

Similarity in Corporate Environmental and Social Disclosure: A Neo-Institutional Perspective

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Abstract

A firm's own industry at country-level is likely to constitute an organizational field from which emerge conformity pressures. Relying on neo-institutional theory, we assert that corporate environmental disclosure (CED) and social disclosure (CSD) follow an imitation process. Specifically, we assess the determinants and economic consequences of intra-industry similarity in CED and CSD for a sample of large firms from three different countries: Canada, France and Germany.

Results suggest that, in a given year, a firm's imitation of other firms' CED and CSD within its industry is determined by the tendency of other firms within that industry to imitate one another. For CED, corporate governance, environmental performance and public media exposure weaken a firm's tendency to imitate its reference group. For CSD, given reference group mimetism, corporate governance weakens a firm's tendency to imitate its reference group. In addition, some economic variables that may represent coercive forces and a firm's dependence upon financial resources providers also contribute to a firm's disclosure similarity tendency.

Moreover, we observe a mediating effect of the disclosure similarity process on the relationship between environmental /social performance, governance, media exposure, return on equity and stock market valuation. Finally, we observe a country effect in the similarity process with more similarity in Canada, less similarity in Germany and France. In presence of normative or coercive isomorphism, organizations are forced to comply with changes forced by external forces (i.e. regulation concerning environmental and social issues), lessening the likelihood of mimetic tendencies.

Key words: Corporate governance, environmental disclosure, institutional theory, isomorphism, media exposure, social disclosure.

Similarity en divulgation environnementale et sociale :

Une perspective néo-institutionnelle

Résumé

Le secteur d'activité d'une entreprise au niveau d'un pays est susceptible de constituer un domaine organisationnel à partir duquel émergent les pressions pour la conformité. S'appuyant sur la théorie néo-institutionnelle, nous affirmons que la divulgation environnementale de l'entreprise (DE) et la divulgation sociale (DS) suivent un processus d'imitation. Plus précisément, nous évaluons les déterminants et les conséquences économiques de la similarité intra-sectorielle dans la DE et la DS pour un échantillon de grandes entreprises de trois pays différents: le Canada, la France et l'Allemagne.

Les résultats suggèrent que, au cours d'une année donnée, l'imitation d'une entreprise en DE et en DS des entreprises de son secteur est déterminée par la tendance des autres entreprises de ce secteur à s'imiter. Pour la DE, la gouvernance d'entreprise, la performance environnementale et l'exposition aux médias publics affaiblissent la tendance d'une entreprise à imiter son groupe de référence. Pour la DS, la gouvernance d'entreprise affaiblit la tendance d'une entreprise à imiter son groupe de référence. En outre, certaines variables économiques qui peuvent représenter des forces coercitives et la dépendance d'une entreprise à l'égard des fournisseurs de ressources financières contribuent également à la tendance de la similarité de divulgation de l'entreprise.

En outre, nous observons un effet médiateur du processus de similarité de la divulgation sur la relation entre la performance environnementale / sociale, la gouvernance, l'exposition aux médias, le rendement des capitaux propres et la valeur boursière. Enfin, nous observons un effet de pays dans le processus de similarité avec plus de similarité au Canada, moins de similarité en Allemagne et en France. En présence d'un isomorphisme normatif ou coercitif, les organisations sont obligées de se conformer aux changements forcés par les forces extérieures (c'est-à-dire la réglementation concernant les problèmes environnementaux et sociaux), ce qui diminue la probabilité de tendances mimétiques.

Mots clés : Divulgation environnementale, divulgation sociale, isomorphisme, gouvernance, médias, théorie institutionnelle.

1. Introduction

Corporate environmental disclosure (CED) and corporate social disclosure (CSD) have been quickly diffused and become institutionalized as a legitimation tool for firms activities (ChoLaine, et al., 2015; ChoMichelon, et al., 2015). If many theorist have advanced how disclosure institutionalisation arrived and what are the consequences for organisations (see Dimaggio and Powell, 1983; North, 1990; Powell and DiMaggio, 1991; Scott, 1995), there is still little empirical evidence of these theoretical propositions. Most pertinent theoretical explanations come from neo-institutional perspective. “While legitimacy theory itself does not specifically express how to meet social expectation and gain social support, institutional theory strongly emphasizes that organizations can incorporate institutionalized norms and rules to gain stability and enhance survival prospects” (Chen and Roberts, 2010, pp 652-653).

Institutional pressures are contradictory and hence incite organizations to engage in hypocrisy and develop façades (ChoLaine, et al., 2015). Comparing the corporate social responsibility reporting of Australia and South Africa mining firms, de Villiers and Alexander (2014) found similar overall patterns of corporate social and environmental reporting in diverse settings, while differences at a more detailed level remain. As de Villiers and Alexander (2014), our paper moves the focus from content of disclosure to patterns and structures of disclosure. However, de Villiers and Alexander (2014) focus in a single industry and analyse the overall structure of corporate environmental and social disclosure while we distinguish between both. Hence, environmental and social institutional pressures from stakeholders may differ. Also, the level of analysis of our paper is the organisational field as comprised by Scott (1995), i.e. an industry in a given country.

We emphasize on mimetic isomorphism since we believe that it is at the base of all isomorphic process and hence a proxy of institutionalisation process. Neo-institutional approach differentiates from earlier institutional theory in the importance given to the different institutional mechanisms. While earlier theorists emphasized normative institutionalization, neo-institutionalists give greater attention to mimetic processes (Scott, 1995). Normative (professions) and coercive (the state) agents are seen as the rationalizers of institutionalized knowledge, whereas mimetism is the mean by which this knowledge is shared and therefore incrementally institutionalized (Scott, 1995).

Aerts et al. (2006) show how interindustry and within-country imitation contributes to explain environmental disclosure. This paper complement Aerts et al. (2006) by investigating, in addition to environmental disclosure, the imitation in corporate social disclosure and controlling for different aspects affection the propensity to mimic, i.e. public media exposure, corporate governance and environmental/social performance. This provides a wider comprehension of the mimetic phenomenon. The presence of conflicting institutional pressures give to organizations the possibility of discretion, strategic behavior and choice (Scott, 1995). We go beyond Aerts et al. (2006) showing how these strategic choices within institutional rules affect the course of institutionalization. That is an important contribution to the empirical understanding of the creation and evolution of institutions. We also investigate how disclosure similarity behavior allows firms to increase their market value. This is an empirical assessment that institutions contain valuable lessons derived from cumulative human knowledge which can be acquired by organizations at low-cost. That contributes to explain why institutions are kept.

Relying on neo-institutional theory, we assert that corporate environmental disclosure (CED) and social disclosure (CSD) follow an imitation process. A firm's own industry at country-level is likely to constitute an organizational field from which emerge conformity pressures. Hence, we expect firms to engage in a mimetic behavior that is driven by their industry membership. We explore the determinants and economic consequences of intra-industry imitation in CED and CSD for a sample of large firms from three different countries: Canada, France and Germany.

Results suggest that, in a given year, a firm's imitation of other firms' CED and CSD within its industry is determined by the tendency of other firms within that industry to imitate one another. For CED, corporate governance, environmental performance and public media exposure weaken a firm's tendency to imitate its reference group (mimetic isomorphism). For CSD, corporate governance weakens a firm's tendency to imitate its reference group. In addition, some economic variables that may represent coercive forces and a firm's dependence upon financial resources providers also contribute to a firm's disclosure similarity tendency. Moreover, we observe a mediating effect of the disclosure similarity process on the relationship between environmental /social performance, corporate governance, media exposure, return on equity and stock market valuation. Finally, we observe a country effect in the disclosure similarity process with more similarity in Canada, less similarity in Germany and France. In presence of normative or coercive isomorphism, organizations are forced to comply with changes forced by external forces (i.e. regulation concerning environmental and social issues), lessening the likelihood of mimetic tendencies.

