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Organized hypocrisy, organizational façades, and sustainability reporting

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ABSTRACT

Sustainability discourse is becoming ubiquitous. Still, a significant gap persists between corporate sustainability talk and practice. Prior research on corporate sustainability reporting has relied primarily on two competing theoretical framings, signaling theory and legitimacy theory, which often produce contradictory results regarding the significance and effects of such disclosures. Thus, despite this substantial body of research, the role that sustainability disclosures can play in any transition toward a less unsustainable society remains unclear. In an effort to advance our collective understanding of voluntary corporate sustainability reporting, we propose a richer and more nuanced theoretical lens by drawing on prior work in organized hypocrisy (Brunsson, 1989) and organizational façades (Abrahamson & Baumard, 2008; Nystrom & Strabuck, 1984). We argue that contradictory societal and institutional pressures, in essence, require organizations to engage in hypocrisy and develop façades, thereby severely limiting the prospects that sustainability reports will ever evolve into substantive disclosures. To illustrate the use of these theoretical concepts, we employ them to examine the talk, decisions, and actions of two highly visible U.S.-based multinational oil and gas corporations during the time period of significant national debate over oil exploration in the Alaskan National Wildlife Refuge. We conclude that the concepts of organizational façade and organized hypocrisy are beneficial to the sustainability disclosure literature because they provide theoretical space to more formally acknowledge and incorporate how the prevailing economic system and conflicting stakeholder demands constrain the action choices of individual corporations.

Introduction

The expansion of human societies and economic activities is exceeding the ecological boundaries of our planet (IPCC, 2014; Rockstrom et al., 2009). Sustainability is, for instance, now a regular feature in high profile business meetings and global leader summits. Simultaneously, however, an interlinked debate exists concerning the role global business can play in the aspired transition toward a less unsustainable future (e.g., Bansal & Hoffman, 2012; Bebbington & Larrinaga, 2014; Bebbington, Unerman, & O'Dwyer, 2014; Jackson, 2009). The spread of social and environmental issues into the corporate boardrooms is perhaps most noticeable through corporate sustainability reporting practices, which have in recent years diffused swiftly and become institutionalized as one element of the information stream produced by commercial

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organizations. Despite the influx of sustainability talk, the global environmental indicators show a constant decline in the state of the natural environment (Milne & Gray, 2013). A significant gap between corporate sustainability discourse and its practice continues to persist (Malsch, 2013; Spar & LaMure, 2003).

This tension between sustainability discourse and practice spawned extensive analyses of corporate voluntary sustainability disclosure and reporting, often generating contradictory conclusions (e.g., Archel, Husillos, & Spence, 2011; Dhaliwal, Radhakrishnan, Tsang, & Yang, 2012; Milne & Gray, 2013; Unerman & Chapman, 2014). Proponents of sustainability reporting support its potential to make corporations more accountable and transparent about their social and environmental impacts (see Bebbington, Unerman, & O'Dwyer, 2014). The claims expressed in sustainability reports are viewed, at the very least, as credible voluntary signals to the market that these corporations are proactively managing social and environmental risks (Malsch, 2013). Critics question voluntary sustainability reporting because it tends to be limited in scope (Jupe, 2007; O'Dwyer, Unerman & Hession, 2005), disingenuous (Aras & Crowther, 2008), and utilized as a legitimacy tool (Cho, Michelon, & Patten, 2012; Milne & Gray, 2007). Moreover, the argument exists that corporations do not walk the sustainability talk, resulting in sustainability reports consisting largely of spurious claims and unmet commitments rather than signaling rational plans and actions that address substantive concerns (e.g., Adams, 2004; Boiral, 2013; Patten, 2012). A significant body of research suggests that companies engage in social and environmental reporting mainly to secure their own position and private interests (e.g., Cho, 2009; Milne & Gray, 2013; Tinker & Neimark, 1987). Accordingly, legitimacy or reputational threats tend to drive sustainability reporting decisions, with corporate management being most concerned with deflecting, obfuscating, or rationalizing their relatively poor social and environmental performance (Cho, Roberts, & Patten, 2010).

In this paper, we argue that while sustainability reporting research can continue to glean new insights from the broad theoretical lenses of signaling theory and legitimacy theory,[1] our collective attempts to understand voluntary corporate sustainability reporting can be moved forward by examining sustainability reporting through a richer and more nuanced theoretical lens. Richer by acknowledging the likelihood that sustainability reports overreach in their claims, yet also may report honestly on the implementation of corporate social responsibility plans that differentiate them from other corporations in their industry. More nuanced by acknowledging the significant limitations of market reforms and the potential for regulatory capture by corporate interests (Archel et al., 2011; Malsch, 2013), and by allowing space for corporate maneuvers which could ultimately improve corporate social and environmental stewardship. For example, Christensen, Morsing, and Thyssen (2013) argue that discrepancies between corporate talk and actions might actually be beneficial and should therefore be tolerated. They maintain that such aspirational talk can serve as an avenue through which organizations stay motivated in their explorations of a less unsustainable future.

Our paper's overarching purpose concerns the significance that corporate voluntary sustainability reporting can have in attempts to solve contemporary social and environmental problems (IPCC, 2014; Raworth, 2012; Rockstrom et al., 2009). More specifically, our interest is in discussing the broader role structural factors have on the content of sustainability disclosures, particularly as they relate to expectations regarding the congruence between corporate talk and corporate action. In order to explore this issue systematically, we draw on Brunsson's model of organized hypocrisy (1989, 1990, 1993, 2002, 2007) and related research (e.g., Christensen et al., 2013; Lipson, 2007), as well as on prior research on organizational façades (Abrahamson & Baumard, 2008; Nystrom & Strabuck, 1984). Organized hypocrisy attempts to explain the discrepancies between a corporation's talk, decisions, and actions, and how these discrepancies may allow corporations flexibility in their management of conflicting stakeholder demands. Research on organizational façades moves beyond a model of a unitary façade, setting forth the notion that rational, progressive, or reputation façades might serve organizational purposes beyond societal legitimacy (Abrahamson & Baumard, 2008). By utilizing the concepts of organizational façade and organized hypocrisy, the sustainability disclosure literature moves beyond its usual focus on signaling, or legitimacy and impression management by more formally acknowledging and incorporating constraints on an individual corporation's action choices given the current economic system. Further, these two concepts, when taken together, raise the possibility that incongruence between a corporation's talk and its actions may generate beneficial consequences for a broad set of organizational stakeholders.

To illustrate the use of these theoretical concepts, we present an empirical example of the application of these two concepts. To achieve this, we explore the talk, decisions, and actions of two highly visible U.S.-based multinational oil and gas corporations during the time period of significant national debates over allowing oil exploration and drilling in the Alaskan National Wildlife Refuge (ANWR). This study qualitatively analyzes the annual reports, stand-alone sustainability reports, website disclosures and shareholder resolutions during the deliberation period of the ANWR Bill.[2] The ANWR provides us a suitable research setting as the debate juxtaposes incommensurable issues such as protecting the biodiversity in fragile environments, respecting the human rights of Alaskan Aboriginals,

[1] We contrast signaling theory and legitimacy theory understanding that there are many applications of these theories that are labeled differently within social and environmental accounting research. In this study, signaling theory represents work also characterized as voluntary disclosure and incremental accounting information research. Legitimacy theory also relates to work in impression management.

[2] The Arctic National Wildlife Refuge (ANWR) Bill (also known officially as the *American-Made Energy and Good Jobs Act*) is a piece of legislation passed to provide a platform to explore and develop hydrocarbon-based resources in the Arctic National Wildlife Refuge area, thus resulting in the creation of a potential boost in the economy (THOMAS, 2009).

and developing commercial energy resources and energy independence. Our empirical analysis revealed that these corporations' messages and activities appear to be generally consistent within each façade. However, in line with Brunsson's idea of organized hypocrisy, we show how differences between corporate talk and actions become evident when exploring across façades—while rational and progressive façades have more common features and fewer contradictions, we identified more incompatibilities between the rational and reputation façades in our case firm disclosures.

The remainder of the paper is organized as follows. The role of sustainability disclosures in society is discussed next. The third section offers insights about the relation between hypocrisy and façades and their role in managing legitimacy and conflicting stakeholder interests. The fourth section provides an empirical illustration of how the ideas of organized hypocrisy and façades can be fruitful in corporate sustainability reporting research. The paper ends with a discussion and conclusions.

