Transparency International Anti-Corruption Helpdesk Answer

Corporate transparency

Overview of issues and literature review

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Increasing attention is being paid to practices of corporate transparency, due to growing concern about the participation of private sector entities in domestic and international politics. This paper presents an overview of the available, private-sector oriented literature on corporate transparency.

The sources are presented in sections, detailing benefits and challenges of corporate transparency, and guidelines and principles related to corporate transparency. A variety of sections cover sources detailing overviews, benefits and challenges, and policy recommendations on a variety of corporate transparency mechanisms.

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Query

Please provide an overview of the literature surrounding corporate transparency and the challenges companies face.

Contents

Background

Corporations are important components in the global economy and play an active role in meeting market demand for goods and services. The influence of corporations is, however, not proportional to the amount of information about their inner workings that they disclose to the public. Corporate transparency, that is, the voluntary or obligatory disclosure of private-sector actors to internal and/or external stakeholders (Farvaque et al. 2011) has become an important issue in the study of corruption and anti-corruption.

Calls for corporate transparency began in the early 1930s when governments established fundamental norms to provide investors with basic financial performance information about corporations to protect them from corporate abuse. Later, in the 1980s and 1990s, the term corporate social responsibility (CSR) became popular to define social and environmental actions taken by corporate entities to mitigate the effects of their activities or to "give back to the community". Transparency increasingly became a key component of CSR, as stakeholders (investors, clients, customers, shareholders, the media) began to demand more and higher quality information about these actions.

Corporate transparency today can be achieved through proactive or demand-driven disclosure of a number of aspects of corporate information including:

- disclosure of financial information
- disclosure of CSR activities
- supply chain transparency
- disclosure of ownership and organisational structure
- disclosure of political engagement activities
- disclosure of anti-corruption mechanisms, and environmental

Currently, the main debates in the literature centre on the real benefits and challenges of increasing corporate transparency. A variety of studies point to the benefits of reducing information asymmetry between managers and stakeholders (investors, clients, costumers) that transparency produces (Farvaque et al. 2011). As details about a corporation become available to stakeholders, they are able to hold management more accountable for their performance and the choices they make, ultimately increasing performance.

It should be noted that corporate transparency does have its challenges. Scholars have reviewed the current state of corporate disclosure and raise questions about the actual effects that corporate transparency engenders in practice. The cost of implementing adequate disclosure mechanisms (DeTienne and Lewis 2005), the need to implement higher quality standards for disclosure, and the protection of trade secrets (Lang and Lundholm 2000 in Aguilera et al. 2008) continue to be important issues that need to be addressed.

The following provides a review of studies exploring the benefits and challenges of corporate transparency from a private sector perspective, including sections on previously mentioned components commonly associated with corporate transparency.

Literature review: corporate transparency

Overview of corporate transparency issues

The following sources outline general definitions and concepts relating to corporate transparency. Two literature reviews are included to provide background on empirical studies that repeatedly appear in the rest of the literature. Finally, a detailed report on corporate transparency is included to understand the current state of affairs of corporate disclosure in the world largest companies.

Verhezen, P. and Morse, P. V. 2010. Fear, Regret and Transparency: Corporate Governance Embracing Disclosure and Integrity. World Bank-NACC Publication, Bangkok, October.
https://www.nacc.go.th/images/journal/peter.pdf

Verhezen and Morse present a comprehensive overview of the topic of corporate transparency, including a history, trends in the twenty-first century, benefits and perceived obstacles to its implementation. The article provides an extensive overview of most of the issues currently being researched and debated by corporate transparency academics.

Farvaque, E., Refait-Alexandre, C., and Saïdane, D. 2011. Corporate Disclosure: A Review of Its (Direct and Indirect) Benefits and Costs. International Economics, 128, 5-31.
https://www.cairn.info/revue-economie-internationale-2011-4-page-5.htm

This article presents a comprehensive literature review of corporate disclosure. It is subdivided into different sections that break down benefits and challenges, and the corresponding literature. The paper provides a general road map of current areas of research and debate in corporate literature surrounding disclosure.

Healy, P. M., and Palepu, K. G. 2001. Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature. Journal of Accounting and Economics, 31(1-3), 405-440.
https://pdfs.semanticscholar.org/9298/a7d032a5895b770fba570607f3f71d00e186.pdf?_ga=2.182922990.91089205.1555386185-1236841470.1555004736

Healy and Palepu's literature review is an important article that compiles empirical data regarding disclosure up to the year 2000. This article is among the most cited in post-2000 literature on corporate transparency.