The next section provides the conceptual framework and related literature. Hypotheses' section is followed by the method, results, discussion, conclusions and limitations.

2. Conceptual framework and literature review

Institutions are human constraints that structure the incentives in their political, social and economic exchange (North, 1990). When they are rationalized, institutions become a powerful tool of control enforcing organisations to behave in the same way (DiMaggio and Powell, 1983). This phenomenon is called by DiMaggio and Powell (1983) isomorphism. Isomorphism is a constraining process that forces organisations to modify their characteristics in the direction of increasing comparability with their organisational field. An organizational field is a recognisable group of organisations sharing the same institutional constraints. Institutional change are changes in rules, in informal constraints, and in kinds and effectiveness of enforcement (North, 1990). DiMaggio and Powell (1983) identify three mechanisms through which institutional isomorphic change occurs: Mimetic isomorphism; coercive isomorphism; normative isomorphism.

2.1. Mimetic isomorphism

Mimetic isomorphism is the result of uncertainty. Organisations imitate others when organizational technologies are poorly understood; corporate objectives are ambiguous; or the external and internal environment creates uncertainty. The mimetic behavior allows companies to solve complex problems at low cost. They tend to take the

form of similar organizations in their field perceived as the most legitimate or the most performing (Dimaggio and Powell, 1983). From an international point of view, neighboring nations tend to adopt similar economic and administrative structures. These tendencies are stronger than their tendency to adopt structures in accordance with their division of labor. Corporate structures may be disseminated unintentionally by corporate disclosure and transfer of personnel or turnover, or explicitly by organizations such as consulting firms or industry trade associations (Dimaggio and Powell, 1983).

2.2. Coercive isomorphism

Coercive isomorphism arises from two sources of pressures to conform: organizations on which the firm depends; and society in general (Mizruchi and Fein, 1999). Coercive isomorphism results from formal and informal pressures exerted by other organizations on which they depend and by the expectations of the society in which the organization operates. Organizations ceremonially adopt institutionalized structures when they are convinced by force or persuasion that its response could increase the access to necessary resources including legitimacy. However, over the long term, these responses affect the power relations within organizations for gradually reflect the institutionalized and legitimized rules. The direct imposition of standardized operating procedures and legitimized rules and structures can be made by the state or by more powerful companies (e.g. a parent company that standardizes disclosure mechanisms of its subsidiaries). As a result, organizations are becoming increasingly homogeneous in organisational fields in conformity with broader institutions rituals (Dimaggio and Powell, 1983; Scott, 1995; (Aerts et al., 2006)

2.3. Normative isomorphism

Normative isomorphism stems mainly from professionalization. Professionalization is the collective effort of members of a profession to define the conditions and methods of their work. Professions are a source of isomorphism cause of the immutability of formal education and cognitive legitimation produced by academic specialists and the professional's networks that connect organizations. Thus, managers and key personnel engaged with a common set of attributes that will tend to approach problems and take decisions in the same way and consider the same policies, procedures and structures as standardized and legitimized (Dimaggio and Powell, 1983). The socialization between these professionals reinforces isomorphism through workshops of professional associations, continuing education for employees, consultants and professional journals (Dimaggio and Powell, 1983).

2.4. Normative and coercive isomorphism in Canada, France and Germany

Canada. The Canadian government have implemented number of sustainability regulations that companies must respect like environmental regulations, health and safety regulations and human resources regulations (Gouvernement of Canada, 2017). But the disclosure of their efforts is generally voluntary.

Among environmental regulations are: Antarctic Environmental Protection Act (AEPA); Canadian Environmental Protection Act, 1999; Energy and Transportation Sectors; Migratory Bird Hunting; Wild Animal and Plant Trade; Migratory Birds; Fisheries Act; Weather Modification Information; Wildlife Area; Disposal at Sea; and

International River Improvement. Health and safety regulations are: Permits and licences; Canada Consumer Product Safety Act; Good manufacturing practices for cosmetic products; Radiation emitting devices; Employer and Employee Duties; Tools and toolkits for employers on occupational health and safety; Workplace Hazardous Materials Information System; and Occupational health and safety training tools. Human resources regulations are: Hiring requirements, including a monthly report to the government; Employment standards; and Employment equity and human rights.

Concerning the regulatory enforcement, the federal government and all provinces maintain compliance regimes that authorize the issuance of various types of orders, and the prosecution of environmental offenders (Thomson Reuters, 2016). Most environmental regulators in Canada have appointed dedicated investigation and enforcement officers, with powers similar to those granted to police officers. Most pressure groups are active in lobbying for changes to environmental laws and regulations. There are a number of very active Canadian environmental NGOs, whose influence is significant in a number of areas (Thomson Reuters, 2016).

No Canadian jurisdictions have imposed mandatory environmental auditing requirements and there are no legislated mandatory requirements for environmental disclosure in annual corporate reports, although the practice is very common (Thomson Reuters, 2016). A firm may be required to report information to regulators about environmental performance in accordance with specific conditions of an environmental approval. This is the case with Canada's National Instrument 51-102 - *Continuous Disclosure Obligations* (NI 51-102) (Canadian Securities Administrators, 2004) that mandates that firms provide information regarding their environmental obligations and

risks.¹ Finally, companies are required to report on their emissions information annually to the federal government for the National Pollutant Release Inventory (Thomson Reuters, 2016). Emissions reporting information is available to the public.

France. Sustainability regulatory framework in France is substantially influenced by EU Laws. Most important laws influencing corporate social responsibility are: The Environmental Charter of 2005, of constitutional rank; EU Regulations and directives directly applicable in France; the Environment Code, in which most of the relevant laws and decrees have been codified; the Labor Code; and other codes like Energy, Mining, Public Health, Civil and Construction and Housing Code (Thomson Reuters, 2015a).

The regulatory enforcement of these laws is very strong. Environmental law is directly enforced by *préfets* and environmental inspectors (Thomson Reuters, 2015a). When inspectors detect non-compliance with environmental requirements, they report it to the *préfet*, who issues a formal notice to comply. In cases of non-compliance, the *préfet* can impose administrative sanctions and courts can impose criminal penalties (Thomson Reuters, 2015a). Furthermore, pressure groups are very effective. Many French NGOs are active at international, national, or local levels. The Economic, Social and Environmental Council (CESE) also collaborate with NGOs on a regular basis. NGOs can be granted the status of "associations accredited to protect the environment" by the *préfet* or the Ministry of Ecology, Sustainable Development and Energy (MEDDE), which enables them to bring legal actions before administrative, criminal and

¹ Continuous disclosures refer to the obligation for firms to disclose on a timely manner any material changes in various aspects of their operations identified by regulators such as governance, financial situation, etc.

civil courts and obtain indemnities that contribute to their financing (Thomson Reuters, 2015a).

Under the commercial code, all publicly traded companies must include information on their environmental performance and sustainable development commitment in their annual report. Companies can also apply environmental standards voluntarily such as those set by the EU Eco-Management and Audit Scheme or ISO 14001. Moreover, all companies registered with the Register of Companies must carry out an energy audit every four years (Thomson Reuters, 2015a).

Since 2003, the law NRE “Nouvelles régulations économiques”, based on a requirement for transparency of information, insists that French listed companies must present, in their annual management report, in parallel with their accounting and financial information, data on the environmental and social consequences of their activities (Wolniak, 2013). Finally, since 2010, Grenelle II, “Loi portant engagement national pour l’environnement” introduces the obligation of corporate reporting concerning: greenhouse gas (GHG) emission for large public and private entities; corporate environmental responsibility schemes; information to consumers about the GHG emission of products put on the market (Wolniak, 2013).

