

Contributions to Management Science

The series *Contributions to Management Science* contains research publications in all fields of business and management science. These publications are primarily monographs and multiple author works containing new research results, and also feature selected conference-based publications are also considered. The focus of the series lies in presenting the development of latest theoretical and empirical research across different viewpoints.

This book series is indexed in Scopus.

More information about this series at <http://www.springer.com/series/1505>

Alessandro Ghio • Roberto Verona

The Evolution of Corporate Disclosure

Insights on Traditional and Modern
Corporate Communication

 Springer

Alessandro Ghio 
Department of Accounting
Monash University
Caulfield East - Melbourne, VIC, Australia

Roberto Verona
Department of Economics and Management
University of Pisa
Pisa, Italy

ISSN 1431-1941 ISSN 2197-716X (electronic)
Contributions to Management Science
ISBN 978-3-030-42298-1 ISBN 978-3-030-42299-8 (eBook)
<https://doi.org/10.1007/978-3-030-42299-8>

© Springer Nature Switzerland AG 2020

This work is subject to copyright. All rights are reserved by the Publisher, whether the whole or part of the material is concerned, specifically the rights of translation, reprinting, reuse of illustrations, recitation, broadcasting, reproduction on microfilms or in any other physical way, and transmission or information storage and retrieval, electronic adaptation, computer software, or by similar or dissimilar methodology now known or hereafter developed.

The use of general descriptive names, registered names, trademarks, service marks, etc. in this publication does not imply, even in the absence of a specific statement, that such names are exempt from the relevant protective laws and regulations and therefore free for general use.

The publisher, the authors, and the editors are safe to assume that the advice and information in this book are believed to be true and accurate at the date of publication. Neither the publisher nor the authors or the editors give a warranty, expressed or implied, with respect to the material contained herein or for any errors or omissions that may have been made. The publisher remains neutral with regard to jurisdictional claims in published maps and institutional affiliations.

This Springer imprint is published by the registered company Springer Nature Switzerland AG.
The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

Preface

Reporting is of increasing relevance for today's companies. While reporting has, for a long time, mostly represented a compliance duty, companies are devoting a growing amount of human and financial resources to the reporting process. This change is mostly the result of the stakeholders' growing expectations of corporate activities. Fast economic, social, and environmental changes require more holistic and integrated reporting. The exclusive focus on financial capitals appears completely outdated and unable to remain relevant in a society where shareholders, employees, and local communities value information other than corporate financial performance. The integration and reporting of manufactured, intellectual, human, social and relationship, and natural capitals are key to ensure short-, medium-, and long-term corporate sustainability.

The evolution of reporting also concerns how corporate information is disseminated. For a long time, access to corporate information was strictly structured by accounting standards and limited to specific periods during the year, mostly around the earnings announcements. From the supply side, the press—for a long time—controlled the dissemination of information through its discretionary power to decide when and what to report. Business press and analysts tend to cover larger-sized firms, given the potentially larger audience who is interested in this set of information, limiting investors' recognition of smaller-sized firms with lower visibility or limited resources. More recently, however, it is no longer a small group of actors consisting mainly of analysts and business press who monopolize the communication. Companies can convey information directly to investors via social media without using intermediaries.

This book sheds light on the evolution of corporate reporting by combining a critical review of academic literature and empirical analyses. In Chap. 1, the authors introduce the readers to the key topics, which are analyzed and discussed, the theoretical framework and the adopted methodology. Chapter 2 examines a pillar of corporate reporting, such as mandatory financial reporting. After discussing the main consequences of introducing the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) in terms of financial

reporting quality, the authors critically assess the current one-size-fits-all approach to mandatory reporting and report numerous red flags in the regulatory process. Chapter 3 starts the analysis of voluntary disclosure, with a particular focus on the associated costs and benefits. The discussion then turns to the role of corporate governance in enhancing high-quality corporate information. The chapter then concludes with the discussion of increasingly relevant types of voluntary corporate disclosure, namely conference calls, management forecasts, and intellectual capital. Chapter 4 further expands the discussion on voluntary disclosure to social and environmental accounting. This chapter provides an in-depth analysis of the European Union (EU) Directive 2014/95/EU on the disclosure of non-financial and diversity information. The chapter highlights the critical decoupling between corporate reporting and actions and discusses the current demand for dialogic accounting. This chapter includes a comparative case study analysis examining how firm size affects the content and form of sustainability reports. Chapter 5 examines how the dissemination of corporate reporting has changed. The focus is on the rise of the Internet and social media platforms, particularly Twitter and Facebook, which allow companies to continuously communicate with their stakeholders at low costs. The authors then present an empirical analysis of the determinants of corporate presence and communication on social media around earnings announcements. The authors analyze whether social media activity is associated with business press coverage. Lastly, the concluding chapter highlights this book's key takeaways and presents numerous research avenues concerning corporate reporting.