Transparency International. 2014. Transparency in Corporate Reporting: Assessing the World's Largest Companies.
http://www.financialtransparency.org/wp-content/uploads/2015/04/2014_TransparencyInCorporateReporting_EN.pdf

This is the most recent assessment report of multinational companies' corporate disclosure practices by Transparency International. The report reviews corporate transparency of the world's largest 124 companies. The results show poor disclosure practices by international companies: more than 80 per cent of companies analysed fail to score higher than a 5 out 10. The report also goes into detail regarding different aspects of corporate transparency, including anti-corruption practice disclosure, organisational transparency, and country-by-country reporting.

Benefits of corporate transparency

The main debate surrounding corporate transparency, as mentioned above, is related to the benefits of corporate transparency. Important empirical studies on the impact of corporate transparency are included below. Research on the benefits of corporate transparency tends to focus, first, on the utilitarian, financial or economic benefits to companies; thus, studies tend to focus on the benefits to shareholder pay-outs, equity and operational costs. Second, research also focuses on the positive reputation which companies may acquire from more transparency. These studies tend to value the positive effect of reputation on a company's economic performance and seek to understand how transparency improves that reputation.

Durnev, A., and Kim, E. H. 2005. To Steal or Not to Steal: Firm Attributes, Legal Environment, and Valuation. The Journal of Finance, 60(3), 1461-1493.
https://deepblue.lib.umich.edu/bitstream/handle/2027.42/39939/wp554.pdf?sequence=3

Durnev and Kim look into stock value of corporations in relation to their level of corporate transparency. They find that across 27 countries, transparent corporations perform better than their more opaque counterparts. They also control for developing countries, which they associate with governments being less stringent on corporate transparency. They find the effects of corporate transparency on stock value much higher than when analysing the entire population.

Petrasek, L. 2012. Do Transparent Firms Pay Out More Cash to Shareholders? Evidence from International Cross-Listings. *Financial Management*, *41*(3), 615-636.
https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1755-053X.2012.01192.x

This study analyses differences in shareholder pay-outs from corporations that began trading on exchanges with more stringent transparency requirements. The study finds that earnings for shareholders increase by an average of 9 per cent after a corporation makes the transition to a more transparent market. The authors conclude that there is a positive economic benefit for shareholders from increased disclosure requirements.

Stiglbauer, M. 2010. Transparency and Disclosure on Corporate Governance as a Key Factor of Companies' Success: A Simultaneous Equations Analysis for Germany. Problems and Perspectives in Management, 8(1), 161-173.
https://www.researchgate.net/profile/Markus_Stiglbauer/publication/41226280_Transparency_disclosure_on_corporate_governance_as_a_key_factor_of_companies'_success_A_simultaneous_equations_analysis_for_Germany/links/00b7d525fa9ed3efc8000000/Transparency-disclosure-on-corporate-governance-as-a-key-factor-of-companies-success-A-simultaneous-equations-analysis-for-Germany.pdf

This case study of German companies aims to test the relationship between reporting quality and performance. The authors' analysis shows that corporations which provided higher quality reporting on organisational structures were more likely to have higher valued equity and higher valued shareholder pay-outs. The study shows this in a single analytic framework.

Lang, M., Lins, K. V., and Maffett, M. 2012. Transparency, Liquidity, and Valuation: International Evidence on When Transparency Matters Most. Journal of Accounting Research, 50(3), 729-774.
https://pdfs.semanticscholar.org/9fb2/fcde91d4c5d90ffe7aa72d2d2f700005659b.pdf

This study analyses the effects of firm-level transparency on stock market liquidity and valuation across a series of markets. The authors find that more transparency tends to translate into greater liquidity and lower transaction costs. These relationships are more pronounced in periods of market volatility, which the authors attribute to the preference of investors to put their stakes in transparent companies in periods of uncertainty.

Edwards, A. K., Harris, L. E., and Piwowar, M. S. 2007. Corporate Bond Market Transaction Costs and Transparency. The Journal of Finance, 62(3), 1421-1451.
http://www.dumay.info/pdf/Transparency/5.pdf

This article is part of the general debate around the impact of transparency on corporate performance, analysing transparency's effect on the transaction costs of bonds. The article looks at the effects that published prices of bonds (the bond market being notoriously opaque and secretive) has on their transaction costs. The paper finds a negative correlation between price transparency and bond transaction costs, showing that transparency may cut the costs of trading.