Germany. Corporate social responsibility issues are predominantly regulated through national legislation. However, domestic legislation is increasingly influenced by international laws, particularly EU laws (Thomson Reuters, 2015b). The main sources of environmental law are: The federal government and the federal states' constitutions and Acts of Parliament; executive ordinances based on parliamentary laws and enacted by

agencies of the federal government and the federal states; technical directives and administrative regulations enacted by agencies; and bye-laws and statutes enacted by public law bodies (Thomson Reuters, 2015b). Environmental and social laws are generally strictly enforced. Regulated entities can incur liabilities for non-compliance with environmental legislation, resulting in obligations to act or cease and desist (Thomson Reuters, 2015b).

Pressure groups are active, including international organisations such as Greenpeace. These organisations usually participate vigorously in major environmental law-making procedures, and in the public hearings for all major procedures related to infrastructure. The NGOs' legal position has been strengthened in Germany as a result of a decision by the European Court of Justice (Case Trianel Kohlekraftwerk Lünen of 2011). NGOs can now challenge a permit even if they would not have had standing to sue under the general principles of German environmental law. Therefore, all major projects that significantly affect or are likely to affect the environment are challenged in court.

Sustainability disclosure is required for financial and assurance institutions in their business review as well as in their annual accounts. These reporting obligations will be extended in relation to public interest entities over 500 employees, that is in particular, listed firms, banks, insurance companies and firms of significant public relevance, in such a way that annual statements relating to environmental, social and employee-related matters must be provided (Thomson Reuters, 2015b).

Directive 2013/34/EU on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings is the legal basis and must be implemented into German Law by December 2016 (Thomson Reuters, 2015b).

However, reporting can be required under contractual relationships or may be necessary in light of the increasing trend for corporate social responsibility (Thomson Reuters, 2015b).

Environmental auditing is not compulsory. However, establishing an environmental management system is already expected for many companies (Thomson Reuters, 2015b). Two types of environmental management systems dominate the market: the Eco-Audit Ordinance, EMAS, that was re-enacted and implemented by the Environmental Audit Act; and the international environmental management systems standard, ISO 14001: 1996 (Thomson Reuters, 2015b).

Summary

We observe more environmental/social disclosure regulation in France and Germany than in Canada. Hence, we can expect a country effect in the disclosure similarity process with less similarity in Germany and France than in Canada. In the presence of normative or coercive isomorphism, organizations are forced to comply with changes forced by external forces, i.e. regulation concerning environmental and social issues. This lets fewer spaces for imitation.

Mandatory integrated reporting in France, paved the way for the introduction of environmental reports in countries such as Germany, while Canada is just beginning to enforce regulations to specific issues like the Canadian Environmental Protection Act of 1999 that required firms to report on specific pollutant emissions (Ioannou et Serafeim, 2016). In this vein, the authors concluded that after the adoption of mandatory disclosure laws and regulations, perceptions regarding the social responsibility of business leaders

improve. This means that their cognitive uncertainty diminishes. As a result, managers have less need for mimetism in social and environmental disclosures.

3. Hypotheses

Organizations are created as a function of institutional constraints and the constraints of pursuing its socially productive objectives (North, 1990). “The interaction of these constraints shapes the potential wealth-maximizing opportunities of entrepreneurs” (North, 1990, p.73). Nevertheless, pursuing the objectives of their creation, organizations incrementally alter the current institutional structure (North, 1990). It means that the interaction between firm objectives (like environmental, social and financial performance, legitimacy, and good governance) and older institutions objectives, negatively affect the keeping of these institutions. These situations give the opportunity to the firm of pursue more productive objectives that could increase its market value.

Given so, we argue that interactions between firms’ objectives and lag mimetism, so-called routine, are negatively related with the current mimetism in an organisational field and that these current mimetism increase market value. Indeed, like for organisations, North (1990) places transaction costs reduction as the source of institutions. Transaction costs are defined by the author as the costs of measuring the valuable attributes of what is being exchanged and the costs of protecting rights and policing and enforcing agreements. Therefore, firms that share the same institutional matrix have fewer transaction costs between them. Consequently, the more a firm imitates others of its organizational field, the more its market value increases.

3.1. Hypotheses - Mimetic isomorphism

Our first hypothesis follow from DiMaggio and Powell (1983) mimetic hypothesis from field-level predictors of isomorphic change. This hypothesis states that “the fewer the number of visible alternative organizational models in a field, the faster the rate of isomorphism in that field” (p. 155).

Hypothesis 1

The more there is environmental/social disclosure imitation within a reference group, the more a firm tends to imitate its reference group (mimetism).

3.1.1. Moderating effect (of organisational field isomorphism)

Governance. Prior research document that good governance is positively associated with financial or non-financial disclosure. Lin and Hwang (2010) find evidence that solid governance enhances the quality of financial information conveyed by firm. Cheng and Courtenay (2006) find that the presence of an external governance mechanism enhances the strength of the association between the proportion of independent directors and the level of voluntary disclosure. Hence, effective governance may have a positive impact on voluntary disclosure. Therefore, we expect good governance to reduce the propensity of a firm to imitate its reference group. This gives rise to our second hypothesis.

Hypothesis 2

Given reference group mimetism in environmental/social disclosure, corporate governance weakens a firm's tendency to imitate its reference group.

Environmental/social performance. Prior research documents a relationship between environmental/social performance and environmental/social disclosure. There is prior empirical evidence that a firm's polluting activities adversely affect media perception of a firm's environmental posture. Firms in environmentally sensitive industries also exhibit higher levels of environmental disclosure (e.g., Aerts and Cormier, 2009; Cho et al., 2007). Furthermore, Patten (2002) documents a lower relationship between environmental performance and environmental disclosure for more environmentally sensitive industries. This implies that environmental disclosure is more likely to reflect environmental performance in less environmentally sensitive industries. Overall, these findings are consistent with a legitimacy perspective, i.e., firms with low legitimacy provide more environmental disclosure but their low legitimacy undermine the impact of such disclosure on financial markets. Thus, a firm's environmental/social performance is likely to affect its propensity to imitate its reference group. Hence, our third hypothesis.

Hypothesis 3

Given reference group mimetism in environmental/social disclosure, environmental/social performance weakens a firm's tendency to imitate its reference group.

Public media exposure. Mimetic tendencies in CED and CSD are affected when a firm's environmental or social activities attract public media exposure, which can potentially induce a coercive or normative structuring of the organization's reporting agenda (O'Dwyer, 2002, p. 417). Moreover, Deegan et al. (2002, pp. 327-328) find that the extent of social and environmental disclosure by Australia's largest firm (BHP Ltd. – a natural resources firm) is closely associated with the media attention they attracted. Therefore, when legitimacy is under scrutiny, voluntary disclosures become an important tool in an effort to alter perceptions of legitimacy. Therefore, our fourth hypothesis.

Hypothesis 4

Given reference group mimetism in environmental/social disclosure, public media exposure weakens a firm's tendency to imitate its reference group.

3.2. Disclosure similarity - Mediating effect on stock market valuation

The aim of this paper is also to investigate how disclosure similarity behavior allows firms to increase their market value. This would be an empirical prove that institutions contain valuable lessons derived from cumulative human knowledge that can be acquired by organizations at low-cost. We assert and test that environmental/social disclosure similarity mediates the relationship that environmental/social performance, corporate governance, social media exposure, and financial profitability have with stock market value. This is in line with North (1990) who asserts that firms sharing the same institutional matrix have fewer transaction costs between them. As a consequence, the more a firm imitates others of its organizational field, the more its market value increases.