The role of sustainability disclosures in society

Corporate sustainability reporting spurred a substantial body of research exploring the characteristics of this contemporary phenomenon (see reviews by Gray (2002), Owen (2008), Parker (2005)). Specifically, this paper relates to prior work exploring why private organizations engage in sustainability reporting (e.g., Clarkson, Li, Richardson, & Vasvari, 2008; Deegan & Blomquist, 2006; O'Donovan, 2002; Patten, 2002) and the role of sustainability reporting in society (e.g., Gray, 2010; Malsch, 2013). In broad terms, the heightened interest in corporate sustainability reporting is driven primarily by increasing stakeholder concerns regarding organizations' impacts on the social and natural environment (Adams & Narayanan, 2007; Ballou, Heitger, & Landes, 2006; Bebbington, Larrinaga, & Moneva, 2008). Much corporate social and environmental reporting research is based in legitimacy theory (Gray, Kouhy, & Lavers, 1995), which is grounded in the notion that an implicit contract exists between individual organizations and the society in which they operate (Chen & Roberts, 2010). The essence of this implicit contract lies in civil society having the authority to grant and remove an organization's permission to exist and conduct business within that society. Societal expectations are based upon numerous agreed-upon social norms, thus an organization's survival depends on its ability to meet society's expectations in the fulfillment of this implicit contract. In general, research based on legitimacy theory considers corporate sustainability reporting as a mechanism through which organizations can influence how they are perceived by society (Lindblom, 1993; Suchman, 1995).

Legitimacy theory operates at a very broad level of analysis, viewing an organization's implicit contract with society as essentially a single contract that is either enforced or broken. Society is, thus, a unified actor with a cohesive set of societal norms. As such, legitimacy theory focuses on whether the norms exhibited by an organization are congruent with the most general norms of society. It is important to point out that legitimacy theory considers the organization also to be a unified (or unitary) actor. This assumption allows conclusions regarding the strategic intent of disclosure decisions to be inferred.

In the legitimacy-based research, corporations are characterized as using sustainability disclosures and reports strategically for window-dressing and impression management purposes. Disclosures can be explained in part by the voluntary, unregulated nature of sustainability reporting (Boiral, 2013; Merkl-Davies & Brennan, 2007). Selective, incomplete, and/or biased disclosures have been judged problematic, since inaccurate and possibly misleading disclosures can lead stakeholders to make erroneous assessments of particular organizations. More broadly, it has been argued that sustainability reports serve not only to promote the interests of individual corporations, but also collectively to present current structural arrangements within society as able and willing to act on escalating sustainability challenges (Malsch, 2013; Spence, 2009). Likewise, Tregidga, Milne, and Kearins (2014, p. 478) argue that "organizations have been able to resist substantive change to business-as-usual through a process of apparent identity transformation" (see also Laine, 2010; Milne, Tregidga, & Walton, 2009).

Malsch (2013) views the growing standardization of sustainability reporting and the role of the accounting profession in producing and assuring corporate sustainability reports as significant, overt attempts to align "the socially responsible practices of organizations with the rational morality of the market" (p. 149). As the market evidence showing that corporate sustainability reports have informational value mounts, pressures to meet the market's expectations of corporate social and environmental responsibility have increasingly become an organizational-level risk to be managed. Risks at this level are mitigated by managing stakeholders, not through taking immediate or near short-term unilateral actions aimed at helping address negative, systemic social and environmental consequences of economic activity (Rodrigue, Magnan, & Cho, 2013). The assumed rationality and impartiality of the market becomes the final arbiter on definitions of corporate social responsibility and its judgment is determined in the last instance on economic terms (or returns). As Malsch (2013, p. 155) states so well:

> The long-term time horizon [for addressing systemic social and environmental issues] is not merely reflected in the promotion of an ideal of planning and moderate reformism in which social and environmental responsibility becomes a key factor of economic success. Another consequence is to consign the social and environmental effects of economic activity to a relatively distant future at the scale of the planet, beyond the temporal and spatial horizon of most citizens and enterprises. Any contribution that companies and even whole countries might make to the prevention of climate change or to maintain the well-being of people is accordingly insignificant. It therefore makes no sense

> [rationally or pragmatically] for a firm or a country to standardize norms of business sustainability on a unilateral basis...

As detailed by Malsch (2013; also Archel et al., 2011; Boiral, 2013), the reformist approach to the development of sustainability reporting seems preordained to produce reporting standards and performance evaluations that fall well short of generating serious change in the way in which corporate social and environmental responsibilities are viewed by society. Spence, Husillos, and Correa-Ruiz (2010) also argue that the role of the prevailing socio-economic system, capitalism in its various forms, is often left unattended in social and environmental accounting research (but see Collison, 2003; Gray, 2010). Lehman (1999) maintains that corporate social and environmental disclosure could facilitate informed public dialogue and debate through civil institutions. Given the findings, the question remains whether corporations can realistically be expected to provide substantial and transparent accounts of their social and environmental impacts within the present institutional arrangements (Archel, Husillos, Larrinaga, & Spence, 2009). Can one expect a corporation to declare the full scale impacts it has on planetary sustainability within a system which not only penalizes non-economic activity, but also expects corporations and their managers to pursue and deliver short-term financial gains? As put by Milne and Gray (2007, p. 196):

> After all, why would any corporation voluntarily wish to admit that it is probably contributing to humanity's exceeding of the ecological carrying capacity of the planet, and in need of being phased out in the interests of environmental sustainability, greater social equity, and the sake of future generations?

Nevertheless, corporations are expected to provide more complete and transparent accounts of their sustainability efforts. Discrepancies between corporate talk and action are problematic, since without trustworthy reporting neither is accountability fulfilled nor is society able to evaluate corporate activities and impacts appropriately. The idea that organizations develop and maintain façades (Abrahamson & Baumard, 2008) and that organizations engage in hypocrisy are key (Brunsson, 1989, 1990, 1993, 2002, 2007) in providing an alternative perspective that corporate actions and sustainability talk will remain counter-coupled. Furthermore, persuasive arguments can be made that the perpetuation of façades is not necessarily an undesirable steady state. These arguments are explored now in more detail.

Hypocrisy and façades in managing legitimacy and conflicting stakeholder interests

Hypocrisy as strategy

An organization's management is compelled to develop strategies designed to continually balance or juggle conflicting stakeholder expectations to best meet its implicit contracts with society (Barnett, 2007; Mitchell, Agle, & Wood, 1997). The complexity of this situation places management in a precarious moral position. If different influential stakeholder groups, whose approvals are needed for the organization to retain its legitimacy, place irreconcilable demands on the organization, management must develop strategies that at least meet some minimal level of acceptable agreement by each stakeholder group. Managing conflicting stakeholder demands can therefore tempt organizations to adopt specific stakeholder strategies that lack internal consistency, raising fundamental concerns over the behavioral integrity of the organization (Simons, 2002). As Brunsson (2007, p. 113) observes: "Modern organizations are particularly apt to pretend that they can satisfy a series of conflicting demands."

As mentioned, Brunsson (2002, 2007) posits that organizations often respond to conflicting stakeholder demands through engaging in *organized hypocrisy*. Hypocrisy, for Brunsson, is "a response to a world in which values, ideas, or people are in conflict—a way in which individuals and organizations handle such conflicts" (2007, p. 113). Further, organized hypocrisy is "a way of handling conflicts by reflecting them in inconsistencies among talk, decisions, and actions" (2007, p. 115). Brunsson (2007) argues that organized hypocrisy is practically necessary given the conflicting demands of various stakeholders and that organizational legitimacy may be improved through hypocrisy in certain environments. Even so, an organization still can be accused of hypocrisy for "failing to act in accordance with the ideals it espouses" (Lipson, 2007, p. 5). Thus, corporations face a major risk that hypocritical strategies will become too apparent to stakeholder groups (la Cour & Kromann, 2011) and eventually damage its perceived behavioral integrity and legitimacy (Simons, 2002).

A logical question that follows from this reasoning is: "How can an organization continually engage in hypocrisy and maintain any legitimate standing within the organization or within society?" A potential answer lies in the manner in which organizations develop responses to conflicting stakeholder demands. Conflicting stakeholder demands can be said to, in essence, politicize an organization (Brunsson, 1989). By viewing an organization as a political entity, that organization may no longer be characterized as a unified actor seeking a single path to societal legitimacy. Rather, as a political entity, an organization may develop multiple, somewhat isolated, sub-structures to respond to specific stakeholder management requirements (e.g., an investor relations department, sustainability office, or charitable foundation). If responsibilities and processes for handling stakeholder pressures are independently developed, their rather autonomous and inconsistent actions are less likely to be questioned. For example, an organization may institute an affirmative action office yet not actually alter its employment practices (Lipson, 2007). Thus, a key strategy for senior management is to orchestrate their talk, decisions, and actions in a way that forms a legitimate solution, pacifies conflicting stakeholder demands, and yet does not reveal damaging discrepancies across these activities.

