental strategies (Lee & Rhee, 2006), reactive strategies are defined as companies ignoring issues altogether, which is a curious use of the term strategy.

11. It is also reminiscent of additive-color synthesis, which is the method of creating color by mixing various proportions of two or three distinct colors. In the present case, the mixing refers to the forms of disclosure.

12. The author would like to thank one of the reviewers for this insightful comment.

REFERENCES