4. Method

4.1. Sample

We started with 467 firms (Canada: S&P/TSX = 239 firms; France: SBF120 = 119 firms; Germany: DAX30, MDAX50 and TecDAX30 = 109 firms) from 2012 to 2014 for 1 401 firm-year observations. There are missing values to compute similarity scores (28 observations for environmental disclosure and 29 for social disclosure), which gives 1 373 firm-year observations for environmental imitation and 1 372 for social similarity. There are many missing values in Bloomberg database for ESG social performance (272), ESG environmental performance (481), and ESG corporate governance (101).

This gives a final sample of 756 firm-year observations for environmental model (504 since we lose one year observations using the lag of imitation) and a final sample of 942 firm-year observations for social model (628 since we lose one year observations using the lag of similarity).

4.2. Models

-Determinants of similarity scores (mimetic, coercive and normative isomorphism)

The empirical model is the following:

Environmental disclosure similarity_{it} =

Environmental disclosure similarity_{it-1} +

Reference group environmental disclosure similarity_{it-1} +

Reference group environmental disclosure similarity_{it-1} X Governance_{it} +

Reference group environmental disclosure similarity_{it-1} X Environmental performance_{it} +

Reference group environmental disclosure similarity_{it-1} X Environmental media exposure_{it} +

Governance_{it} + Environmental performance_{it} + Environmental media exposure_{it} +
 Country dummies_{it} + Concentration ratio_{it} + Tobin_{it} + Free cash flow_{it} + Beta_{it} +
 ROE_{it}

Social disclosure similarity_{it} =

Social disclosure similarity_{it-1} +
 Reference group social disclosure similarity_{it-1} +
 Reference group social disclosure similarity_{it-1} X Governance_{it} +
 Reference group social disclosure similarity_{it-1} X Social performance_{it} +
 Reference group social disclosure similarity_{it-1} X Social media exposure_{it} +
 Governance_{it} + Social performance_{it} + Social media exposure_{it} + Country dummies_{it}
 + Concentration ratio_{it} + Tobin_{it} + Free cash flow_{it} + Beta_{it} + ROE_{it}

-Path analysis on the mediation of imitation in environmental disclosure on the
 determinants of stock market valuation

The following regression models are estimated and used in a path analysis. Beta
 (standardized) coefficients are used to further test mediating effects presented in path
 analyses. Variables of interest for path analyses are in bold.

Environmental disclosure

Environmental disclosure similarity = Prior environmental disclosure similarity + **ROE** +
Environmental media exposure + **Environmental performance** + **Governance**

Market/Book value = Inverse of Equity + **ROE** + **Environmental disclosure similarity**
 + **Environmental media exposure** + **Environmental performance** + **Governance**

Social disclosure

Social disclosure similarity = Prior environmental disclosure similarity + **ROE** +
Social media exposure + **Social performance** + **Governance**

Market/Book value = Inverse of Equity + **ROE** + **Social disclosure similarity** + **Social media exposure** + **Social performance** + **Governance**

4.3. Measures of variables

CED and *CSD*. Disclosure similarity is measured within a reference group for each year at the industry-country level, with *CED* and *CSD* being captured through two coding grids designed by Cormier and Magnan (2015 for *CED*) and Cormier, Gordon and Magnan (2016 for *CSD*). *CED* coding comprises 40 items that are grouped into six categories: economic factors, laws and regulations, pollution abatement, sustainable development, land remediation and contamination (including spills) and environmental management. *CSD* grid comprises 35 items grouped into four categories: Labor practices and decent work; Human rights; Society; and Consumer and product responsibility (see Appendix 1).² Disclosure content is rated in terms of the presence (1) or absence (0) of the information. Cronbach's alpha based on the combination of categories indicates high intercoder reliability (Weber, 1990) and that the variance is systematic (alpha of 0.74 for environmental disclosure and 0.86 for social disclosure). Coding disagreements between the coders were reconciled by one of the researchers.

² Two frameworks serve as examples for our disclosure grids. The GRI framework (2014) suggests sustainability reporting by all organizations. The International Standards Organization (ISO) offers voluntary standards that products are “safe, efficient and good for the environment” (ISO, 2014). Specific CSR standards include ISO 14000 (environment), ISO 26000 (social responsibility) and ISO 20121(sustainable events).

Similarity score (for each firm). The measurement of disclosure similarity scores is done in the following manner. First, a firm's disclosure similarity score is initially measured using coding grids, comprising 40 elements for CED and 35 elements for CSD.

Second, a dissimilarity score is computed for each firm:

$$\text{Environmental disclosure dissimilarity score} = \text{ABS} [(CED - M (CED)) / SD (CED)]$$

$$\text{Social disclosure dissimilarity score} = \text{ABS} [(CSD - M (CSD)) / SD (CSD)]$$

ABS indicates an absolute value and M and SD represent the mean and the standard deviation for CED and CSD in the firm's reference group (excluding the firm).

Essentially, the higher the dissimilarity score, the more distant a firm's CED or CSD is from the reference group. The reference group, or organizational field, comprises other firms within the same industry for a given country.

Third, to convert the disclosure dissimilarity score into a disclosure similarity score, we subtract each firm's dissimilarity score from the highest dissimilarity score in the industry in a given country for a given year:

$$\text{Disclosure similarity score} = \text{Highest disclosure dissimilarity score in the industry} - \text{Disclosure dissimilarity score}$$

This approach provides a relative ranking of firms within a reference group, while retaining differences in similarity profiles between reference groups. This approach is consistent with earlier work by DiMaggio and Powell (1983, p. 156) and by Scott (1995,

p. 76) and is used to indicate conformity to institutional norms.

Reference group disclosure similarity. Mimetic isomorphism in CED and CSD is assumed to be a reference group-driven phenomenon. For each firm within a reference group (industry), other firms' content similarity scores are averaged (excluding the firm) and lagged by one year. The resulting measure provides a proxy for disclosure imitation within a reference group that influences a firm's own tendency to imitate the reference group in a following year.

Environmental/social performance and governance. Three individual scores Environmental disclosure score, Social disclosure score, and governance disclosure score are collected from Bloomberg database These scores are computed based on different sources: Annual reports, sustainability reports, press releases, direct communication with companies, including meetings, phone interviews, email exchanges and survey responses. Bloomberg ESG Disclosure Scores covers more than 11,300 companies with ESG data and more than 16,000 companies with executive compensation data in 69 countries. The aim is to assess the firm's management and performance on each issue, i.e. assigning score. Examples of issues treated are:

-Environmental (environmental Policy, environmental management system, voluntary codes, product stewardship and life cycle assessment, sustainability investing – commitment to ecologically sustainable development, climate change risk, carbon emissions, toxic waste treatment, raw materials scarcity, water scarcity, air pollution, natural resources used, environmental opportunities;

-Social (community investment, human rights & supply chain, consumer rights and empowerment, stakeholder engagement and reporting, workplace safety, employee development & training, child labor, human capital, product safety, social opportunities;

-Governance (ethical business conduct, ownership of organization, organizational structure and management, risk management, audit and compliance, executive compensation, shareholder rights and reporting).

Environmental/Social media exposure. Media exposure is the number of news stories that refer to a particular firm's environmental/social activities in a given year. Based on element included in our environmental/social disclosure grids, we collected data (number of articles) related to environmental and social issues from ABI Inform, which provides access to corporate information.

Lag similarity score (routine). As disclosure positions can be largely ritualistic (Gibbins et al., 1990, p. 130), disclosure activity like environmental and social disclosure could be subject to significant inertial forces (Aerts, 2001, p. 29) and tend to become routinized over time. Hence, the lagged firm's similarity score is introduced to capture this inertia factor.