Hypocrisy and its relation to organizational façades

These sub-structures are often placed on organizational display and can be identified as organizational façades

(Abrahamson & Baumard, 2008; Nystrom & Strabuck, 1984). Abrahamson and Baumard (2008, p. 437) define an organizational façade as "a symbolic front erected by organizational participants designed to reassure their organizational stakeholders of the legitimacy of the organization and its management." Originally, an organizational façade was theorized to serve one objective: to create organizational legitimacy in the eyes of stakeholders. Within this concept, an organization maintained only one façade that was relatively stable. This understanding of a façade resonates with broader conceptions of legitimacy theory (Lindblom, 1993). More recent theorization notes that an organization's façade is not unitary, but has several facets that serve different roles in managing stakeholders. Abrahamson and Baumard (2008) discuss three specific, powerful façades that are relevant to our analysis: a rational façade; a progressive façade; and a reputation façade. We can think of each façade as an organizational substructure, whether labeled formally (e.g., the sustainability department) or merely representing a collection of organizational talk, decisions, and actions utilized to manage conflicting stakeholder demands.

First, a rational façade is a key to market legitimacy. This façade presents the organization as one that meets Meyer and Rowan (1977) concept of rational norms. Rationality in an organization's decision-making and its actions are necessary to meet the basic behavioral norms of the market. For example, managerial decisions are expressly based on extensive cost/benefit analyses, structured assessments of market conditions, and an organized logic to determine appropriate actions. At some point it becomes *rational* to incur the costs of producing and distributing a corporation's first sustainability report.

Second, according to Abrahamson and Baumard (2008, p. 445), a progressive façade must "not only fit the norms of rationality, but they must also mirror norms of progress." When stakeholders demand evidence that management is acting in their best interest, persuasive evidence is produced through the adoption of state-of-the-art management techniques that signify a continuous improvement in rational decision making. For example, a company may adopt ISO 9000 Quality Management Standards or agree to follow GRI sustainability reporting standards. A progressive façade is used to display talk and decisions about new approaches to solving problems raised by stakeholders. Talk and decisions are likely to produce positive ideas that are obviously agreeable to certain stakeholders (Brunsson, 1990). How can reasonable stakeholders object to deciding on "green" initiatives? The progressive decisions are much less costly or difficult than developing a set of concrete actions that are realistic, pragmatic or feasible. Yet, they address the potential for reform and hide the fact that nothing has changed fundamentally in the manner in which priorities are articulated, decisions are made, or actions are determined.

Third, a reputation façade "displays accounting and rhetorical symbols desired by critical stakeholders, for example, most commonly analysts and the press." (Abrahamson & Baumard, 2008, p. 447). These symbols express corporate values such as the language found in corporate mission statements and codes of ethics, or the attainment of an industry excellence award. Reputation façade deals in the image of the corporation. This façade can inflate a corporation's realistic, achievable goals or mask performance that is unacceptable to certain groups of stakeholders.

Talk, decisions, and actions as tools of legitimacy and building façades

Brunsson (1989) views talk, decisions, and actions as an organization's three dominant outputs. Talk (i.e., spoken or written words that an organization utilizes to interact with its environment), decisions, and actions are tools of legitimacy and provide different approaches to stakeholder management that can be deployed selectively by different sub-structures within an organization (Brunsson, 2007). If the organization shows inconsistency across these outputs, the result is organized hypocrisy. In the context of organized hypocrisy, talk and decisions are held to be inconsistent with actions. That said, they are not decoupled in the manner described by institutional theory. Rather, as Brunsson (2007, p. 115–116) explains:

> In the model of [organized] hypocrisy talk, decisions and actions are still causally related, but the causality is the reverse: talk or decisions in one direction decrease the likelihood of corresponding actions, and actions in one direction decrease the likelihood of corresponding talk and decisions. The model of [organized] hypocrisy implies that talk, decisions and actions are 'coupled' rather than 'decoupled' or 'loosely coupled', but they are coupled in a way other than usually assumed.

Lipson (2007) explains that talk and decisions compensate for inconsistent actions and that actions may, conversely, compensate for inconsistent talk or decisions. He uses the term *counter-coupling* as a way to label this relationship. Counter-coupling provides an organization with a vehicle that allows management to pacify some stakeholders through less costly activities (i.e., talking about stakeholder expectations or announcing decisions about future possible actions relevant to those stakeholders) while focusing more significant resources on current actions that address the expectations of more powerful stakeholders, often those most interested and affected by its core operations. Hence, the counter-coupling of talk, decisions, and actions greatly expands the possibilities open to corporations to erect rational, progressive, and reputation façades. Hypocrisy permits physical and/or chronological distance between talk, decisions, and actions (Brunsson, 1989). We can think of "physical" distance existing across each façade. A rational façade, for instance, can be used to justify an action that necessarily must harm the natural environment, such as a seafood supplier overharvesting during the current season to improve profits, while the reputation façade reports that corporation's commitment to sustainable fishing practices in its sustainability report. Consider chronological distance as aiding the hypocrisy of a progressive façade by setting a time horizon that keeps fundamental business reform perpetually postponed. Because almost all stakeholders experience

a selective set of an organization's actions, an organization's talk and decisions can affect how stakeholder groups assess its complete set of actions. Talk and decisions help shape stakeholders' images of an organization's actions.

Potential consequences of organized hypocrisy and organizational façades

So, what might be the potential organizational consequences of sustained organized hypocrisy and organizational façades? Within the voluntary disclosure literature, the two major competing theories used to explain corporate disclosure behavior are signaling theory and legitimacy theory (Cho, Freedman, & Patten, 2012; Merkl-Davies & Brennan, 2007). These stylized theories attempt to predict the general use of voluntary disclosures by corporate management. Although not explicitly addressed, each theory predicts consequences associated with a corporation's strategic use of hypocrisy and façades. Using the strictly rational intuition provided by signaling theory, organized hypocrisy and its use in the erection of organizational façades is untenable by corporate management. Within this traditional line of reasoning, sustained incongruence between a corporation's talk and actions will ultimately erode the credibility of its disclosures, in essence reveal the façade, and thus result in a significant loss of the trust of financial market participants and other stakeholders (Merkl-Davies & Brennan, 2007). Under this theoretical disclosure regime, the credibility of a corporation's talk, or in the theory's vernacular, the corporation's signal, is determined strictly through its verifiability by the market (otherwise it is "cheap talk" and is ignored). This consistency is expected, in major part, due to signaling theory's assumption that an organization acts as a unitary actor. The proponents of signaling theory argue that the market accurately assesses the veracity of a signal by comparing the signal, i.e., the content of the voluntary corporate disclosure, with evidence consistent with the signal, i.e., observable corporate actions. Non-credible signals are corporate talk inconsistent with its actions. If a corporation continually makes non-credible disclosures, the corporation's overall reputation is harmed with façades exposed to stakeholders as hypocritical attempts to manipulate their conferred legitimacy. Sustainability reports can be said to be treated under this theory as credible disclosures of a corporation's sincere efforts to better manage its relationship with the environment. Critics of signaling theory disagree, however, with its focus on the market being the assessor of disclosure quality (Malsch, 2013). The signal sent to the market through a corporate sustainability report is not necessarily consistent with broader notions of accountability for the social and environmental impacts of a corporation.

Legitimacy theory and the related notion of impression management generate a very different set of expectations concerning the consequences of organized hypocrisy. Under legitimacy theory and impression management, a corporation purposefully obfuscates potentially controversial actions through the use of selective, incomplete, and/or biased disclosures. This strategic use of voluntary disclosure is undertaken to aid the corporation's management of its legitimacy within society (Merkl-Davies & Brennan, 2007). This view of corporate environmental disclosure questions the informational efficiency of the market, purporting that corporate social and environmental disclosures are often used to enhance the reputation of the corporation, not to provide incremental information to market participants (Cho et al., 2010; Neu, Warsame, & Pedwell, 1998).

