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The Sustainability Paradox: Environmental, Social and Governance Reporting and Shop-Floor Decoupling in Nigerian Manufacturing

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Tade Shakir Bidemi[1], Abdulwahab Nurudeen Olamilekan[1]

[1]Department of Sociology, Faculty of Social Sciences, University of Port Harcourt, Nigeria

Correspondence: Tade Shakir Bidemi, shakir_tade@uniport.edu.ng

Abstract

Nigerian manufacturing firms have embraced environmental, social and governance (ESG) reporting with enthusiasm, driven by the dual pressure of accessing sustainable finance and maintaining legitimacy with international investors and regulators. Yet the relationship between what firms disclose and what happens inside the factory remains largely unexamined. This article develops an industrial-sociological account of ESG greenwashing as a form of organisational decoupling. Drawing on neo-institutional theory, it argues that ESG reporting in Nigerian manufacturing is best understood not as a transparency failure but as a legitimacy strategy: firms adopt the formal structures and vocabularies of sustainability to satisfy external audiences while buffering internal production practices from the implications of those commitments. The study employs a sequential mixed-methods design: content analysis of sustainability reports from thirty listed manufacturing firms (2022–2025) using the Global Reporting Initiative (GRI) index, followed by industrial ethnography and semi-structured interviews with forty factory workers and ten health, safety and environment (HSE) managers in Lagos and Port Harcourt industrial estates. Findings reveal systematic policy–practice decoupling: disclosed commitments to fair wages, safe conditions, and pollution control are contradicted by shop-floor accounts of wage arrears, safety shortcuts, and unreported emissions. Decoupling is sustained by weak external verification, investor preference for disclosure over enforcement, and an organisational field in which the reputational cost of greenwashing remains lower than the cost of genuine compliance. The article contributes a decoupling-based account of ESG greenwashing that identifies the mechanisms sustaining it, and argues that sustainable finance governance must shift from disclosure-centric to verification-centric accountability.

Keywords: ESG, Greenwashing, Decoupling, Neo-Institutional Theory, Industrial Sociology, Nigerian Manufacturing

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1. INTRODUCTION

1.1 Background and Problem

The sustainable finance boom has made environmental, social and governance (ESG) disclosure a condition of capital access. Nigerian manufacturing firms now publish sustainability reports, commission ESG ratings, and participate in investor dialogues on climate and labour standards, and a growing domestic literature examines how such reporting relates to financial performance (Aiyesan, 2023; Omotoso et al., 2024). The regulatory architecture has followed: the Central Bank of Nigeria's (CBN) Sustainable Banking Principles (CBN, 2012) and the sustainable finance principles for the capital market adopted by the Securities and Exchange Commission (SEC, 2021) encourage sector-specific responsibility, and international buyers and financiers increasingly require ESG documentation. On the surface, this is a story of convergence toward global norms.

Industrial sociology has a different story to tell. Organisations do not simply implement the institutional scripts they are handed; they manage the tension between external legitimacy and internal operational routines. One well-established strategy is decoupling: the formal adoption of structures and discourses that satisfy external audiences while day-to-day work practices remain substantially unchanged. When the domain is sustainability, decoupling takes on a particular significance. ESG reports are not merely inaccurate; they are performances of sustainability that can secure green capital, regulatory forbearance, and reputational advantage while leaving the labour process and environmental footprint intact. Recent Nigerian evidence already indicates that greenwashing distorts market signals, weakens investor trust, and undermines the integrity of sustainable finance itself (Anuforo & Ede, 2026).

Nigeria's institutional field offers few counterweights. The Nigerian Sustainable Finance Roadmap was designed to unlock sustainable investment (FMDQ OTC Securities Exchange & UNEP Finance Initiative [UNEP FI], 2018), and the principles adopted since then guide institutions rather than penalise misleading claims. Legal commentary notes that Nigeria has no legislation specifically directed at greenwashing (Templars, 2023). In such a field, the incentive to produce a convincing report may exceed the incentive to change the factory floor. Yet most empirical work treats the report as the unit of analysis and says little about the workplaces it describes.

1.2 Research Question, Objectives and Significance

This article asks: Is there systematic decoupling between ESG disclosure and shop-floor reality in Nigerian manufacturing, and what organisational pressures sustain it? It contributes a decoupling-based analysis of ESG greenwashing that treats the factory, not the annual report, as the primary site of evidence. The argument is that greenwashing in Nigerian manufacturing is not an aberration but a predictable organisational response to an institutional field that rewards disclosure and under-penalises non-compliance.