Picou, A., and Rubach, M. J. 2006. Does Good Governance Matter to Institutional Investors? Evidence from the Enactment of Corporate Governance Guidelines. Journal of Business Ethics, 65(1), 55-67.
https://link.springer.com/article/10.1007%2Fs10551-006-0016-3

This article analyses the effect that disclosure of good governance practices has on stock prices. The authors take a sample of 77 companies and check stock value data before and after a corporate governance improvement announcement. They find that there is a spike in stock value in the days following the announcement, an effect that lasts an average of 8 to 10 days as further details regarding reforms are made public. This study contributes to the debate by showing an established correlation in opinions regarding transparency by way of investors.

Huang, P., and Zhang, Y. 2011. Does Enhanced Disclosure Really Reduce Agency Costs? Evidence from the Diversion of Corporate Resources. The Accounting Review, 87(1), 199-229.
https://aaajournals.org/doi/10.2308/accr-10160

The article addresses the economic performance of corporations based on the level of transparency of their disclosures, observing managerial expropriation. The article finds that corporate transparency is positively correlated with the value of liquid asset holdings and with the value of cash assets. The article also finds a negative correlation with corporate disclosure transparency and the incidence of value destroying projects.

Patel, S. A., and Dallas, G. S. 2002. Transparency and Disclosure: Overview of Methodology and Study Results – United States.
http://repository.binus.ac.id/content/f0024/f002455955.pdf

This study aims to show the effect of the quality of corporate disclosure on performance indicators, namely market risk valuation. The authors find that companies that include higher quality information in their annual reports are likely to have more positive market risk valuations than their more opaque counterparts.

Vaccaro, A. 2012. To pay or not to pay? Dynamic Transparency and the Fight against the Mafia's Extortionists. Journal of Business Ethics, 106(1), 23-35.
https://www.researchgate.net/publication/225594923_To_Pay_or_Not_to_Pay_Dynamic_Transparency_and_the_Fight_Against_the_Mafia's_Extortionists

Vaccaro's study on the effects of organisational transparency on the impact of extortion or corruption on the organisation's activities and reputation. While the author uses the experience of an Italian NGO as the basis of his analysis, he ties in his study with the wider literature on corporate transparency. The paper's main findings are that proactive corporate transparency can mitigate effects of corruption and crime on the organisation, increase stakeholder support for a company's activities and more efficiently cement a positive public image.

Kang, J., and Hustvedt, G. 2014. Building Trust between Consumers and Corporations: The Role of Consumer Perceptions of Transparency and Social Responsibility. *Journal of Business Ethics*, *125*(2), 253-265.
https://www.researchgate.net/profile/Gwendolyn_Hustvedt/publication/258162027_Building_Trust_Between_Consumers_and_Corporations_The_Role_of_Consumer_Perceptions_of_Transparency_and_Social_Responsibility/links/55e710a908ae3e121841fc3a/Building-Trust-Between-Consumers-and-Corporations-The-Role-of-Consumer-Perceptions-of-Transparency-and-Social-Responsibility.pdf

This article investigates the positive reputation gains that a corporation garners from consumers upon implementing transparency or CSR reforms. The authors performed and analysed a consumer opinion survey on a group of footwear brands, finding more positive opinions favouring more transparent socially responsible companies. They also find consumers trust transparent corporations more and are more likely to recommend the brand to friends. This shows that there is a marketing interest in being more transparent.

Florini, A. M. 1999. Does the Invisible Hand Need a Transparent Glove? the Politics of Transparency. In *Annual World Bank Conference on Development Economics* (pp. 162-84). Washington, DC: World Bank.
https://www.researchgate.net/profile/Ann_Florini/publication/253319800_Does_the_Invisible_Hand_Need_a_Transparent_Glove_The_Politics_of_Transparency/links/541fe7210cf203f155c27b62.pdf

Florini explores growing demand for transparency at the corporate level and explores the internal and external power conflicts which promote or resist transparency at the corporate level. Among her many conclusions, Florini finds that transparency can lead to the collapse of shaky, underperforming companies, while increasing the economic resilience of stronger companies and buttressing them from future risks.

Challenges of effective corporate transparency

There are scholars of corporate transparency that question the how straightforward the benefits of corporate transparency are. Some papers also question the research on the benefits of transparency, while others focus on showing weaker reputational effects of transparency. Many of these authors are not against an increase of corporate transparency but hold that under current conditions, corporate transparency does not meet its intended goals and requires actions other than simple, voluntary disclosure.