The preceding discussion can be undertaken without reference to signaling theory or impression management theory by simply asking whether organized hypocrisy and organizational façades are stable or unstable. Can organized hypocrisy and the organizational façades be sustained? The tenets of signaling theory assume these two concepts to be unstable and therefore eventually revealed as deception. The tenets of impression management theory assume them to be stable, at least in the sense that empirical research is consistent with their theory. Both of these conclusions can be challenged. The fact that stakeholders have conflicting demands implies that some stakeholders always critically examine what the organization is *doing*. Establishing organizational goals to manage some stakeholders, by default, hints at hypocrisy because it discloses what the organization has presently failed to do (Brunsson, 2007). A certain level of scrutiny may, therefore, expose the hypocrisy and the façades. Brunsson (2007) points out, however, that most corporate stakeholders act as spectators with very limited first-hand experience regarding the organization's actions. He further argues that talk and decisions are principally used to manage spectator stakeholder demands, while actions are reserved for the management of stakeholders most directly involved with the organization.

Certainly, the communication strategies used by corporations to execute organized hypocrisy and erect rational, progressive, and reputation façades can be limited in their long-term effectiveness. Talk and decisions that promise future actions may reach a point of reckoning such that stakeholder groups no longer find the organization's communications credible; chronological distance closes in and the future eventually becomes the present. Corporate management cannot admit that its politicized sub-structures act independently or that it lacks the power to coordinate its talk, decisions, and actions. Doing so would undermine the organization's ability to enter into implicit contracts with stakeholders and therefore its legitimacy status. Management would be admitting to irrationality, an inability to make progress, and weak controls over reputation risk. An organization must, therefore, present itself as a unified actor that possesses the wherewithal needed to deliver the actions it promises through its talk and decisions. Management's continuing insistence that its organization is a unified actor once again exposes its precarious moral position. They must refute organized hypocrisy and organizational façades. This refutation is "in itself a form of hypocrisy, but on a higher level—a 'meta-hypocrisy'—the posture that a hypocritical organization is not a hypocrite" (Brunsson, 2007, p. 125). Meta-hypocrisy increases as the degree of counter-coupling among talk, decisions, and actions increases because more ordinary organized hypocrisy exists to refute. When stakeholder groups become dis-

illusioned by organizational inconsistencies among talk, decisions, and actions, meta-hypocrisy will often lead organizations to acknowledge a lack of immediate success and a long-term commitment to the alignment of these activities (Brunsson, 2007). It is imperative that market participants believe that an organization is a unitary actor; that the only purpose of talk and decisions are to help create action; and, therefore, that there is no hypocrisy (Brunsson, 1989). In other words, the management will institute organizational *reforms*, but the aims of the reforms are proposed to help re-stabilize hypocrisy and organizational façades.

Conventional theories of voluntary disclosure, both signaling theory and impression management theory, lead us to conclude, albeit from very different premises, that organized hypocrisy and organizational façades are associated ultimately with negative outcomes for broader society. However, taken strictly on their own terms as ways in which organizations manage conflicting stakeholder demands, organized hypocrisy and organizational façades may indeed make room for potentially positive outcomes for broader society (Abrahamson & Baumard, 2008; Brunsson, 2007). Brunsson stresses that although condemning organized hypocrisy as problematic or immoral is often an initial reaction, there are reasons to hesitate to come to quick judgment. Hypocrisy can manufacture opportunities for change that are much less likely to arise without it, and it can help sustain the societal legitimacy of organizations that deal with significant conflict among stakeholders (Brunsson, 2007). If the linear, rational alignment of talk, decisions, and actions was the only option available to organizations, some important stakeholders would certainly remain totally unsatisfied. Hence, somehow removing the managerial option of organized hypocrisy and the creation of organizational façades may actually increase the likelihood of negative societal outcomes. Morality will not necessarily "improve" if these ways of dealing with conflicting demands were stopped. If the talk and the decisions used by organizations are more moral than their actions, then the most likely consequence is that organizations' talk and decisions are now considered as immoral as their actions (Brunsson, 2007). Hypocrisy and façade thus allow society the chance to refuse to acknowledge its complicity with the current state of affairs. Society can and perhaps must hold onto higher values than it can live by.

As Abrahamson and Baumard (2008, p. 451) purport, a façade can be constructed by an organization with the express intent of hiding malfeasance. They also explain that an organizational façade also can "transmit potentialities for change" and be "levers for organizational improvement". A reputation façade, for example, can express an organizational ideal that can be strived for. It may seem counterintuitive, but "the more façades lie, the more façades have the potential to become realities." The façades can free the organization to experiment and innovate beyond the rational boundaries of the market's judgment. It has the chance to move beyond conventional reform. Given that most public corporations are subject to stakeholder demands, and that these demands are metered out in a market that increasingly views sustainability efforts and reporting as essentially economic opportunities and risks to be priced (Malsch, 2013), any chances to move corporate social responsibility activities and reporting beyond conventional reform may be welcomed.

Of course, just because organized hypocrisy and organizational façades *can* generate positive societal outcomes beyond their necessary legitimating functions, this does not mean that they *will*. For organized hypocrisy and organizational façades to carry the potential for additional positive consequences, organizational talk must not be duplicitous; instead it should be *aspirational* (Christensen et al., 2013). Christensen et al. (2013) refer to such disclosures as aspirational talk, which may bring positive developments for the organization and for the broader society. Christensen et al. (2013) maintain that aspirational disclosures may serve as constitutive devices through which organizations begin to strive for a different future. Aspirational talk is distinguished from lies in that aspirational talk is publicly visible, includes ideals that generate expectations of future action, and intends to stimulate organizational change. Thus, this form of hypocrisy is intended to mobilize actions that are congruent with some future talk. Brunsson (2007) states that explicitly articulating organizational goals in areas viewed as weak is not unusual. The public display of these goals admits that relevant actions have not satisfied certain stakeholder interests, thus closing the chronological distance between decisions and actions.

Applying organized hypocrisy and organizational façades to sustainability reporting

In analyzing corporate sustainability reporting practices through the lenses of organized hypocrisy and organizational façades, it is important to position a corporation within the socio-institutional context in which it operates. This positioning allows the delineation of expectations about how corporations define and execute rational, progressive, and reputation façades relative to conflicting stakeholder demands concerning sustainability.

We hold that corporations build a rational façade based on the concept of *business sustainability*. Discussion persists regarding how strongly the market imperative and powerful socio-economic institutions limit organizations' ability to be socially and environmentally responsible (see, e.g., Campbell, 2007). Also widely accepted are discussions that capitalism and the market pressures associated with it limit potential organizational actions that might improve sustainability. In particular, the very construction of publicly listed corporations leaves their management little room to maneuver in the face of market pressures requiring delivery of short-term financial returns (see Gray, 2010). In order to prosper, or even survive, within this system, corporations sense the need to constantly search for growth opportunities. A business sustainability discourse, as opposed to an environmental sustainability discourse, shifts a corporation's talk, decisions, and actions related to its core operations toward justifications couched in economic, cost-benefit terms.

While the demands of the market seem preeminent, societal themes such as climate change and social progress

feature regularly in social discussions and political speeches. Corporations develop a progressive discourse of sustainability in their voluntary disclosure reports in response to these demands. We thus conceptualize the progressive façade as one that privileges *social and environmental innovation and reform*. Social and environmental issues began to gain ground in the 1990s, when the ideas of good environmental management and triple bottom line spread into managerial practices (Elkington, 1997; Levy, 1997; Prasad & Elmes, 2005). Appearing in various forms, these discourses clustered around win-win-solutions, attempting to offer corporations a way to reduce their perceived social and environmental impacts without sacrificing financial results. The progressive façade of corporations privileges the idea that technology can be harnessed to remediate the negative social and environmental impacts of continuous expansion of production and find more sustainable ways to operate.[3]

Shareholders are, however, not the only stakeholders of corporations. Growing public awareness of biodiversity protection, climate change, and other social and environmental issues have made broader sustainability concerns an inherent challenge for corporate management (see Bansal & Hoffman, 2012; Bebbington & Larrinaga, 2014; Crane, Matten, & Spence, 2008). Corporations are engaging with various elements of corporate social responsibility, with the advancements of CSR committees, green product lines, and featured philanthropic contributions. Corporate sustainability reporting diffused swiftly since the turn of the millennium and most multinational corporations have provided external disclosures about the social and environmental impacts of their operations for years (Bebbington, Unerman, & O'Dwyer, 2014). However, an often heard complaint is that corporations only engage with environmental and social issues on a symbolic level. Through omitting negative information and highlighting positive impacts, these organizations seek to appear socially responsible and environmentally friendly. In sustainability reports corporations avoid addressing the fundamentally unsustainable underpinnings of their operations. We define these types of activities as critical to the development of the corporation's reputation façade. In regard to social and environmental reporting, the reputation façade is couched in terms of *social and environmental stewardship*. Corporate talk, decisions, and actions focus on providing evidence of philanthropy, corporate citizenship, and a commitment to caring for the environment and the less fortunate.

