ABSTRACT

We employ computer-based textual analysis to examine disclosure patterns for a sample of U.S. CSR reports from the period 2002-2016. Using report length, we observe a positive relationship between CSR performance and disclosure level, as predicted by signaling theory. Importantly, we also find that CSR performance types differ not only in “how much they say” in CSR reports, but also in “how they say it”. Here, our machine-learning model reveals that various other linguistic features, in addition to the level of disclosure, are important for revealing performance type. In particular, our linguistic analyses suggest that good CSR performers: are more advanced in their writing; are generally more sociable, friendly and cooperative; and exhibit features suggesting greater ambition, achievement, and level of sophistication, consistent with their proactive CSR strategies. Finally, we find that these additional linguistic features are also incrementally valuation relevant, thereby confirming that ‘how they say it’ in the CSR report is also important to users of the reports. Our results potentially expand the information set that can be used to ascertain a firm’s true CSR performance type. Further, our results are potentially useful to analysts and investors when they are provided with CSR disclosures by private firms.

(Copies of the paper are available in the AOIS Department offices)