This study makes several contributions. Firstly, it contributes to the literature on disclosure. The theoretical and empirical analyses show a clear trend pointing toward the expansion of the role of corporate reporting. Companies face pressure from external stakeholders concerning their reporting content and dissemination. As such, companies' reporting decisions reflect the demand for more timely and relevant information. Secondly, the study contributes to the discussion on the use of new communication channels by showing their relevance to firms, investors, and stakeholders and the uses to which they may be put. Findings also have implications with regard to the need for additional information on firms of different size. This book is informative for investors and corporate stakeholders to understand firms' communication strategies. Findings also facilitate a more integrated and holistic view of corporate reporting. Finally, this study is relevant to policymakers, regulators, and standard-setters who need to quickly update their regulatory and monitoring processes to the extremely dynamic corporate reporting environment in order to ensure meaningful and reliable corporate information.

Melbourne, Australia
Pisa, Italy
November 2019

Alessandro Ghio
Roberto Verona

Contents

1	Introduction	1
1.1	An Overview of the Book	1
1.2	Theoretical Approach	5
1.3	Methodological Approach	9
1.4	Target Audience	10
1.5	Structure of the Book	12
	References	14
2	An Analysis of Financial Reporting	17
2.1	Introduction	17
2.2	The Role of Mandatory Financial Reporting: Theoretical Reflections	20
2.3	The Accounting Standards Regulatory Process	23
2.4	Thoughts on the Accounting Standards	26
2.4.1	Quality of Accounting Information	29
2.4.2	Financial Reporting and Managerial Compensation	33
2.4.3	Accounting Value Relevance	35
2.5	Auditing Accounting Information	39
2.5.1	Audit Activity	39
2.5.2	Auditing Regulatory Process	42
2.6	Challenges and Opportunities for Mandatory Financial Reporting	44
	References	47
3	Voluntary Corporate Disclosure	55
3.1	Introduction	55
3.2	Costs and Benefits of Voluntary Corporate Disclosure	59
3.2.1	Proprietary Costs	59
3.2.2	Disclosure Credibility	61
3.2.3	Preparation and Dissemination Costs	63
3.2.4	Political Costs	64

3.2.5	Litigation Costs	65
3.2.6	Signal of Firm Quality	67
3.2.7	Agency Costs	68
3.2.8	Stock Liquidity, Firm Value, and Cost of Capital	70
3.3	The Role of Corporate Governance	72
3.3.1	Board Characteristics and Voluntary Disclosure	73
3.3.2	Firm Characteristics, Monitoring Environment, and Voluntary Disclosure	74
3.3.3	Ownership Composition and Voluntary Disclosure	76
3.4	Management Forecasts and Conference Calls	77
3.5	Intellectual Capital Reporting	80
3.6	Challenges and Opportunities for Voluntary Corporate Disclosure	85
	Appendix	88
	References	94
4	Social and Environmental Reporting	101
4.1	Introduction	101
4.2	Theoretical Reasons for Social and Environmental Reporting	105
4.3	Multiple Case Study: The Food and Beverage Industry in Italy	107
4.3.1	Social and Environmental Reporting by Small/Medium Entities: The Case of Centrale del Latte della Toscana S.p.a (Mukki)	109
4.3.2	Social and Environmental Reporting by Large Entities: The Case of Lavazza	121
4.3.3	Social and Environmental Reporting by Multinational Entities: The Case of Gruppo Campari	128
4.4	Challenges and Opportunities for Social and Environmental Reporting	135
	Appendix 1	138
	Appendix 2	144
	References	147
5	New Communication Channels	149
5.1	Introduction	149
5.2	Web Communication	152
5.3	Social Media	154
5.4	Empirical Analysis of Corporate Social Media Adoption	158
5.5	Challenges and Opportunities for New Communication Channels	165
	References	166

- 6 Conclusions** 169
 - 6.1 Introduction 169
 - 6.2 Research Overview 170
 - 6.3 Contributions of the Manuscript 173
 - 6.3.1 Theoretical Contributions 173
 - 6.3.2 Practical Implications for Academic Literature 175
 - 6.3.3 Practical Implications for Managers, Preparers, Users,
and Standard Setters 176
 - 6.4 Limitations and Future Challenges 177
- References 181