Resource Dependency - Economic Variables. We also introduce economic variables as proxies for coercive pressures in disclosure similarity behaviour. These variables reflect the interests of financial resources providers upon which a firm may be dependent. We expect that the more a firm is dependent upon financial resources providers, the less it will engage in disclosure similarity behavior. More specifically, we posit that economic variables have the following relationships with a firm's similarity score:

Concentration ratio. The lower the market competition, the easier a firm can keep private information (Verrecchia, 1983). We predict that the less competition, the more a firm will tend to disclosure similarity. Therefore, a positive relationship is expected between the concentration ratio and similarity.

Free cash flow and ROE. If a firm's financial health is low, management may disclose less information in order to cover up the reasons for losses or lower profits (Inchausti, 1997). We posit that financial strength, as proxied by free cash flow and return on equity (ROE), reduces the need to imitate other firms in a given industry. Coercive consequences of similarity are lower for firms in financial health. We expect a negative association between Free cash flow, ROE and similarity.

Beta. Volatility creates uncertainty in the stock market, and could induce firms to imitation to counter distinctiveness in environmental/social performance. Hence, volatility, as measured by beta, is expected to be positively related to similarity.

Tobin. Firms with high market-based performance may disclose more on non-financial information, such as information on social and sustainability in order to fulfill stakeholders' needs. Lo and Sheu (2007) find a significantly positive relationship between sustainability disclosure and Tobin's q. This would mean less similarity. Moreover, the more a firm has to make long-term investments in intangible assets (Tobin), the more it requires financing by external financial resources providers, thus leading it to engage in less disclosure similarity. However, the more the market to book

premium, the more a firm is likely to be scrutinized by market participants leading to more similarity. Hence, we do not make a prediction between Tobin and similarity.

5. Results

5.1 Descriptive statistics

Table 1a presents descriptive statistics about environmental similarity scores for the total sample and by country. As expected, similarity scores are, on average, higher in Canada (25.873) than in France (22.044) and Germany (18.677), Table 1b shows that similarity scores are, on average, lowest for the Finance, Insurance and real estate industry (17.734).

Table 1(a) Environmental Similarity Scores

Mean Similarity Scores

Full Sample	Canada	France	Germany
22.235	25.873	22.044	18.677
N: 1 373 (lag 919)	N: 705	N: 352	N: 316

Table 1(b)

Mean Environmental Similarity Scores by Industry

	N	Full Sample	Canada	France	Germany
Construction	33	19.436	22.550	16.638	14.292
Finance, Insurance, real estate	204	17.734	18.192	19.257	14.827
Manufacturing	234	21.067	18.446	20.961	22.302
Mining	275	30.692	31.505	16.591	-
Retail Trade	152	22.737	21.817	26.297	17.521
Services	166	19.717	21.461	20.268	16.820
Transportation and public utilities	159	25.814	30.513	23.255	18.427
Wholesale Trade	150	22.929	25.815	25.271	17.963

Table 2a provides mean social similarity scores. Again, similarity scores are, on average, higher in Canada (30.363) than in France (25.202) and Germany (29.831). For social similarity scores, Construction industry exhibits the lower similarity score (21.593).

These country-level differences are consistent with the view that in the presence of more normative or coercive isomorphism like it is the case in France and Germany compared with Canada, organizations are forced to comply with changes forced by external forces, i.e. regulation concerning environmental and social issues. This leads to less similarity.

Table 2(a) Social Similarity Scores**Mean Similarity Scores**

Full Sample	Canada	France	Germany
28.913	30.363	25.202	29.831
N: 1 372 (lag 919)	N: 703	N: 353	N: 316

Table 2(b)**Mean Social Similarity Scores by Industry**

	N	Full Sample	Canada	France	Germany
Construction	33	21.593	21.745	20.851	22.252
Finance, Insurance, real estate	204	28.681	30.564	22.134	30.453
Manufacturing	234	28.189	26.448	24.550	32.174
Mining	276	32.698	33.524	18.342	-
Retail Trade	152	25.119	23.801	24.833	28.418
Services	163	29.470	29.159	29.183	30.188
Transportation and public utilities	160	31.224	35.103	24.483	29.812
Wholesale Trade	150	25.770	22.773	28.804	26.240

Table 3 provides some descriptive statistics about explanatory variables. Corporate governance mechanisms seems weaker in Germany (mean score of 41.534 versus 53.748 in Canada and 58.369 in France). Environmental performance appears to be lower in Canada (22.042 versus 37.516 for France and 33.829 for Germany). We observe the same pattern for social performance. As discussed earlier, environmental/social regulations are more severe in France and Germany than in Canada.

Moreover, environmental and social media exposure is much higher in France and Germany compared with Canada. Finally, we observe that systematic risk (beta) is lower in Germany while ROE is much higher compared with Canada and France.

Table 3
Descriptive Statistics

Panel A	Mean	Standard Deviation	Min.	Max.
Prior reference group disclosure similarity (environment)	23.242	5.504	11.000	32.199
Prior reference group disclosure similarity (Social)	28.980	4.466	15.022	41.838
Governance	52.308	10.921	3.571	85.714
Environmental performance	29.777	17.732	0.775	71.318
Social performance	34.597	20.242	3.125	77.193
Environmental media exposure	2.543	10.560	0	124
Social media exposure	15.313	58.529	0	885
Concentration ratio	0.398	0.103	0.301	0.808
Tobin	1.844	2.177	-15.823	48.426
Free cash flow	0.015	0.093	-0.518	1.342
Beta	0.884	7.764	-74.058	63.051
ROE	0.109	1.520	-5.189	53.144
Panel B	Mean			
	Canada	France	Germany	
Prior reference group disclosure similarity (environment)	25.875	25.815	18.692	
Prior reference group disclosure similarity (Social)	30.241	22.052	29.682	
Governance	53.748	58.369	41.535	
Environmental performance	22.042	37.516	33.829	
Social performance	24.290	49.557	41.697	
Environmental media exposure	1.831	2.456	4.198	
Social media exposure	8.998	20.563	23.428	
Concentration ratio	0.382	0.416	0.415	
Tobin	1.654	1.895	2.204	
Free cash flow	0.003	0.027	0.028	
Beta	0.929	1.465	0.149	
ROE	0.069	0.072	0.246	

5.2. Multivariate results

In Table 4a, we present results from OLS regression on the determinants of similarity in environmental disclosure. We observe mimetic behavior since the coefficient on Prior reference group disclosure similarity is positive and significant (0.428; $p < 0.001$). This is consistent with hypothesis 1. The more there is environmental imitation within a reference group, the more a firm tends to imitate its reference group. Consistent with hypothesis 2, given reference group mimetism in environmental disclosure, corporate governance weakens a firm's tendency to imitate its reference group (-0.003; $p < 0.001$). Furthermore, the joint F test Prior reference group disclosure similarity + Prior reference group disclosure similarity*Governance ($F = 8.77$; $p < 0.003$) shows that the sum of coefficients is different from zero, suggesting a partial substitution effect between mimetism and governance. In the presence of good governance, there is less need to mimic other firms. Also consistent with hypothesis 3, given reference group mimetism in environmental disclosure, environmental performance weakens a firm's tendency to imitate its reference group (-0.002; $p < 0.018$). The joint F test on Prior reference group disclosure similarity + Prior reference group disclosure similarity*Environmental performance ($F = 8.78$; $p < 0.003$) shows that the sum of coefficients is different from zero, suggesting a partial substitution effect between mimetism and environmental performance. Finally, consistent with hypothesis 4, given reference group mimetism in environmental disclosure, public media exposure weakens a firm's tendency to imitate its reference group (-0.003; $p < 0.010$). The joint F test on Prior reference group disclosure similarity + Prior reference group disclosure similarity*Environmental media exposure ($F = 8.71$; $p < 0.003$) shows that the sum of

coefficients is different from zero, suggesting a partial substitution effect between mimetism and media exposure.