Hermalin, B. E., and Weisbach, M. S. 2012. Information Disclosure and Corporate Governance. The Journal of Finance, 67(1), 195-233.
https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1540-6261.2011.01710.x

In contrast to the Huang and Zhang article cited above, Hermalin and Weisbach hold that excess corporate transparency has an opposite effect on managerial expropriation. They developed a model to test whether excess corporate financial disclosure increases managerial turnover and managerial compensation. Their model indicates that in larger firms, higher managerial turnover and higher compensation may lead to efficiency decreases in short-term bursts.

Durnev, A., Errunza, V., and Molchanov, A. 2009. Property Rights Protection, Corporate Transparency, and Growth. Journal of International Business Studies, 40(9), 1533-1562.
https://pdfs.semanticscholar.org/6830/9a5357ad87c695c36c425518f1801e3623fc.pdf

This study shows that the effects corporate transparency has on investment efficiency are heavily dependent on the enforcement of property rights in the country of operation. The study looks at industries with different levels of disclosure requirements and notes that, in countries where property rights are not respected, industries where firms can operate at minimal transparency have greater investment efficiency and grow faster than firms in industries that are required to disclose more. This article contributes to the debate by showing that transparency is beneficial once property rights have been assured.

Fung, B. 2014. The Demand and Need for Transparency and Disclosure in Corporate Governance. Universal Journal of Management, 2(2), 72-80.
http://www.hrpub.org/download/20140105/UJM3-12101630.pdf

Fung’s brief article on corporate transparency includes advantages and issues with current reporting regimes. He provides a comprehensive summary of the different components of corporate governance. Fung argues that the quality of current corporate disclosures fail to make managers accountable to stakeholders as they can easily obscure crucial financial information. Using a study of Hong Kong companies, he concludes that current corporate disclosure creates false security for investors on “transparent” market players.

Admati, A. R. 2017. A Skeptical View of Financialized Corporate Governance. Journal of Economic Perspectives, 31(3), 131-50.
https://pubs.aeaweb.org/doi/pdfplus/10.1257/jep.31.3.131

Admati’s article is a critique of the emphasis of financial information with regards to corporate governance. The author holds that financial information has steadily overshadowed other indicators in relation to corporate governance, creating a system that is costly to maintain, inefficient at identifying important indicators of poor performance such as company ownership and power dynamics and other liabilities, and argues that even the arguments in favour of a heavy reliance on finance-centred accountability do not hold up. Admati concludes that non-financial disclosure quality must improve to see real improvements in general corporate governance.

Siebecker, M. R. 2009. Trust and Transparency: Promoting Efficient Corporate Disclosure through Fiduciary-Based Discourse. Wash. UL Rev., 87, 115.
https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1079andcontext=law_lawreview

This article provides a comprehensive analysis of corporate disclosure practices – such as "green-washing", corporate silence, omission, and data dumping – that purposely disclose ambiguous information about CSR programmes to hide actual company practices. The author contributes to the debate of the benefits of corporate disclosure by emphasising that quality transparency is essential to hold companies accountable.

Gillies, A. 2010. Reputational Concerns and the Emergence of Oil Sector Transparency as An International Norm. International Studies Quarterly, 54(1), 103-126.
https://academic.oup.com/isq/article-abstract/54/1/103/1789885?redirectedFrom=fulltext

Gillies uses the oil sector to explore the adoption of improved transparency mechanisms and the challenges that arose from this process. The study explores some of the reputation challenges this sector in particular has with disclosure, noting that their disclosure of complex structures, "taboo" earnings and linkages with some governments had a negative reputation effect with stakeholders. This piece adds to the debate around the positive effects of transparency on company reputation by asking how companies with ethical "problem areas" would seek to voluntary disclose harmful information.

Dubbink, W., Graafland, J., and Van Liedekerke, L. 2008. CSR, Transparency and the Role of Intermediate Organisations. Journal of Business Ethics, 82(2), 391-406.
https://mpra.ub.uni-muenchen.de/17892/3/mpra_paper_17892.pdf

This short article, which is part of a broader debate about the appropriate way to regulate corporate reporting, provides a good insight into firm-level concerns related to corporate transparency. The article presents a list of important performance, accountability and legal challenges that may arise from low-quality disclosure. These include market information overload lowering customer sensibilities, concerns about worker privacy and company commercial secrets, the long-term effects of transparency on performance. The author closes the article proposing the Dutch self-regulating subsystem model as an alternative to remedy these transparency challenges.