As discussed by Brunsson, the key to maintaining these three façades, and using corporate talk, decisions, and actions in a counter-coupled way to satisfy conflicting stakeholder demands, is to establish these discourses in a parallel form that is not too transparent to conflicting stakeholders. We conjecture, therefore, that corporations will maintain relatively more coupled talk, decisions, and actions *within* each façade and that their talk, decisions, and actions *across* façades will provide relatively more evidence of the counter-coupling within organized hypocrisy. In the following section we present an empirical illustration of how the ideas of organized hypocrisy and organizational façades can be applied to corporate sustainability reporting research. For this purpose, we focus on the financial and sustainability disclosures and reporting of two very large and highly visible U.S.-based multinational oil and gas corporations, Chevron and ConocoPhillips, in the period from 2004 to 2006 during which the ANWR bill was introduced.

Organized hypocrisy, organizational façades, and corporate sustainability reporting: ANWR as an empirical illustration

Located in Northern Alaska, the Arctic National Wildlife Refuge (ANWR) is the largest single protected wilderness area in the United States. It is the object of considerable debate, as a designated area of its coastal plain allegedly possesses a large supply of oil and other natural resources. Congressional authorization is required before energy-related production activities can take place in this area. Economic arguments of job creation and reduced dependency on foreign energy sources are forwarded by proponents of allowing energy production in this area, voiced principally by multinational oil companies and some Alaska Aboriginal communities. Groups opposed to opening ANWR to energy production activities, mainly environmentalists and some Alaska Aboriginal communities, raise concerns over issues of biodiversity protection and respect for human rights, most notably rights regarding Aboriginal culture and tradition. The debate over ANWR has taken place since 1977, with its last intensive episode occurring between 2004 and 2006. During this period, drilling in designated areas was proposed, debated, and voted on by the U.S. Senate through what was popularly referred to as the "ANWR Bill", although no definitive conclusion was reached.

Because corporate actions that continue to promote oil and gas exploration are difficult to reconcile with sustainability narratives, the debate over ANWR is an excellent context for exploring how corporations engage in organized hypocrisy and utilize different façades to manage conflicting stakeholder demands. We are particularly interested in the oil and gas companies' position and discourse on biodiversity protection, human rights and indigenous people, since these constitute the major social and environmental issues at stake.

Data and methods

Our period of interest is from 2004 to 2006 as it corresponds to the period during which the ANWR Bill was introduced and (re)debated. We focused on two very large and highly visible U.S.-based multinational oil and gas corporations: Chevron and ConocoPhillips. These companies provide typical cases (Yin, 2009) of influential commercial organizations within the industry. These two companies

[3] While our analysis is focused on social and environmental innovation within the progressive façade, we recognize that other progressive façades could be built by corporations. For example, a company talking about cutting-edge operational technologies could be characterized as putting on a progressive façade. Other façades are beyond the scope of this study.

represent approximately 30% of the market share in the oil and gas industry during that period.[4] While their revenues depend mostly on non-renewable hydrocarbon reserves, their voluntary disclosures highlight their will to protect and respect biodiversity, fragile environments and human rights. Also, both companies explicitly disclosed having business operations in Alaska. Examining these specific corporations can provide interesting insights, as they both withdrew from the Arctic Power lobbying group that was focused on opening up the ANWR.[5] Despite seeing these companies as typical cases, our study does not claim that interpretations presented here apply directly to the broader oil and gas industry nor commercial organizations more generally. Our intent is to illustrate how organized hypocrisy and organizational façades can be utilized to enhance our understanding of corporate sustainability reporting practices.

Our qualitative data consists of annual reports, sustainability reports, websites and shareholder resolutions published by the two case firms. Eleven annual reports and stand-alone sustainability reports for the years ending 2003, 2004 and 2005 (because they were published in 2004, 2005 and 2006, respectively) were collected in total. We also examined the corporate webpages for the period 2004 to 2006 using a website specializing in archives (www.archive.org). Both firms had website archives available. Each webpage was visited once per archived month[6] to ensure the broadest coverage of disclosure possible. The reports and websites were examined through a qualitative content analysis (Bryman & Bell, 2003), for which we utilized Atlas.ti software (Atlas.ti, 2004) primarily to aid in organizing the data and providing a structure to data analysis. Codes were generated by the authors from the analysis of the ANWR case and the review of corporate documents. After reviewing and adjusting the coding, a narrative strategy for data analysis (Langley, 1999) was then applied to analyze the disclosure content, resulting in a portrayal of the type of information disclosed in each code. The codes and their associated quotations were thereafter grouped into main categories according to common themes (O'Dwyer, 2004). The four major categories that emerged from the grouping were operational activities, corporate environmental protection, human rights and indigenous people, and political strategy. Data were analyzed both within and across categories to identify trends, prevalent issues, and possible inconsistencies. The original data were constantly revisited during the analysis to ensure that all statements were understood and properly applied in their original context.

Overall, despite the use of Atlas.ti software, the interpretations presented in the following discussion were formed through an iterative process, in which several rounds of interpretation and sense-making from different perspectives were performed over an extended time-period. We utilize organized hypocrisy (Brunsson, 1989, 2007) and organizational façades (Abrahamson & Baumard, 2008) as the theoretical lenses through which our interpretations of the corporate disclosures are made. From this, we sought to draw insights for the broader discussion about the role of corporate sustainability reporting in societies. Analytically, we have distinguished corporate talk, decisions and actions based on the way the case companies present their disclosure statements. Talk is understood to include descriptive disclosures, generic statements, and broad commitments that are presented without any concrete plans or details of implementation. Decisions consist of future-oriented statements, which have a tangible and to some extent detailed outline of forthcoming activities. Finally, actions are implied by disclosures, which depict something that has already been done or is currently in process. In making interpretations and presenting our findings, we acknowledge that our study relies on corporate self-disclosures and perhaps provides only a particular understanding of corporate actions.

Findings: corporate talk, decisions, and actions

Rational façade: Business sustainability

A rational façade is an overarching façade which posits that oil and gas companies are sustainable from a core economic stakeholder perspective. The imperative of maximizing profit and shareholder value are strong features of the capitalist market economy prevailing in the United States. Accordingly, the case companies express how the creation and maximization of shareholder value is their predominant goal:

> At ConocoPhillips, we welcome the relentless challenge of *raising shareholder value*. In 2005, we strived to meet that challenge by delivering good operating and financial performances, while investing in strong, value-building opportunities.
>
> [ConocoPhillips, 2005a, p. 4, emphasis added]

> Not only was 2003 one of our best years ever, but we also built a solid foundation that should enable us to deliver sustained, strong performance into the future and continue to achieve our long-stated goal to be No. 1 in *total stockholder return* among our peer group.
>
> [Chevron, 2003a, p. 2, emphasis added]

Relatedly, an essential element of the capitalist economy is the constant need to grow. Companies are expected to maximize their growth opportunities and highlight that they will keep on doing so into the foreseeable future. Striving for future opportunities and higher revenues is interlinked with shareholder value. We observe this relation in the rational corporate discourse:

> We feel we are uniquely positioned for *creating value and growth*—with a strong financial position, an integrated and balanced portfolio of legacy assets, a well-defined and *sustainable growth plan*, and *expanding* access to resource-rich opportunities around the world. We are focused on continuous improvement in every-

[4] As an indication of the market share, we computed the 3-year average proportion of our sample firms' revenues over the overall total revenues of all firms with the same Standard Industrial Classification (SIC) codes.

[5] The third major member of the Arctic Power lobbying group was Exxon, which was the only one to remain in the group as of 2005. Hence, for consistency purposes, we focused on the two exiting members, Chevron and ConocoPhillips.

[6] The specialized website does not systematically archive all webpages every month. We examined the corporate websites for each available month.

thing we do, and driven to deliver on our promises and meet the ongoing challenge of creating superior shareholder returns.