Environmental disclosure is less voluntary in France and Germany. Therefore, there is less possibility of disclosure similarity. This is observed with coefficients on binary variables France (-1.286; $p < 0.000$) and Germany (-2.869; $p < 0.000$). This relies to normative and coercive isomorphism. Finally, for economic variables, as expected, the coefficient on concentration ratio is positive and significant (2.105; $p < 0.005$). The less competition, the more disclosure similarity. The more competition, the less disclosure similarity (coercive isomorphism). A greater a firm's financial strength as proxied by free cash flow (-1.813; $p < 0.084$) reduces the need to environmental disclosure similarity.

Table 4a**OLS Regression of firms' similarity in environmental disclosure on its determinants
(Robust estimators)**

Dependent variable: Environmental disclosure similarity	Predicted sign	Coefficient	P value*	Beta coefficient
Institutional variables				
Prior disclosure similarity (Routine factor)	+	0.575	0.000	0.600
Prior reference group disclosure similarity (mimetic factor)	+	0.428	0.001	0.443
Prior reference group disclosure similarity*Governance	-	-0.003	0.001	-0.213
Prior reference group disclosure similarity*Environmental performance	-	-0.002	0.018	-0.164
Prior reference group disclosure similarity*Environmental media exposure	-	-0.003	0.010	-0.201
Governance	+/-	0.072	0.000	0.137
Environmental performance	+/-	0.050	0.035	0.164
Environmental media exposure	+/-	0.068	0.043	0.175
France	+/-	-1.286	0.000	-0.112
Germany	+/-	-2.869	0.000	-0.216
Economic variables				
Concentration ratio	+	2.105	0.005	0.040
Tobin	+/-	0.006	0.846	0.003
Free cash flow	-	-1.813	0.084	-0.022
Beta	+	-0.005	0.618	-0.008
ROE	-	0.045	0.824	0.003
R-square		89.8%		
F statistic		467.2 (0.000)		
N: 504				
F test of coefficient difference				
Prior reference group disclosure similarity+		8.77(0.003)		
Prior reference group disclosure similarity*Governance		8.78(0.003)		
Prior reference group disclosure similarity+ similarity*Environmental performance		8.71(0.003)		
Prior reference group disclosure similarity+ similarity*Environmental media exposure				

*One-tailed if directional prediction, two-tailed otherwise.

In Table 4b, we present results from OLS regression on the determinants of social disclosure similarity. Results differ from similarity in environmental disclosure in the

following way: Social performance and Social media exposure do not moderate the relationship between Prior reference group social disclosure similarity and social disclosure imitation. An explanation could be that coercive consequences are lower for social disclosure than environmental disclosure. Financial strength as proxied by Tobin (0.039; $p < 0.009$) and ROE (0.214; $p < 0.008$) are associated with more similarity. This result is contrary to our prediction. One explanation is that the proprietary nature of social disclosure is lower than for environmental disclosure. Coercive consequences of disclosure would be lower for social disclosure than for environmental disclosure.

Table 4b**OLS Regression of firms' similarity in social disclosure on its determinants (Robust estimators)**

Dependent variable: Social disclosure similarity	Predicted sign	Coefficient	P value*	Beta coefficient
Institutional variables				
Prior disclosure similarity (Routine factor)	+	0.371	0.000	0.365
Prior reference group disclosure similarity (mimetic factor)	+	0.656	0.000	0.658
Prior reference group disclosure similarity*Governance	-	-0.002	0.018	-0.177
Prior reference group disclosure similarity*Social performance	-	-0.001	0.344	-0.077
Prior reference group disclosure similarity*Social media exposure	-	-0.001	0.352	-0.091
Governance	+/-	0.041	0.165	0.094
Social performance	+/-	0.022	0.633	0.098
Social media exposure	+/-	0.007	0.710	0.096
France	+/-	-1.544	0.000	-0.151
Germany	+/-	-0.812	0.001	-0.072
Economic variables				
Concentration ratio	+	0.549	0.257	0.012
Tobin	+/-	0.039	0.009	0.024
Free cash flow	-	0.377	0.724	0.002
Beta	+	0.009	0.116	0.019
ROE	-	0.214	0.008	0.025
R-square		85.4%		
F statistic		224.5		
N: 628		(0.000)		
F test of coefficient difference				
Prior reference group disclosure similarity+		5.45(0.019)		
Prior reference group disclosure similarity*Governance				

*One-tailed if directional prediction, two-tailed otherwise.

Tables 5a, b and Table 6a, b present results of regressions that serve to do path analyses on the mediation of similarity in environmental/social disclosure on the determinants of stock market valuation. We use standardized coefficients (beta) to do so.

For environmental disclosure similarity, results show that Environmental performance (-0.042; $p < 0.037$), Environmental media exposure (-0.047; $p < 0.044$), and Governance (0.115; $p < 0.000$) are related to similarity.

ROE (0.057; $p < 0.047$), Environmental disclosure similarity (0.103; $p < 0.001$), Environmental media exposure (-0.044; $p < 0.098$), Environmental performance (0.051; $p < 0.095$) and Governance (0.167; $p < 0.000$) are related to stock price. Figure 1 presents the results of the path analyses. The fact that Environmental disclosure similarity is positively related to stock price is consistent with North (1990), i.e. the more a firm's similarity with others of its organizational field, the more its market value increases. It is then worthwhile to assess the mediating effect of Environmental similarity on stock price.

For example, a good environmental performance increases stock price (0.051) but at the same time reduces similarity (-0.042), which gives a total effect of 0.0466. Environmental media exposure reduces stock price (-0.044) but since it also reduces similarity (-0.047), the total negative effect on stock price is increased (-0.049). The same phenomenon is observed for corporate governance, which is related to stock price (0.167) but also to similarity (0.115) for a total effect of 0.1788 on stock price.

Table 5a
OLS Regression of firms' determinants of similarity in environmental disclosure
(Beta coefficients for path analyses) (Robust estimators)

Dependent variable: Environmental disclosure similarity	Predicted sign	Coefficient	P Value*	Beta coefficient
Prior environmental disclosure similarity	+	0.859	0.000	0.870
ROE	-	-0.125	0.569	-0.008
Environmental media exposure	-	-0.020	0.044	-0.047
Environmental performance	-	-0.014	0.037	-0.042
Governance	+/-	0.061	0.000	0.115
R-square		80.9%		
F Statistic		697.1		
N:		(0.000)		
		731		

*One-tailed if directional prediction, two-tailed otherwise.