General guidelines to improve corporate transparency

This section includes a list of standards, principles and guidelines proposed by international organisations and scholars for companies seeking to increase corporate transparency and the quality of disclosures.

Global Reporting Initiative. 2019. GRI Standards. https://www.globalreporting.org/standards/gri-standards-download-center/

The Global Reporting Initiative is an organisation launched in 1997 that aims to improve the quality of corporate reporting by providing guidelines to meet international basic standards on disclosure. The GRI Sustainability Reporting Standards were among the first international recognised standards to gain traction among the world's largest companies, including by 93 per cent of the world 250 largest companies.

United Nations Conference on Trade and Development. 2006. Guidance on Good Practices in Corporate Governance Disclosure (Rep. No. UNCTAD/ITE/TEB/2006/3). https://unctad.org/en/docs/iteteb20063_en.pdf?user=46

The UN Conference on Commerce and Trade has a guide for corporations in developing and transition economies that want to improve the quality of their corporate disclosure based on international corporate disclosure standards. The guide briefly addresses financial disclosure and provides extensive insight into non-financial disclosure items

Schwartz, M. S. 2009. "Corporate Efforts to Tackle Corruption: An Impossible Task?" The Contribution of Thomas Dunfee. Journal of Business Ethics, 88(4), 823-832. https://link.springer.com/article/10.1007%2Fs10551-009-0318-3

An in memoriam piece dedicated to the work of Thomas Dunfee, an expert on corporate disclosure who had a profound impact on research on the topic. The article, nonetheless, dedicates a section to the C^2 Principles, which were developed by Dunfee and Hess. The article lists the principles with commentary including on how they fit into established norms like the US Foreign Corrupt Practices Act (FCPA).

Mirvis, P., and Googins, B. K. 2006. Stages of Corporate Citizenship: A Developmental Framework (Monograph). Chestnut Hill, MA: The Boston College Center for Corporate Citizenship. https://www.researchgate.net/profile/Philip_Mirvis/publication/3228435_Stages_of_Corporate_Citizenship/links/56a95e7508aeaeb4cef95429/Stages-of-Corporate-Citizenship.pdf

The Boston College Center for Corporate Citizenship provides this publication to illustrate a progressive development of corporate citizenship, that is, corporate governance aimed at mitigating their effect on society, being accountable and aligning their goals with the public interest. The publication is structured in stages where they review seven indicators essential to corporate governance, one of which is transparency. This publication can help guide the development of corporate transparency practices for companies.

Singh, M., and Peters, S. J. 2013. Financial Reporting Disclosures: Investor Perspectives on Transparency, Trust, and Volume. Codes, Standards, and Position Papers, 2013(12). https://www.cfainstitute.org/-/media/documents/article/position-paper/financial-reporting-disclosures-investor-perspectives-on-transparency-trust-volume.ashx

This publication reviews the results of a survey by the CFA Institute of investors, undertaken to gauge opinions and preferences regarding financial disclosure by way of corporate entities. The publication concludes with a set of recommendations that may be of use to inform corporate disclosure policies.

Country-by-country reporting

Country-by-country reporting (CbCR) is a type of disclosure where by multinational companies show their earnings and the taxes they paid in every country they operate in. CbCR is meant to provide increased control of tax evasion by public authorities and meant to alert shareholders of investor fraud or mismanagement.

Murphy, R. 2009. Country-by-Country Reporting: Holding Multinational Corporations to Account Wherever They Are (Publication).
http://www.financialtransparency.org/wp-content/uploads/2015/04/Final_CbyC_Report_Published.pdf

This publication from the Task Force on Financial Integrity and Economic Development is an overview of the fundamentals of CbCR. It covers a basic definition of the concept, including various components that CbCR should include. It outlines the benefits for a variety of stakeholders, including customers, shareholders, employees and regulators.

UN Principles for Responsible Investment and Ravishankar, V. 2018. Evaluating and Engaging on Corporate Tax Transparency: An Investor Guide (Publication).
https://www.unpri.org/Uploads/t/r/l/PRI_Evaluating-and-engaging-on-corporate-tax-transparency_Investor-guide.pdf

This publication aims to provide information to investors related to current trends in corporate CbCR. The publication reviews current research, illustrates the current state of disclosure and provides recommendations for investors seeking to further incorporate CbCR into their enterprises.

