

Sustainability decoupling in light of CSRD. Exploring policy-practice and means-ends gaps

The project centers around the topic of sustainability reporting (SR) by companies which stands for disclosure of environmental, social and governance (ESG) information. We define SR as the communication of ESG performance (Bernardi & Stark, 2018) targeted at stakeholders and to society (Gray et al., 1987). The current corporate practice shows significant shortcomings of SR related to its quality, scope and credibility (Milne & Gray, 2013).

Studies reveal that in many cases SR illustrate organizational decoupling (Roszkowska-Menkes et al., 2024) which means that the disclosure is a symbolic practice not related to core business operations (Boxenbaum & Jonsson, 2008). Decoupling can occur at two levels: policy-practice and means-ends (Bromley and Powell, 2012). Policy-practice decoupling means that there is a gap between disclosure policies and the disclosure practice (e.g. companies have a formal document about reporting but reporting is very limited), whereas means-end decoupling latter is to a gap between disclosure and actual progress in sustainability performance (e.g. companies inform about emissions but they do not improve on reduction emissions).

In the European Union Corporate Sustainability Reporting Directive (CSRD) has been introduced which imposes strict regulations on companies to report sustainability performance. CSRD implementation provides a unique empirical context to investigate the issue of decoupling in SR which we intend to exploit this project. In the study we will consider the interplay between regulatory environmental and internal and external corporate governance practices in mitigating organizational decoupling. Additionally, as one of the few the study will distinguish between different levels of decoupling, providing unique empirical evidence on the relationship between policy-practice and means-ends decoupling.

In this project we formulate two research questions:

1. What are the corporate governance-related boundary conditions that influence the effectiveness of CSRD in preventing policy-practice and means-ends decoupling in the context of corporate sustainability?
2. What is the relationship between policy-practice and means-end decoupling in the context of CSRD and what are the organizational-level factors influencing it?

In this project study we will 1) review of mandatory reporting legislation (CSRD, EU Taxonomy and ESRS), 2) expand the theoretical framework on the basis of systematic literature review, 3) conduct quantitative study, 4) conduct qualitative study and 5) disseminate research results at conference and by the publications in high ranked academic journals.

We will use a sample based on the population of the EU listed companies subject to CSRD regulation in years 2022-2027 to cover the balanced period of 3 years before the enactment of CSRD and 3 years after the enactment of CSRD. We will base our sample on which were subject to CSRD legislation. We will pursue with quantitative study (adopting econometric modelling for hypotheses testing) and qualitative study (adopting content analysis to identify concepts to capture disclosure with regard to issues of stakeholder salience and topics materiality).