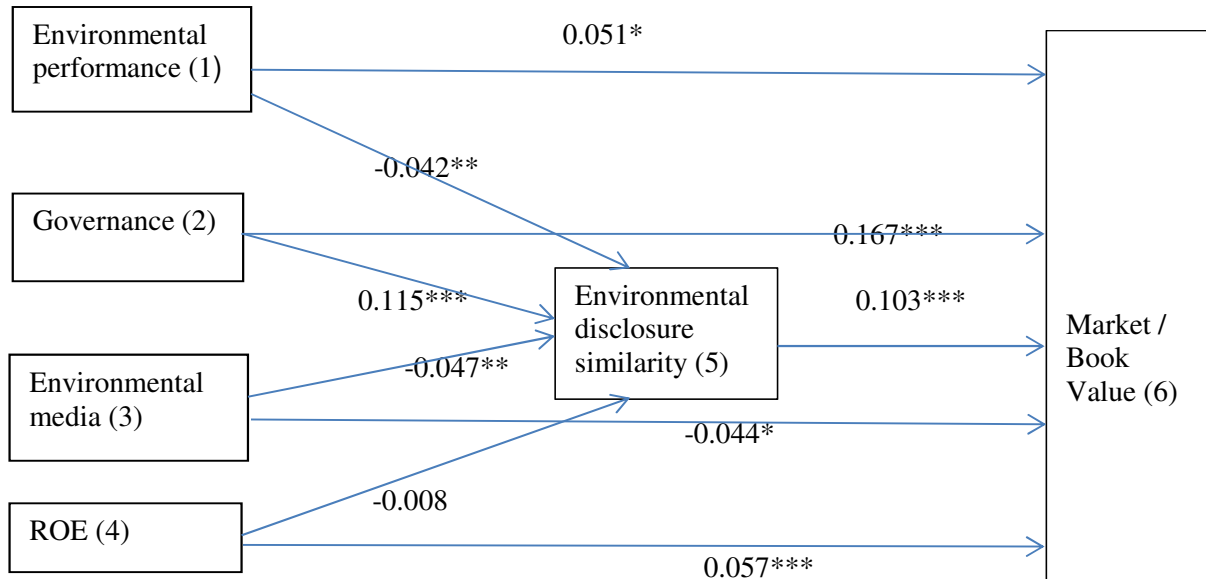
Table 5b**OLS Regression of firms' similarity in environmental disclosure on market valuation
(Beta coefficients for path analyses) (Robust estimators)**

Market value/Book value	Predicted sign	Coefficient	P Value*	Beta coefficient
Inverse of Equity	+	2.727	0.000	0.385
ROE	+	0.221	0.047	0.057
Environmental disclosure similarity	+	0.021	0.001	0.103
Environmental media exposure	-	-0.004	0.098	-0.044
Environmental performance	+	0.003	0.095	0.051
Governance	+	0.018	0.000	0.167
R-square		75.3.7%		
F Statistic		445.2		
N:		(0.000)		
		858		

*One-tailed.

Figure 1

Path analysis of the mediation of similarity in environmental disclosure on the determinants of stock market valuation



Impact of determinants of stock market valuation through environmental disclosure similarity (total effect)

- (1) (6) = $0.051 + -0.042 \times 0.103 = \mathbf{0.0466}$
- (2) (6) = $0.167 + 0.115 \times 0.103 = \mathbf{0.1788}$
- (3) (6) = $-0.044 + -0.047 \times 0.103 = \mathbf{-0.0488}$
- (4) (6) = $\mathbf{0.057}$

Results differ slightly for social disclosure similarity. Results presented in Tables 6a, b and Figure 2 show Social performance is not related to stock price while Governance is not related to similarity. An explanation could be that coercive consequences are lower for social disclosure than for environmental disclosure.

Table 6a
OLS Regression of firms' determinants of similarity in social disclosure
(Beta coefficients for path analyses) (Robust estimators)

Dependent variable: Social disclosure similarity	Predicted sign	Coefficient	P Value*	Beta coefficient
Prior social disclosure similarity	+	0.917	0.000	0.863
ROE	-	0.259	0.015	0.026
Social media exposure	-	0.002	0.078	0.023
Social performance	-	-0.016	0.001	-0.067
Governance	+/-	-0.005	0.516	-0.012
R-square		77.2%		
F Statistic		378.1		
N:		(0.000)		
		731		

*One-tailed if directional prediction, two-tailed otherwise.

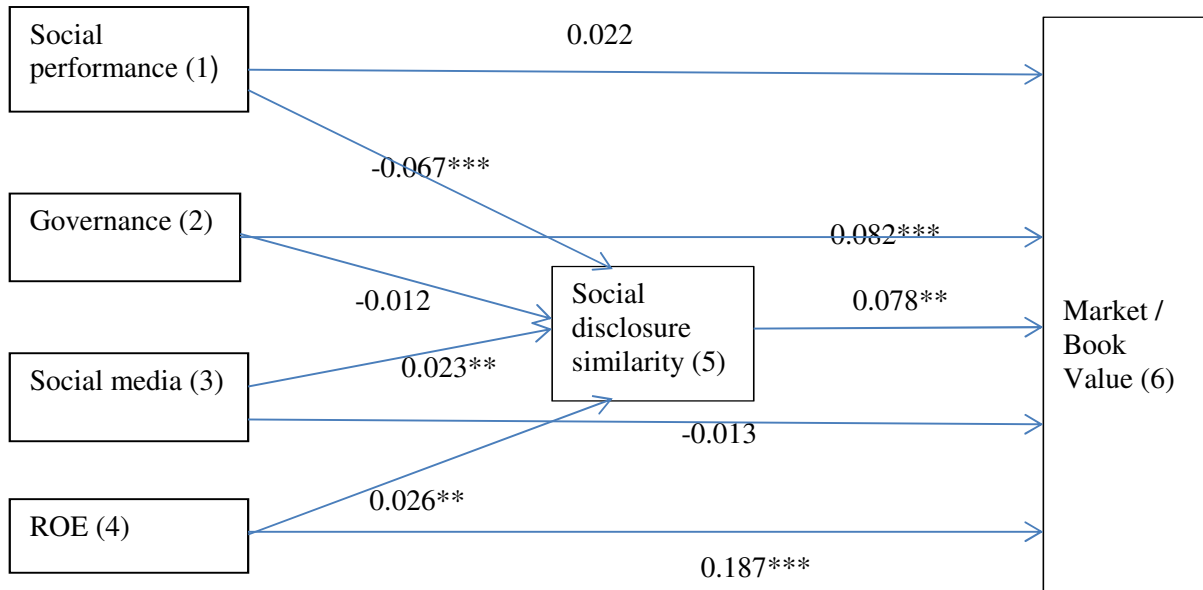
Table 6b
OLS Regression of firms' similarity in social disclosure on market valuation
(Beta coefficients for path analyses) (Robust estimators)

Market value/Book value	Predicted sign	Coefficient	P Value*	Beta coefficient
Inverse of Equity	+	4.015	0.000	0.444
ROE	+	0.894	0.000	0.187
Social disclosure similarity	+	0.025	0.001	0.078
Social media exposure	-	-0.001	0.323	-0.013
Social performance	+	0.002	0.243	0.022
Governance	+	0.012	0.001	0.082
R-square		69.8%		
F Statistic		413.3		
N:		(0.000)		
		1 099		

*One-tailed.

Figure 2

Path analysis of the mediation of similarity in social disclosure on the determinants of stock market valuation



Impact of determinants of stock market valuation through social disclosure similarity (total effect)

- (1) (6) = $-0.067 \times 0.078 = -0.0052$
- (2) (6) = **0.082**
- (3) (6) = $0.023 \times 0.078 = 0.0018$
- (4) (6) = $0.187 + 0.026 \times 0.078 = 0.1890$

Additional analyses

Results discussed so far are based on country –level industry similarity controlling for specific country effect (country dummies). In a sensitivity analysis, we compare differences in routine (prior year similarity) and mimetic behavior at country-industry-level versus combined country and industry. Since our sample firms are large firms that mostly operate at global and international level, mimetic behavior could intervene at a

global level. Results presented in Table 7 suggest that for environmental similarity, while routine does not differ between country-level and combined countries, we observe more mimetism at country-level (four out of eight industries are not significant for combined countries). Mimetism occurs to a larger extent at industry-country-level. Firms are more likely to imitate their industry-country reference group than industry foreign firms, probably because their coercive and normative constraints are similar and leave cognitive uncertainty about the same environmental aspects. On the other hand, indications of disclosure of social aspects appear to be widespread throughout the three countries. We do not observe significant differences for social similarity. This suggests that social issues operate in a quite similar manner at country level and international level. This result comforts our approach to address the industry mimetic phenomenon.