[ConocoPhillips, 2004a, p. 7, emphases added]

In practice, the core business of our case companies is the production of non-renewable hydrocarbons. To secure their long-term economic viability, the oil and gas companies need to ensure that they will have at their disposal newly discovered oil fields for future drilling. Within the rational façade, the case companies may seek to highlight such efforts potentially to convince shareholders of the positive future outlook the organizations have in respect to oil reserves:

The company's long-term competitive position, particularly given the capital-intensive and commodity-based nature of the industry, is closely associated with the company's *ability to invest in projects* that provide adequate financial returns and to manage operating expenses effectively. Creating and maintaining an inventory of projects depends on many factors, including *obtaining rights to explore for crude oil and natural gas*, developing and producing hydrocarbons in promising areas, drilling successfully, bringing long-lead- time capital-intensive projects *to completion on budget and on schedule*, and operating mature upstream properties efficiently and profitably.

[Chevron, 2005a, p. 26, emphases added]

Likewise, obtaining future drilling rights is related to political decision-making and regulatory developments. Here, the talk of our case companies suggests they seek to avoid further regulation by engaging in lobbying and direct funding to suitable candidates. When explaining how contributions are attributed to the political candidates, corporations indicate that business interests are weighted in the selection of the funded candidates.

Chevron makes contributions to political candidates and political organizations that *support economic development, free enterprise and good governance*. In determining our support of candidates, we consider their prior voting records on issues of importance to Chevron, their leadership or committee assignments, whether they generally have a *pro-business philosophy*, and whether the company or our employees have a constituent relationship.

[Chevron, 2004b, p. 38, emphases added]

[...], the U.S. employee political action committee (PAC), are guided by the following criteria: the candidate's integrity and character; leadership potential; positions on issues and voting record; *relevance to company operations*; nature and strength of the candidate's election opposition; and the candidate's access to other sources of financial assistance.

[ConocoPhillips, 2004b, p. 15, emphasis added]

In addition, ConocoPhillips offered general statements about its political strategies without explicitly stating the issues they support or oppose (ConocoPhillips, 2005b). Chevron revealed its political strategy through speeches from its top executives about the development of the U.S. national energy policy. It first highlights a misalignment between environmental and energy policies, by which some environmental policies preclude energy development (Chevron, 2005c). The firm then presses government representatives to align environmental policies with the country's strategic energy objectives and calls for the "open[ing of] areas currently off-limits, for the *environmentally responsible* exploration and development of oil and gas" (Chevron, 2005b, emphasis added). In this political strategy, economic concerns for energy development appear to outweigh environmental considerations, although the firm seems to make an attempt at presenting the economic development as compatible with environmental protection. In this form, corporate talk fits within the rational façade as the firm highlights how it seeks to ensure that it will have new oilfields and associated future cash flow at its disposal in the future.

We also observed that the corporate actions are coupled with corporate talk in this rational façade. For instance, our case companies discussed committing extensive investments to oil and gas exploration and seeking new ways to extract resources from underground. They present these measures as required to ensure that sufficient financial returns and shareholder value are created for the core financial stakeholders.

These systems are aimed at achieving top operating performance and ensuring that we direct *our $10 billion 2005 capital and exploratory budget toward the highest-quality opportunities* with the greatest potential to create future growth and stockholder value.

[Chevron, 2004a, p. 15, emphasis added]

As the world's need for oil and natural gas continues to expand, ConocoPhillips is growing to meet that need with a portfolio of *new energy investments*. However, we recognize that our growth is sustainable only if we continue to deliver increasing value, along with providing greater energy supply. Therefore, our growth plans are highly disciplined and tightly focused on the goal of *building a strong, diversified foundation of value-generating asset*.

[ConocoPhillips, 2005a, p. 4, emphases added]

Progressive façade: Social and environmental innovation and reform

In contemporary society, operating with a mere rational façade no longer suffices to satisfy the requirements of different stakeholder groups and future-oriented market participants. As evidence of environmental challenges and climate change mounts, corporations argue that new technological solutions are needed in order to fulfill future energy needs. For these purposes, we suggest that oil and gas companies have an incentive to develop and maintain a future-oriented progressive façade. Abrahamson and Baumard (2008, p. 445) discuss how elements of a progressive façade must "not only fit the norms of rationality, but also mirror norms of progress". The need to better manage the externalities caused by the production is imperative in the oil and gas industry (Pulver, 2007). We observe that the progressive façade of our case firm suggests that business

goals, shareholder value, and future growth *can* be integrated with environmental and social improvements:

> Functioning *in tandem* with business units around the world, ConocoPhillips' corporate staffs are rising to the challenge of enhancing shareholder value through effective support of company operations. They are delivering on commitments in regard to legal compliance, safety and environmental requirements, *sustainable development, technology and business support*, and employee development.
>
> [ConocoPhillips, 2004a, p. 26, emphases added]

> ChevronTexaco has a 125-year history of rising to challenges and creating opportunities. Today, we are *responding to the new energy equation by leveraging our strengths*: a high-impact exploration and development program; a commitment to *safe, efficient and environmentally sound operations*; the application of technology to maximize the value of our existing assets and develop promising new energy sources; and the creation of partnerships that *benefit our company, our communities and, of course, our many customers around the world*.
>
> [Chevron, 2004a, p. 1, emphases added]

A progressive façade offers and emphasizes the potential for reform. In an oil and gas industry setting, challenges related to the core business are acknowledged, but are represented as manageable using proactive tactics. Similarly, future initiatives are presented as potential avenues through which encountered challenges will be solved and possible environmental and social consequences will be mitigated.

> The first phase of this effort is a project to *identify and gather more comprehensive information* about the company's exploration and production operations around the globe in legally designated protected areas, including those in World Conservation Union categories I–IV. With this information, we will be able to better assess the implications of operating in protected areas at the earliest stages of project planning and implement appropriate mitigation measures.
>
> [Chevron, 2004b, p. 58, emphasis added]

Systematic approaches produce positive ideas which are agreeable to most stakeholders. The companies discuss how human rights and fragile environments will be respected in the future, as the corporations have implemented new policies, committed to progressive guidelines or have begun to formulate a strategy. Alternatively, environmental and social issues are portrayed as risks which will be managed in a proactive way. The ANWR is an exemplary case in that both companies describe biodiversity and human rights concerns as manageable issues:

> *Human Rights* and Community Engagement – Our review identified these two issues as being of particular and increasing importance to ChevronTexaco. Building on our existing policy framework, *we are developing a corporate Human Rights Statement* to provide additional guidance on conducting our operations in a manner *consistent with universal human rights principles*. We are planning to test implementation of the statement in the coming year.
>
> [Chevron, 2004c, emphases added]

> We continue to build on our knowledge of sustainable development. For example, we are currently studying the *issues of human rights*, *water management and biodiversity* to weigh company and stakeholder perspectives, benchmark best practices and determine appropriate future steps.
>
> [ConocoPhillips, 2004b, p. 3, emphasis added]

In these disclosures we note that progressive talk and decisions regarding the future are emphasized. This implies in our setting that the progressive reform does not deal with the core economic activity of the firm, the oil and gas production itself. The underlying fundamental operating logic of the oil and gas industry appears to remain beyond discussion. The case firms talk of acknowledging environmental protection, sustainable development and social issues, but these will be dealt with in the future through implementing voluntary guidelines, studying alternative initiatives, or following some guiding principles:

> Recognizing there is always room for improvement, the company plans to continue to identify *additional opportunities for expanded implementation of the [Voluntary] Principles [of Security and Human Rights]*.
>
> [ConocoPhillips, 2004b, p. 15, emphasis added]

We posit that the progressive façade may serve to highlight how the firms will be increasingly sensitive to the planet through the use of new and innovative technologies that are less intrusive and more energy efficient. Likewise, the progressive façade is employed to show they are investing in and experimenting with alternative energy sources like wind and solar.

> Advancing *energy technologies* in ways that are *market-driven* and economically sound is an integral part of responsibly supplying energy. As part of our comprehensive energy development strategy, we are actively pursuing *investments in alternative and renewable technologies*, energy efficiency, cleaner fuels, gas-to-liquids, and a variety of other promising, practical energy solutions.
>
> [Chevron, 2003b, p. 15, emphases added]

In a similar vein, we note actions regarding the development of alternative energy sources; however, the scale of these actions remains rather minimal when compared to Chevron's $10 billion annual exploratory budget (Chevron, 2004a).