Corporate social responsibility reporting

CSR reporting refers to companies' disclosure of information on their environmental and social activities aimed at mitigating their company impact or "giving back" to stakeholders. Scholars hold that transparency around these activities permits stakeholders to hold managers accountable for these activities and thus prevents CSR as purely cosmetic, publicity-focused activities. The literature below reviews issues around corporate disclosure of CSR, exploring its benefits, current failings and providing recommendations for more effective CSR.

Waddock, S. 2004. Creating Corporate Accountability: Foundational Principles to Make Corporate Citizenship Real. Journal of Business Ethics, 50(4), 313-327.
https://dlib.bc.edu/islandora/object/bc-ir:100977/datastream/PDF/view

This article summarises a variety of corporate social responsibility principles developed by a variety of international stakeholders and argues for the development of general CSR principles aimed at addressing governance, social, environmental and financial/economic issues caused by corporate activities. The "Foundational Principles" provide a conceptual base from which practitioners can develop their own internal policies.

DeTienne, K. B., and Lewis, L. W. 2005. The Pragmatic and Ethical Barriers to Corporate Social Responsibility Disclosure: the Nike Case. Journal of Business Ethics, 60(4), 359-376.

https://www.researchgate.net/profile/Kristen_Detienne/publication/226795946_The_Pragmatic_and_Ethical_Barriers_to_Corporate_Social_Responsibility_Disclosure_The_Nike_Case/links/00463521e29cbe02a1000000.pdf

Using background from Nike, the author explores the benefits and challenges of CSR disclosure. The author uses the Nike case to show how low-quality, reactive CSR reports had notable legal and economic consequences for the company. The author argues that CSR must be accompanied by professional CSR auditing, and explores the benefits and challenges.

Vaccaro, A., and Echeverri, D. P. 2010. Corporate Transparency and Green Management. Journal of Business Ethics, 95(3), 487-506.
https://www.researchgate.net/profile/Dalia_Patino-Echeverri/publication/225716474_Corporate_Transparency_and_Green_Management/links/0fcfd50dd76e5d7229000000/Corporate-Transparency-and-Green-Management.pdf

This paper analyses corporate transparency of electrical companies' CSR and how these affect their customers' awareness of environmental issues and support for pro-environmental policies undertaken by the companies. Using survey data on US households, the authors find that electric utility company transparency in their operations and CSR created more awareness among their customers about environmental issues and increased their willingness to support a company's actions to mitigate its environmental impact, as opposed to more opaque companies. This study shows how CSR can reduce stakeholder resistance to innovative, socially conscious projects by companies.

Font, X., Walmsley, A., Cogotti, S., McCombes, L., and Häusler, N. 2012. Corporate Social Responsibility: The Disclosure-Performance Gap. Tourism Management, 33(6), 1544-1553.
http://eprints.leedsbeckett.ac.uk/275/8/CSR%20hotels%20article%20repository%20version.pdf

This article aims to analyse the quality of CSR disclosure related to environmental, labour, socio-economic, stakeholder engagement and transparency by the world's largest hotel companies. The authors surveyed representatives of the 10 largest companies in relation to their CSR activities. By analysing current trends of the hotel industry, the authors make recommendations to practitioners seeking to improve disclosure quality.

Transparent supply chains

A key element of corporate transparency is transparent supply chains (that is, the network of suppliers, companies and contractors that provide the inputs for a company's products and services). Transparent supply chains address the current situation of most globalised multinational companies who decentralise production and delegate many internal operations to external parties. Literature on supply chains addresses the main benefits of supply chain disclosure, while also addressing the challenges of having transparent supply chains, notably the loss of competitive edge over competitors and the costs associated with making complex supply networks transparent.

Marshall, D., McCarthy, L., McGrath, P., and Harrigan, F. 2016. What's Your Strategy for Supply Chain Disclosure? MIT Sloan Management Review, 57(2), 37-45.

https://researchrepository.ucd.ie/bitstream/10197/7374/4/Final_Draft_as_Published_8-2-16.pdf

This brief article provides a guide for companies seeking to implement transparent supply chain management. The authors review the benefits and challenges of transparent supply chains, and explore the related standards and principles. They conclude by providing a strategy guide to achieve regular and effective supply chain disclosure.