Results are in line with Scott (1995), who argues that organisations attempt to imitate structures and activity patterns of others having the same cultural patterns. But the possibility of doing so may vary. According to Brammer et al. (2012), different institutional sets have different dominant institutions. In the Anglo-Saxon context, CSR dominant institutions correspond to global policies and programs, essentially voluntary; while in other contexts, institutions correspond to legal, customary, or religious institutions (Brammer et al., 2012). Our results confirm this view by showing more imitation in Canadian industries. Since in Canada and Germany, dominant institutions are less constraining, they have more possibilities to follow mimetic process.

This study confirms the importance of taking into account the level of institutional analysis in the generalization of results

6. Conclusion

Our results illustrate that, as proposed by Aoki (2006), institutional pressures are complementary and define the number of possibilities by which organizations can achieve their goals. Environmental/social disclosure similarity is higher in Canada than in France and Germany. It appears that in Canada, coercive and normative actors, mostly the state and the professions, play a less important role enforcing cognitive environmental and social issues. Consequently, firms have a tendency for mimetism (hypothesis 1). The resulting structural similarities are often evidence of an absence of substance (Shabana et al., 2016).

One task of the board of directors is to provide financial resources, competences, cultural values and external ties (Ben-Amar et al., 2013). We see a correspondence between these resources and normative institutions described by DiMaggio and Powell (1983) and Scott (1995). These resources facilitate strategic decision-making, including environmental and social disclosure content. Hence, good governance decreases mimetic behavior (hypothesis 2).

The credibility of environmental and social disclosure is provided mostly by normative pressures followed by coercive pressures while mimetic isomorphism offers the slightest assurance of credibility (Martínez-Ferrero and García-Sánchez, 2017). While normative and coercive institutions incite firms to disclose their real environmental and social performance, mimetic isomorphism is primarily a legitimacy effort. Therefore, when firms improve their environmental and social performance, there is less need to

copy their reference models (hypothesis 3). One way of highlighting this decoupling between disclosure and performance is by public media exposure. Therefore, when public media exposure increases, firms do not have other choice than to decrease their mimetic behavior (hypothesis 4).

6.1. Contribution

This paper contributes to the extent literature of corporate environmental and social disclosure. It shows that traditional predictors of firm market value have more sense when they are analyzed in relation to the organizational field disclosure similarity. Our findings might be of interest to Canadian regulators if they aim to increase environmental and social disclosure regulations, since European evidence suggests that mandatory corporate responsibility disclosure diminishes cognitive uncertainty. Finally, results show the importance to disentangle between environmental and social disclosure when assessing corporate disclosure similarity behavior.

6.2. Limitations

The findings are subject to various limitations. First, the paper's CED and CSD measures may not adequately reflect a firm's disclosure, as they are somewhat subjective. However, the subjectivity is to some extent reduced since we employ a binary coding, i.e. the presence or the absence of an element. Second, the study focuses on only three countries and, hence, this could limit the generalization of results. Finally, we do not directly differentiate coercive and normative determinants of isomorphic change because, as expressed by DiMaggio and Powell (1983), their theoretical typology is not always empirically distinct.

Table 7

Differences in Routine and Mimetism between Countries

(Beta coefficients)

Similarity = Prior Similarity + Prior Reference Group Similarity

Independent variables: Prior Similarity/ Prior Reference Group Similarity	Environmental Disclosure Similarity				Social Disclosure Similarity			
	Combined countries	Germany	Canada	France	Combined countries	Germany	Canada	France
Construction	0.067 0.156	0.059 0.966***	0.023 0.920***	0.428*** 0.575***	0.421 0.797	0.316 0.960	0.042*** 0.675***	0.998*** 0.008
Finance, Insurance, real estate	0.928*** 0.289	0.202* 0.109***	0.661*** 0.241***	0.938*** 0.007*	0.960*** 0.253*	0.082*** 0.225	0.929* 0.352	0.949*** 0.005*
Manufacturing	0.709*** 0.645***	0.121 0.032***	0.066 0.971***	0.147*** 0.619***	0.769*** 0.274	0.792** 0.261	0.186 0.006	0.182* 0.034
Mining	0.645*** 0.364***	—	0.173*** 0.566***	0.444** 0.553***	0.878*** 0.281***	—	0.936*** 0.276***	0.872*** 0.149***
Retail Trade	0.908*** 0.001***	0.387*** 0.330***	0.246** 0.068***	0.666*** 0.020**	0.775*** 0.452	0.597 0.815	0.244 0.131	0.757** 0.331
Services	0.169** 0.001	0.011 0.949***	0.016* 0.914***	0.918*** 0.008	0.826*** 0.129**	0.807*** 0.106***	0.807*** 0.131**	0.343** 0.275***
Transportation and public utilities	0.847*** 0.002***	0.094* 0.752***	0.274** 0.444***	0.028 0.883***	0.799*** 0.005***	0.665** 0.143	0.799*** 0.011***	0.989*** 0.971**
Wholesale Trade	0.292*** 0.001	0.497*** 0.049***	0.057* 0.771***	0.850*** 0.031*	0.802*** 0.173**	0.762** 0.252	0.110 0.257	0.887*** 0.256

One-tailed coefficients.

Appendix 1
Environmental Disclosure Grid

Expenditures and risks	Sustainable development
Investments	Natural resource conservation
Operation costs	Recycling
Future investments	Life cycle information
Future operating costs	Land remediation and contamination
Financing for investments	Sites
Environmental debts	Efforts of remediation
Risk provisions	Potential liability- remediation
Risk litigation	Implicit liability
Provision for future expenditures	Spills (number, nature, efforts of reduction)
Laws and regulations conformity	Environmental management
Litigation, actual and potential	Environmental policies or company concern for the environment
Fines	Environmental management system
Orders to conform	Environmental auditing
Corrective action	Goals and targets
Incidents	Awards
Future legislation and regulations	Department, group, service affected to the environment
Pollution abatement	ISO 14000
Emission of pollutants	Involvement of the firm in the development of environmental standards
Discharges	Involvement in environmental organizations (<i>e.g.</i> , industry committees)
Waste management	Joint projects with other firms providing environmental management Services
Installation and process controls	
Compliance status of facilities	
Noise and odours	
Social disclosures grid	
Labor practices and decent work	
Employment opportunities	
Labor rights / Job creation	
Equity programs	
Human capital development / training	
Accidents at work	
Health and safety programs	
Social activities	
Diversity and equal opportunity: Gender; cultural; corporate governance bodies	
Human rights	
Management: Investment; procurement practices; supply chain	
Social rights: risk; violation; discrimination; promotion	
Freedom of association and collective bargaining	
Abolition of child labor: ILO Code	
Prevention of forced and compulsory labor	

Complaints and grievance practices

Security practices

Indigenous rights

Civil and political rights

Society

Regional, educational and cultural development

Gifts and sponsorships and philanthropy

Bribery and Corruption

Wealth and income creation

Respect for property rights

Public Policy: Political lobbying and contributions

Business ethics /Anti-Competitive behavior

Promoting social responsibility in the sphere of influence

Community: Involvement; development; investment representation (board committees)

Consumer and product responsibility

Purchases of goods and services

Customer health and safety: Complains; code compliance

Product-related-incidents

Products development and environment: Access to essential services; sustainable consumption

Consumer service, support, and dispute resolution

Product information labelling: Complains; consumer satisfaction

Marketing Communications (Advertising): Standards and code

Education and awareness

Customer privacy

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