International Journal of E-Business Research
Volume 20 • Issue 1

Sustainability Reporting in IT Sector vs. Other Sectors:
The Impacts on Multidimensional Performance

Amina Buallay, Ahlia University, Bahrain*

ABSTRACT

This study investigates the relationship between the level of sustainability reporting and information technology (IT) sectors' performance (operational, financial, and market) and compares the results with other sectors. The findings elicited from the empirical results demonstrate that there is a significant negative relationship between ESG and IT sector market performance (TQ). The study contributes to the literature of sustainability accounting by providing records of the cross-sector's experiences. It could serve as a guide to firms that wish to adopt sustainability reporting. Moreover, as the study adopted worldwide and used macroeconomic variables, it contributes to the literature of the economic implications of sustainability reporting.

KEYWORDS

ESG, Firm's Performance, IT Sector, Sectorial Analysis, Sustainability Reporting

1. INTRODUCTION

The number of sustainability reports published by firms around the world is growing (Buallay, 2020). This pace of growth increased markedly when research started to show that sustainability reporting is linked to improved business performance (Alhawaj et al., 2023). However, other scholars have identified a negative relationship (Duque-Grisales & Aguilera-Caracue, 2019; Landi & Sciarelli, 2019) or an insignificant relationship (Atan et al., 2018) between the two.

Despite this, many researchers claim that results of this research are ambiguous, inconclusive, or contradictory (Brooks & Oikonomou, 2018). It has been noticed that there is a lack in cross-sector studies in sustainability reporting (Buallay & Hamdan (2023). Qiu et al. (2016) suggests that sustainability reporting across industries matters to shareholders, as sustainability reporting may help the firms generate profit. Margolis et al. (2009) raise the problem of aggregation as a potential source of heterogeneity in empirical findings, the results should be analysed by sector, as sectors differ greatly in purpose and size, which gives results ranging from local to international levels, short-term to long-term, and voluntary to fully mandated. Barnett (2007) and Soana (2011) claim that the numbers of Sectorial studies of ESG disclosure and firm performance is lacking and that ESG

DOI: 10.4018/IJEBR.339916
*Corresponding Author

characteristics vary across industries, thus making generalization from the results difficult when the study is run over several industries at once.

Cross-sector research used to address social issues provides multidisciplinary and different conceptual frameworks (Selsky & Parker, 2005). As this paper addresses sustainability reporting, which covers multidisciplinary issues (environmental, social and governance). Multidisciplinary literature may assist management, researchers and regulators in addressing the issue of sustainability reporting. Sectors differ greatly in purpose and size, which gives results ranging from local to international scope, short term to long term, and voluntary to fully mandated. This review explains that when researchers from different sectors focus on the same issue (i.e., sustainability reporting), they are likely to think about it differently (Buallay, 2022).

The e-waste production of the IT sector is estimated at between 20 and 50 million tons every year. Schwarxer et al. (2005) stated that e-waste increased 3–5% per year. Firms in this sector face many sustainability challenges. These include environmental challenges (for example, e-waste disposal may pollute groundwater or the environment), social challenges (for example, electronic equipment can be redistributed to social communities), governance challenges (for example, companies have legal responsibility to recycle electronics that are returned to them at the end of their life cycle; Nnorom & Oshibanjo, 2008) and economic challenges (for example, the use of email bills saves costs; Rainie & Horrigan, 2005). These sustainability issues need to be addressed with stakeholders. Sustainability reporting may help IT firms to communicate with their stakeholders about economic, environmental and social issues which enable those firms to be sustainable in the long term (Pojasek, 2007). The ICT industry plays a major role in economic growth and productivity, ICT technologies could contribute to energy efficiency solutions (Buallay & Al Marri, 2022). Some studies have also highlighted the possible services of the ICT industry to millennium developmental goals through disclosing sustainability related information (Kuhundt et al.,2006: Hilty et. al., 2011). Stakeholders are increasingly seeking this information at different levels form the ICT sector, in particular on the sustainability impacts of products and services provided.

sustainability reporting is crucial for firms in this sector to retain their stakeholders, which indeed affects the performance of these firms (Buallay et al., 2022). Hence, there is a need to investigate the relationship between sustainability reporting and firm performance in this sector and compares the results with other sectors separately. Stakeholders are increasingly seeking this information at different levels form the ICT sector, in particular on the sustainability impacts of products and services provided. Therefore, sustainability disclosure is crucial for firms in this sector to retain their stakeholders, which indeed affects the performance of these firms. Hence, there is a need to investigate the relationship between sustainability disclosure and firm performance in this sector. To address this issue this study presents a valuable analytical framework for exploring sustainability disclosure as a driver of performance in Telecommunication and Information Technology sectors' economies. In addition, this study compares ICT sectors' management lacunae manifesting in terms of the weak nexus between ESG and IT sectors' performance.

This study contributes to literature in many ways. Firstly, the study contributes to the accounting literature considering a cross-sector analysis worldwide, which is found to be scarce. Moreover, the study provides evidence to show that macroeconomic variables, which are overlooked in the literature, influence the ESG accounting practices of firms worldwide. This result broadens the understanding of why firms and organisations adopt ESG reporting. Moreover, by providing records of the cross-sector's experiences, it could serve as a guide to firms that wish to adopt sustainability reporting. Finally, As the study contributes to the literature on the economic implications of sustainability reporting, its results can be used assess activities for potential risks and opportunities to achieve sustainability. It offers evidence that macroeconomic performance, which the literature has overlooked, influence the ESG practices. This result broadens the understanding of why and where firms and organizations adopt ESG. Importantly, the findings should be of interest to regulators and policymakers, who have mandated or are considering mandating sustainability reporting.

Related Content