Four objectives guide the analysis. The first is to establish what the sustainability reports of thirty listed manufacturers commit to and what evidence they offer. The second is to compare those commitments with the accounts of workers who experience the production regime. The third is to examine the position of health, safety and environment managers, who supply the data on which reports rely. The fourth is to identify the mechanisms that hold decoupling in place. The findings matter for investors and financiers who rely on disclosure, for regulators who design assurance requirements, and for workers' organisations seeking a voice in sustainability governance.

The article proceeds as follows. Section 1 reviews the literature and sets out the theoretical proposition. Section 2 describes the methodology. Section 3 presents and discusses the findings. Section 4 concludes

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with contributions, implications, and directions for future research.

1.3 Literature Review

1.3.1 From greenwashing to decoupling

The greenwashing literature has expanded rapidly, but much of it remains descriptive or focused on measurement. Institutional theory offers a more explanatory approach. Meyer and Rowan's (1977) classic formulation defines decoupling as the separation between formal institutional rules and actual day-to-day work practices, allowing organisations to secure legitimacy while minimising internal disruption. Subsequent work has applied this to environmental management, showing that certification and disclosure can function as "rationalized myths" adopted for legitimacy rather than operational transformation (Graafland & Smid, 2019). Greenwashing, on this reading, is a specific form of decoupling: the symbolic adoption of sustainability commitments without their substantive integration.

Two further distinctions sharpen the concept. Oliver (1991) shows that organisations facing institutional pressure can respond in several ways, including concealment and buffering, which allow them to appear compliant while protecting their core activities. Bromley and Powell (2012) distinguish policy–practice decoupling, in which formal policies are not implemented, from means–ends decoupling, in which practices are implemented but do not produce the promised outcomes. This study is concerned mainly with the former: the gap between what firms say they will do and what happens on the shop floor.

1.3.2 Greenwashing in organisational research

Research on the drivers of greenwashing points to a combination of external pressures, organisational characteristics, and individual incentives, and finds that weak monitoring and enforcement make misleading claims easier to sustain (Delmas & Burbano, 2011). Greenwash can take the form of selective disclosure, in which favourable information is publicised and unfavourable information is omitted, as well as symbolic action that is not matched by substantive change (Lyon & Montgomery, 2015). Comparative evidence suggests that the extent of such selective disclosure varies with the scrutiny firms face and the norms of the settings in which they operate (Marquis et al., 2016).

Studies of sustainability reports themselves reach similar conclusions. Cho et al. (2015) describe sustainability reporting as a form of organised hypocrisy in which reports create a favourable organisational façade. Boiral (2013) finds that reports claiming the highest levels of Global Reporting Initiative (GRI) application tend to omit significant negative events, so that they function as simulacra rather than faithful accounts. These studies read the report closely. They are less able to say what happens inside the organisation, which is why a design that places the factory at the centre of the evidence is needed.

1.3.3 ESG in Nigeria's institutional field

Nigeria's ESG field has three features that make decoupling likely (see FMDQ & UNEP FI, 2018). First, disclosure is largely voluntary or weakly enforced; third-party verification is limited. Second, the investor base that rewards ESG adoption is often international and distant, relying on reports rather than direct observation. Third, the domestic regulatory environment imposes few penalties for greenwashing relative to the costs of genuine compliance (Templars, 2023). The result is an organisational field in which the appearance of sustainability yields tangible capital access, while the substance of sustainability remains optional. This is not a story of bad actors alone; it is a story of incentive structures.

The evidence on which investors rely adds a further difficulty. ESG ratings from different providers diverge substantially, in part because they measure different things and weight them differently (Berg et

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al., 2022). Where ratings are the main bridge between a distant investor and a local factory, a firm that scores well on policy documents can attract capital even if its practices lag. Nigerian studies that relate sustainability reporting to financial performance (Aiyesan, 2023; Omotoso et al., 2024) show that the market consequences of reporting are real, but they do not tell us whether the reports describe what actually happens in workplaces.

1.4 Theoretical Proposition

The article proposes that ESG greenwashing in Nigerian manufacturing is a legitimacy-seeking decoupling strategy sustained by three mechanisms: (1) the separation of the reporting function from the production function within firms; (2) the reliance of external audiences on self-reported data; and (3) the absence of shop-floor worker voice in ESG assurance. The empirical task is to document the decoupling and identify the organisational arrangements that hold it in place.

Three expectations follow. First, reports should contain more policy commitments than verifiable performance data. Second, workers' accounts should contradict disclosed commitments in the areas that matter most to them: pay, safety, and environmental exposure. Third, the managers who produce reporting data should describe a structural separation between reporting and production rather than an individual failure of honesty.

2. METHODOLOGY

2.1 Research Design

The study uses a sequential mixed-methods design. Phase 1 establishes disclosure patterns at scale; Phase 2 interrogates practice on the shop floor. The sequence follows the logic of decoupling itself: the first phase documents what firms say, the second documents what workers and managers say happens, and the comparison between them is the object of study (Creswell & Plano Clark, 2018). Table 1 summarises the design.