Egels-Zandén, N., Hulthén, K., and Wulff, G. 2015. Trade-offs in Supply Chain Transparency: The Case of Nudie Jeans Co. Journal of Cleaner Production, 107, 95-104.
https://fek.handels.gu.se/digitalAssets/1494/1494747_egels-zanden-et-al--2014----trade-offs-in-supply-chain-transparency--jclp-.pdf

This case study of a Swedish clothing company analyses the main challenges that corporations face when making their supply chains transparent. The authors identify three trade-offs that companies face and discuss the implications of the choices these companies must make.

Political engagement disclosure

Corporate transparency extends beyond a company's interaction with the market and extends into its activities of participating and financing politicians and candidates. Political engagement, whether in the form of lobbying, campaign or political contributions, or simply participation in public debates, should be made public, first to meet with existing disclosure requirements by public entities and, second, to provide investors with knowledge regarding a company's political strategy.

The Conference Board Committee on Corporate Political Spending. 2011. Corporate Political Spending: Policies and Practices, Accountability and Disclosure (Publication).
https://www.conference-board.org/retrievefile.cfm?filename=corporate-political-spending-Committee-Report---Advance-Copy.pdfandtype=subsite

This publication is directed at corporations seeking to understand the basics of political engagement disclosure. The article outlines the advantages of political disclosure and reviews required lobbying and electoral financing disclosure in the US. It also reviews the costs, both economic and in terms of external reputation, that political transparency may have. The article further recommends a series of actions to make political engagement more efficient, noting the need to adopt internal policies to assure continued accountability regardless of managerial turnover.

Slob, B., and Weyzig, F. 2010. Corporate Lobbying and Corporate Social Responsibility: Aligning Contradictory Agendas. In Business, Politics and Public Policy (pp. 160-183). Palgrave Macmillan, London.
https://www.researchgate.net/profile/Bart_Slob/publication/280653077_Corporate_Lobbying_and_Corporate_Social_Responsibility_Aligning_Contradictory_Agendas/links/55c0cb2708ae092e9666e994.pdf

Slob and Weyzig provide an overview of how lobbying may be integrated into corporate social responsibility reporting. Despite the majority of the article being dedicated to the issue of lobby regulation, it provides a section on self-regulation and lobbying disclosure by corporations and provides an overview of the limited literature pertaining to corporate self-regulation in lobbying.

Organisational governance and ownership disclosure

Stakeholders have a vested interest in knowing how a company's internal structure and who controls the company. Beyond giving assurances that a company is well managed and knowing who to blame if it is not, transparency around organisational governance and ownership is also crucial to identify possible issues related with beneficial owners. The literature below outlines how transparency of organisational structures improves the capacity of stakeholders to hold managers accountable. It also reviews many of the challenges associated with disclosing a company's ownership, particularly in relation to the complexities of corporate ownership.

Vermeulen, E. 2013. "Beneficial Ownership and Control: A Comparative Study – Disclosure, Information and Enforcement". OECD Corporate Governance Working Papers, No. 7, OECD Publishing, Paris.
https://www.oecd-ilibrary.org/docserver/5k4dkhwckbzv-en.pdf?expires=1555390773andid=idandaccname=guestandchecksum=1A892EF7E391191F9194AE30C1BA6B52

Vermeulen's article for the OECD presents a comprehensive view of corporate organisational disclosure, with notable emphasis on beneficial owners and informal power and control structures. The article highlights the challenges that informal power and control structures ("hijacking the corporate vehicle" as he calls it) poses for companies and how beneficial ownership disclosure may guard against these structures. This article contributes to the general debate around corporate transparency by making a case for the crucial nature of organisational disclosure within broader corporate disclosures.

Fenwick, M., and Vermeulen, E. P. 2016. FOCUS 14: D*isclosure of Beneficial Ownership after the Panama Papers*. World Bank.
https://openknowledge.worldbank.org/bitstream/handle/10986/25408/109535-WP-Focus-14-PUBLIC.pdf?sequence=1

This World Bank funded paper analyses the implementation of beneficial ownership disclosures by corporations and its legislation by national governments. The study finds that disclosure of beneficial ownership information by companies has been limited to that information which is required by national laws to disclose. The author reviews the benefits of beneficial ownership disclosure and notes current challenges companies can face in achieving voluntary disclosure of beneficial ownership data. He concludes by positing three principles for corporations to improve beneficial ownership disclosure.