> Since 1999, Chevron has *invested approximately $60 million* in renewable energy projects, including wind, solar and geothermal energies. We will continue to take a case-by-case approach to funding particular projects but, as part of our expanded renewable energy strategy, we expect to *invest approximately $50 million a year* on renewable energy projects in the near term.
>
> [Chevron, 2004b, p. 48, emphases added]

Reputation façade: Social and environmental stewardship

The third façade identified by Abrahamson and Baumard (2008) is labeled a reputation façade. We maintain that for our case companies in the ANWR context, the reputation façade relates to social and environmental stewardship. This façade would thus underline how environmental protection and consideration of social issues occupy a significant space in corporate operations. The companies highlight how they care about the earth and the people who live on it by expressing a commitment to protecting the environment and human beings. Whereas the progressive façade speaks of reform, in which environmental and social issues are to be taken into account within business decisions, we observe the reputation façade as portraying environmental and social questions as the values that drive the way corporations operate.

> *Protecting people* and the *environment* is a *core value* for Chevron.
>
> [Chevron, 2004b, p. 42, emphases added]

> ConocoPhillips is *committed to protecting* the health and safety of everybody who plays a part in our operations, lives in the *communities* in which we operate or uses our products. (...) We will not be satisfied *until we succeed* in eliminating all injuries, occupational illnesses, unsafe practices and incidents of *environmental harm* from our activities.
>
> [ConocoPhillips, 2004b, p. 23, emphases added]

Beyond these broad commitments toward environmental protection, specific concerns for biodiversity protection, one of the key environmental issues in the ANWR, are expressed:

> *Biodiversity* is the life support system of the planet, and *its loss impacts all people*. All aspects of society, including business, have a *responsibility to conserve biodiversity*, to encourage sustainable use of biological resources, and to promote equitable sharing of biodiversity benefits. ConocoPhillips' HSE policy currently guides the company in *protecting the natural environment and biodiversity wherever it operates*. The company is studying the biodiversity issue and plans to develop a strategy for providing a consistent way to *protect and conserve biodiversity*.
>
> [ConocoPhillips, 2004b, p. 36-37, emphases added]

Moreover, specific and more focused initiatives for biodiversity protection are provided in the case companies' sustainability reports and on their websites, possibly to exemplify the means taken to address the issue. For instance, ConocoPhillips (2004a, 2004b) describes how it conducts exploring and drilling explorations with great environmental care in arctic regions. It explains this care by the need to protect ecosystems:

> The tundra of the Alaska North Slope and northwest Russia hold vast oil reserves and also are *important and sensitive ecological systems*. ConocoPhillips recognizes stakeholders' interest that any development be done *in a manner that protects the environment*.
>
> [ConocoPhillips, 2004b, p. 30, emphases added]

We view this talk as elevating biodiversity to be a primary consideration for the company. Moreover, in this case the disclosures highlight how oil and gas corporations present themselves as knowledgeable of the biodiversity issues surrounding their activities in Alaska and elsewhere.

ANWR is, however, not only a matter of environmental protection but also a matter of respecting the rights and interests of the refuge's neighboring Alaska Aboriginal communities. As mentioned earlier, some indigenous groups support oil development while other groups are opposed to it, but all groups are concerned with the protection of their human rights, especially their culture and traditions. Our case corporations use their reports to express their commitment to human rights protection. In addition to these broad commitments, specific concerns are also expressed for indigenous people. These concerns are formulated in terms of a pledge to act respectfully toward these stakeholders:

> *Respecting the rights*, traditions, livelihoods and cultural attributes of *indigenous and other local communities*.
>
> [Chevron, 2004b, p. 17, emphases added]

> *Respecting indigenous communities* is an important part of addressing the company's *community* impact.
>
> [ConocoPhillips, 2004b, p. 20, emphases added]

At the heart of these talks is an apparent commitment to protect the cultural heritage and local traditions of the indigenous people living in the areas where the firms operate. Conoco even reports on its commitment to work with Alaska Aboriginals specifically:

> ConocoPhillips *engages* with residents surrounding our operations on issues that affect their lifestyle, land and culture, particularly when there is the *potential to impact indigenous communities*. On the Alaska North Slope, the company employs subsistence representatives and village liaisons to promote clear and open communication, and consult with *elders and subsistence hunters, scientists and traditional experts*.
>
> [ConocoPhillips, 2004b, inside cover page, emphases added]

Collectively, this talk seems to highlight how oil and gas firms portray themselves as knowledgeable of the human rights issues surrounding their operations. Their voluntary reporting is utilized to build a reputation façade, based on the assumption that these companies are sensitive to the social issues surrounding the ANWR context.

In addition to sustainability reports, we observe that websites are also utilized to construct the reputation façade. Our analysis shows that both firms have webpages showing their awareness of environmental issues and their commitment to environmental protection. They also go beyond general statements of environmental concern to emphasize the attention given to biodiversity protection. For instance, in its *Alaska Charter and Sustainable Development 2006 Report*, ConocoPhillips mentions repeatedly its commitment to protect Alaskan land and wildlife (ConocoPhillips, 2006). It also highlights the funding it provides to Earth Energy Partners, a community partnership

promoting "key fish and wildlife habitats conservation in Alaska" (ConocoPhillips, 2006).

Again, as is the case with progressive façade, the fundamental underlying tenets of the oil and gas industry's core actions are not discussed. The actions within social and environmental stewardship appear to relate to achievable outcomes, such as making charitable contributions and encouraging the education of minorities. Similarly, the talk within their reputation façade acknowledges global social and environmental challenges and highlights the message that the companies attempt to take broad stakeholder demands into account.

Discussion

Brunsson (2007) argues that corporations engage in organized hypocrisy when seeking to manage conflicting stakeholder demands and social pressures, as evidenced succinctly in the following two quotes from our case corporations:

> As a commercial enterprise, we have a responsibility to deliver strong financial performance, thus creating value for our *stockholders*. *At the same time*, we recognize that we can, and should, create broader economic value for our *stakeholders* and that we do so in a variety of ways.
> [Chevron, 2003b, emphases added]

> We live and operate in a world of needs and demands. The world needs more energy, more *economic growth* and more opportunity for development. Yet the world demands that these needs are *not filled at the expense of* the *environmental and social systems* we depend on for survival.
> [ConocoPhillips, 2003, emphases added]

Under Brunsson's reasoning (also Lipson, 2007), organizations counter-couple their talk, decisions, and actions to attempt to satisfy the inherent stakeholder conflicts imbedded in statements presented above. We found Brunsson's theoretical ideas helpful in analyzing the internally inconsistent disclosures of the two prominent oil and gas companies studied. Drawing on Abrahamson and Baumard (2008), we supplemented Brunsson's theorizing on organized hypocrisy with the framework of organizational façades. We argued that corporations construct and maintain several discrepant façades focused toward placating the demands of heterogeneous stakeholder groups.

Nevertheless, as suggested by Brunsson, organizations cannot satisfy all the conflicting demands stakeholders set upon them. Based on our exploratory analysis, we suggest that organized hypocrisy is more likely to take place *across* the façades, as in the following example in which progressive talk is countered with a discussion of rational actions:

> [...] we're serious in our efforts to pursue promising alternatives to supplement the traditional oil and gas resources that will be the mainstay of energy supply well into the future.
> [ConocoPhillips, 2005a]

Furthermore, the incompatibility of reputation talk and rational actions is illustrated by the following reply, which the board of Chevron gave to a shareholder resolution requiring the company to provide further reporting on the potential environmental damage that could occur from drilling in protected and sensitive areas, such as the ANWR:

> ChevronTexaco's case-by-case approach makes most sense to balance economic and environmental business needs. Our stockholders have derived value from oil and gas production from historic and existing Company operations in protected areas. Continued major global expansion of the number and size of protected areas that prohibit natural resource development has the potential to foreclose much needed oil and gas production and thus poses risks for future stockholder value.
> [Chevron, 2005d, p. 42–43]

We are not claiming, however, that organizational talk, decisions, and actions are always incompatible. Instead, based on our analysis we envision that the organizations establish and maintain several discrepant organizational façades, within which their talk and decisions are largely in line with their respective actions. However, consistent with Brunsson's idea of organized hypocrisy, our data points toward differences between corporate talk and actions becoming more apparent when exploring corporate reporting across façades. Nonetheless, this observation remains largely speculative, since our dataset limits our possibility to explore and discuss this issue in more detail. Further research on this matter is therefore welcome.

