

## Corporate sustainability transitions: Are there differences between “what companies say,” “what companies do,” and “what ESG ratings say companies do”?

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### Introdução

The literature agrees that companies' concerns with sustainability issues are related to stakeholders' sustainability awareness. However, these studies are divided into two opposite perspectives (outside-in and inside-out) regarding how this relationship occurs. On the one hand, companies strategically decide to be more sustainable, expecting to generate a competitive advantage through stakeholders' recognition of these efforts (inside-out). On the other, companies' sustainability awareness (and actions) increase just in response to stakeholder requests (outside-in).

### Problema de Pesquisa e Objetivo

Diverse theories support each perspective. Moreover, each perspective has different understandings of how much stakeholders should trust the available options to acquire knowledge about companies' sustainability performance—mainly through “what companies say” (e.g., sustainability reports) or “what ESG rating companies present” because getting direct information about “what companies do” may be difficult for stakeholders. In exploring how these theories support each other, we suggest the strong structuration theory as a helpful tool for integrating inside-out and outside-in perspectives.

### Fundamentação Teórica

The outside-in perspective considers that the origin of sustainable corporate behavior is outside the company, which means companies act sustainably in response to pressures from outside. One of the first approaches in this perspective is based on legitimacy theory, which considers the existence of a social contract between companies and society. Contrarily, the inside-out perspective holds that the source of sustainable corporate behavior relies on the companies' decision-making processes, that is, sustainable behavior starts inside companies. E.g., this is supported by the signaling theory.

### Metodologia

We propose a framework to approach empirical settings and apply to analyzing the Cerrado Manifesto case, a zero-deforestation initiative led by private organizations, mainly European, on the Brazilian Cerrado biome. Using different sources of information, we applied SmartPLS 3.3.9 to test the relationship between what companies say, do, and what ESG ratings say they do, additionally investigating the influence of social pressure, institutional environment, and companies' controversies.

### Análise dos Resultados

The results show no direct relationship between “what ESG ratings say companies do” and “manifesto signing” (what companies do). However, an indirect effect through “reporting” (what companies say) was observed. Moreover, a positive relationship was found between ESG rating and “reporting” as well as between “reporting” and “manifesto signing.” Significant relationships were found between the “pressure received” construct and both “manifesto signing” and “reporting.” The variable “ESG controversy” showed a significant difference in the effects of “pressure received” on “manifesto signing.”

### Conclusão

The framework proposed, integrating inside-out and outside-in perspectives, explained a companies' manifesto signing. We found that in the presence of reporting on sustainability issues, ESG ratings are indirectly related to “what companies do.” This result suggests that, at least for some specific cases, ESG scores are insufficient to drive companies to take more radical actions. Alternatively, it is possible to cogitate that not all behaviors toward sustainability can be reflected in these scores. A moderation analysis (presence of controversy) shed light on the effects of social pressure.

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### Palavras Chave

Sustainability transitions, Strong structuration theory, Corporate sustainability performance

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