Disclosure of anti-corruption practices

The globalised nature of multinational companies and the growing adoption of foreign bribery persecution laws (like the FCPA and the UK Bribery Act) have led to a growing number of companies adopting anti-corruption programmes to pre-emptively identify instances of corruption and give institutional avenues for whistleblowers to safeguard business operations. The following literature explores the effects on corporations of disclosing anti-corruption practices. Generally, the literature finds that anti-corruption programme disclosure mitigates the negative effects of corruption scandals.

Hess, D. 2009. Catalyzing Corporate Commitment to Combating Corruption. Journal of Business Ethics, 88(4), 781-790.
https://www.researchgate.net/profile/David_Hess10/publication/225625046_Catalyzing_Corporate_Commitment_to_Combating_Corruption/links/564e5f1c08ae1ef9296c91e9.pdf

This article focuses on corporate anti-corruption programme disclosure, reviewing its benefits and existing mandatory and voluntary disclosure models. The article showcases the Combating Corruption Principles (C^2 Principles). This article contributes to the general literature as it advocates for increased disclosure quality surrounding anti-corruption practices to combat international bribery.

Hess, D. 2012. Combating Corruption through Corporate Transparency: Using Enforcement Discretion to Improve Disclosure. Minnesota Journal of International Law, 21, 42.
https://scholarship.law.umn.edu/cgi/viewcontent.cgi?article=1317andcontext=mjil

This article presents a review of current anti-corruption reporting practices by corporations, noting the lack of disclosure as per Global Reporting Initiative Guidelines. The article, while aimed a provoking public policy changes in corporate reporting of anti-corruption practices, notes the shortcoming of reporting of anti-corruption activities to comply with the FCPA.

Joseph, C., Gunawan, J., Sawani, Y., Rahmat, M., Noyem, J. A., and Darus, F. 2016. A comparative Study of Anti-Corruption Practice Disclosure among Malaysian and Indonesian Corporate Social Responsibility (CSR) Best Practice Companies. Journal of Cleaner Production, 112, 2896-2906.
https://s3.amazonaws.com/academia.edu.documents/40863860/Journal_Cleaner_Production.pdf?AWSAccessKeyId=AKIAIWOWYYGZ2Y53UL3AandExpires=1555393823andSignature=G%2Fw5fvPUx7sD3qCHUVGtSh2Q33k%3Dandresponse-content-disposition=inline%3B%20filename%3DA_comparative_study_of_anti-corruption_p.pdf

This collaborative article between academics in two south-east Asian countries, aiming to analyse disclosure of anti-corruption policies in companies in Malaysia and Indonesia, provides a detailed literature review of anti-corruption practice disclosure at the corporate level. The authors use this comprehensive review of the available literature to test the prevalence of corporate anti-corruption disclosure in high-sustainability companies in two countries with notable differences in levels of corruption. The results show that companies in Indonesia, the country perceived to be more corrupt, were more likely to publish information regarding their anti-corruption system than companies in Malaysia. The authors believe that this is to mitigate the possible deterrent effect that national corruption perceptions may have on investment and collaboration with these corporations.

Kaptein, M. 2011. From Inaction to External Whistleblowing: The Influence of the Ethical Culture of Organizations on Employee Responses to Observed Wrongdoing. Journal of Business Ethics, 98(3), 513-530.
https://scholar.google.com/scholar_url?url=https://repub.eur.nl/pub/16600/ERS-2009-047-ORG.pdfandhl=esandsa=Tandoi=gsb-ggaandct=resandcd=0andd=7407509080770864181andei=hl-1XKvqJM6PmwG-hpDYBAandscisig=AAGBfm1lU0L1eHIPXzWPmUwY-qUbRiZKVg

This article aims to test general concepts of corporate ethics culture and its effect on whistleblowing by analysing survey data from US companies that employ at least 200 people across 15 different industries. The author finds that a culture of corporate transparency leads to less internal institutional engagement by whistleblowers and a preference towards external whistleblower mechanisms or inactions. He ultimately concludes that he cannot soundly explain all the results and recognises possible limitations. The article outlines a glaring void in corporate transparency literature concerning the disclosure of whistleblowing policies and their effectiveness.

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DeTienne, K. B., and Lewis, L. W. 2005. The Pragmatic and Ethical Barriers to Corporate Social Responsibility Disclosure: the Nike Case. Journal of Business Ethics, 60(4), 359-376.

Farvaque, E., Refait-Alexandre, C., and Saïdane, D. 2011. Corporate Disclosure: A Review of Its (Direct and Indirect) Benefits and Costs. International Economics, 128, 5-31. https://www.cairn.info/revue-economie-internationale-2011-4-page-5.htm

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