The organizational façades identified in this paper are different in nature. The rational façade follows the market logic and most of the actions identified from the corporate disclosures fall within this façade. Most of the talk, decisions, and actions consistent with a rational façade are found in the corporate annual reports. Innovation and reform are central features of the progressive façade, which includes general commitments, future-oriented decisions and potential actions. Finally, the reputation façade focuses on corporate image and can be characterized by broad statements and general commitments, which are seldom followed by concrete decisions and tangible actions. Both progressive and reputation façades feature more commonly in the corporate sustainability reports in our analysis.

Although we have presented the three façades as separate, we do not consider their boundaries to be so clear-cut and hence individual corporate statements and activities can be argued to be a part of at least two alternative façades. More specifically, some façades are closer to each other; that is, rational and progressive façades have common features and thus fewer contradictions and incompatibilities are found between them. Similarly, the progressive and reputation façade share some assumptions and features. Among the three façades described by Abrahamson and Baumard (2008), we identified more incompatibilities between the rational and reputation façades in our case firm disclosures. In fact, the progressive façade has the potential to serve as a mediating façade that bridges the other two. As such, the progressive façade may serve to

limit the risk for organized hypocrisy to be exposed, and therefore reduce the need for a corporation to engage in meta-hypocrisy.

Conclusions

The possible role that corporate sustainability disclosures can play in any transition toward a less unsustainable society remains unclear. Spence (2007, p. 875), for instance, remains skeptical and notes that due to the pervasive nature of the business case, "the transformative potential of [social and environmental reporting] would appear to be severely limited". The interpretation presented in this paper suggests that within the currently prevailing societal and institutional context the prospects of sustainability reports developing into substantial disclosures is severely limited by organized hypocrisy. As noted by Brunsson, organizations do not necessarily choose to engage in organized hypocrisy. Rather, the contradicting elements and expectations within their social and institutional environment may practically force organizations to resort to hypocrisy, which also provides corporate managers with a solution for managing conflicting stakeholder demands. Thus, organized hypocrisy and developing rational, progressive and reputation façades could be beneficial to corporations or they would not persist. These practices allow corporations to frame their commitment to sustainability as economically beneficial (rational façade), embracing of new technologies (progressive façade) and sensitive to society and the environment (reputation façade). The adoption of sustainability reporting standards, in essence, may institutionalize the reporting of these practices, and, thus, the use of organized hypocrisy and organizational façades (see Archel et al., 2011; Malsch, 2013).

However, whether organized hypocrisy and organizational façades are also beneficial for the broader society is debatable. Christensen et al. (2013) argue that aspirational talk could provide a way through which new ideas are born, and Abrahamson and Baumard (2008) purport that organizational façades may allow needed space for organizations to innovate and improve the realities of their contributions to society. Therefore, they maintain that more tolerance of corporations not walking the talk is needed. "The tricky issue here, of course, is whether the motive behind hypocrisy is to conceal an unpleasant truth or to reduce the difference between current and aspirational reality". (Christensen et al., 2013, p. 385). We maintain that engagement-based longitudinal case studies can be useful in providing further insights on this matter. Engaging with organizations and interacting with actors inside them may help researchers gain more detailed views on how talk, decisions, and actions are designed and executed in an organizational setting. Interpretive case studies also can seek to draw on multiple data sources, through which the origins of talk, decisions, and actions might be traced. Moreover, detailed case studies may allow researchers to pay more attention to the roles of human actors in constructing and maintaining organizational façades, as prior work has shown that organizational champions and other individuals influence how voluntary social and environmental disclosure practices develop in an organization (see Contrafatto, 2014). Case studies may therefore be used to explore whether organized hypocrisy helps individual actors find space to improve an organization's social and environmental record, thereby realizing the potential benefits of organized hypocrisy and related counter-coupling of talk, decisions, and actions.

As noted earlier in this paper, prior research has sought to explain corporate voluntary social and environmental disclosure practices mainly through two competing theoretical framings: those viewing voluntary disclosures as signals to investors and those arguing that voluntary disclosures are used for impression management and legitimacy purposes. Based on our discussion regarding organized hypocrisy and organizational façades, we maintain that neither signaling theory nor impression management theory is sufficient for producing a comprehensive understanding of corporate disclosure behavior. Our case analysis provides evidence that in this circumstance corporate reporting provides avenues for both signaling and impression management. Both can be described as strategic tools that are available to the organization for managing conflicting stakeholder demands.[7] Drawing on the work of Brunsson (2007) and Abrahamson and Baumard (2008), we suggest that organizations are bound to continue to engage in organized hypocrisy, including establishing and maintaining several discrepant organizational façades. Although this conclusion implies that further studies are also likely to build explanations around both signaling and legitimacy theories, we concur with the general conclusion of Unerman and Chapman (2014) that richer and more nuanced theoretical frameworks are needed to further enhance our understanding of the complex nature of corporate sustainability and sustainability reporting.

In addition, we believe that this stream of sustainability research will benefit from explicitly acknowledging and assessing the impact of the broader societal context on corporations' talk, decisions, and actions. When considering an organization's sustainability options within the broader societal context, the situation may leave an individual organization with little choice but to engage in organized hypocrisy and establish discrepant organizational facades for this purpose. We contend that neither signaling theory nor legitimacy theory adequately acknowledges this possibility as well, which implies that there are significant limitations in the approaches currently dominating social and environmental reporting research. Accordingly, future research on corporate disclosure practices will benefit from new theoretical approaches, which would not only acknowledge but also allow taking the complexity of the socio-institutional elements (Contrafatto, 2014) into account when attempting to make sense of corporate social and environmental reporting.

Malsch (2013) eloquently points out that corporations and the broader business sector also affect how the regulatory and socio-political context evolves. Hence, the very

[7] It is also worth bearing in mind that work based on signaling or legitimacy theory often uses only a limited range of information regarding corporate activities as the basis of analysis.

context argued to force organizations and corporate managers to resort to organized hypocrisy is partially (and increasingly?) being shaped by vested interests. It seems likely that the developments within regulatory and institutional contexts play a key role in determining whether or not corporate sustainability reporting has a meaningful role to play in the aspired transition toward a less unsustainable society, as implied in the developments of integrated reporting (see Van Bommel, 2014). Similar to signaling theory and legitimacy theory, Brunsson offers only limited insights on these questions, and we therefore encourage scholars to draw on diverse theoretical framings to explore the role of power and power relations in the development of corporate social and environmental reporting regimes (see Tregidga et al., 2014).

Research in sustainability reporting can benefit from additional research using the concepts of organized hypocrisy and organizational façades. They can be utilized, for example, to help reconcile contradictory research findings regarding the moral justification and contradictory roles of sustainability efforts within corporations. Brunsson expresses this potential complexity by stating (Brunsson, 2007, p. 132–133):

> Hypocrisy can be seen as 'a tribute that vice pays to virtue'. Morality does not necessarily gain from the cessation of hypocrisy. If we have previously talked and made decisions that were more moral than our actions, then the cessation of hypocrisy means that we are now talking and making decisions that are as immoral as our actions. For example, hypocrisy makes it possible for a company with a polluting production and product (e.g. a car producer) to establish environmental plans and to decide upon environmental goals. Without hypocrisy, it would admit that its operations were environmentally hazardous, that it planned to continue these operations, and it would have to defend them as being necessary and unavoidable. Then many people would probably think that the company polluted not only the physical environment but the moral environment as well.

The theoretical and empirical illustration included in this study is an initial step in the consideration of organized hypocrisy and organizational façades as substantive contributions to our collective understanding of corporate sustainability and sustainability reporting. We hope our work will generate new opportunities for sustainability research that situates organizations' management of conflicting stakeholder demands within the constraints of current societal and institutional arrangements. Our study focused on the development and application of these constructs to social and environmental accounting research and provided an empirical case example. Much more empirical work is needed to examine the applicability of these conceptual notions to other settings, perhaps by investigating Brunsson's assertion that talk and decisions are principally used to manage spectator stakeholder demands, while the use of actions can be reserved for the management of those stakeholders who are most directly involved with the organization. Work is also needed to develop the idea that organizational façades serve as strategic tools for managing conflicting stakeholder demands. Future research could explore whether and how a progressive façade may serve to mediate between the contradictory talk, decisions, and actions present between the rational and reputation façades. Defining characteristics of rational, progressive, and reputation façades may vary by societal and institutional setting and organizations may develop different façades in order to manage other sets of stakeholders. Perhaps by acknowledging the organized hypocrisy embedded within corporate sustainability talk, decisions, and actions, a more constructive dialogue can develop that improves corporations' sustainability reporting and challenges their justifications for actions undertaken to meet only the market demands of core stakeholders.

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