Table 1 ***Summary of research design***

Phase	Method	Sources
Phase 1	Content analysis coded against the GRI index	Sustainability reports of 30 listed manufacturing firms, 2022–2025
Phase 2	Industrial ethnography and semi-structured interviews	40 factory workers (permanent, contract, and casual) and 10 HSE managers; Lagos and Port Harcourt industrial estates

2.2 Phase 1: Content Analysis

Sustainability reports from thirty listed manufacturing firms (2022–2025) were coded against the Global Reporting Initiative (GRI) index, with attention to labour practices, occupational health and safety (OHS), emissions, and community impacts. Systematic coding of this kind allows a large body of text to be compared on consistent criteria (Krippendorff, 2018). The GRI standards were used because they are among the most widely adopted frameworks for sustainability reporting and set out topic-specific disclosures on employment, occupational health and safety, and emissions, which allowed reports from different firms to be compared on common headings. The coding scheme distinguished between policy commitments (what the firm says it will do), performance claims (what the firm says it has done), and verification signals (third-party assurance, specific metrics, time-bound targets).

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2.3 Phase 2: Industrial Ethnography and Interviews

Fieldwork was conducted in Lagos and Port Harcourt industrial estates, within 3 months July to September 2026. Forty semi-structured interviews with factory workers and ten with health, safety and environment (HSE) managers explored the relationship between disclosed commitments and everyday production realities. Ethnographic attention to the workplace is valuable because it allows accounts to be set against observed routines (Hammersley & Atkinson, 2019). Workers were sampled across permanent, contract, and casual categories to capture variation in exposure. Access was negotiated through factory-gate recruitment and snowball referral (Biernacki & Waldorf, 1981), with anonymity protections given the sensitivity of employment relations.

2.4 Data Analysis

Phase 1 data were analysed descriptively and with a decoupling index comparing the strength of policy commitments to the presence of verifiable performance data. Phase 2 data were thematically coded in NVivo (Braun & Clarke, 2006), with a coding frame built around the three decoupling mechanisms proposed above. Setting the accounts of workers against those of HSE managers, and comparing accounts across permanent, contract, and casual workers, provides a form of triangulation: a pattern that appears in several categories of respondent is less likely to reflect the circumstances of one.

2.5 Ethical Considerations

Employment relations are sensitive, and workers who raise concerns about their employers may risk retaliation. Anonymity protections were therefore applied to all participants.

3. RESULTS AND DISCUSSION

The findings are presented in the order of the research design. The first subsection reports the pattern in the disclosure data. The second sets worker accounts against it. The third examines the position of HSE managers, the fourth the mechanisms that sustain decoupling, and the fifth the implications for sustainable finance. A final subsection integrates the findings.

3.1 Disclosure without Verification

The content analysis reveals a consistent pattern: firms are far more likely to disclose policy commitments than verifiable performance data . Almost all reports contain statements on fair labour, safe workplaces, and environmental responsibility; far fewer provide time bound targets, independent assurance, or disaggregated metrics that would allow external validation. This is the textual signature of policy practice decoupling.

The pattern is consistent with international findings that sustainability reports often present favourable commitments while giving limited verifiable detail on performance (Boiral, 2013; Cho et al., 2015). The distinction between commitment and verification is analytically important. A policy statement costs little to publish and cannot easily be falsified, whereas a time-bound, independently assured metric exposes a firm to being proved wrong. A field that rewards the first and does not demand the second will produce reports of exactly this kind.

3.2 The Shop-Floor Counter-Account

Worker interviews systematically contradict the disclosed commitments. Accounts cluster around three themes: wage arrears and irregular payment despite disclosed commitments to fair compensation; safety shortcuts and underreporting of incidents despite disclosed OHS policies; and unreported emissions or waste handling despite disclosed environmental management systems. The contradiction is not incidental; workers describe a production regime in which sustainability claims are known to be disconnected from

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operational priorities. As one worker put it: "The report is for Abuja and London. The factory is for us."

The remark captures the audience structure that sustains decoupling. The report is written for distant readers, including regulators in the capital and investors abroad, while workers inhabit the production regime the report describes. The finding gives empirical content to what Cho et al. (2015) call organised hypocrisy: the formal organisation speaks one language to its external audiences while the working organisation operates another. Because the accounts concern pay, safety, and emissions, the areas in which the reports make their strongest claims, the contradiction goes to the heart of what the reports promise.

3.3 HSE Managers as Boundary-Spanners

HSE managers occupy an ambivalent position. They are responsible for the data that feed ESG reports, but they operate under production pressure that makes full compliance difficult. Their accounts reveal the organisational mechanism of decoupling: reporting is a specialised function, often outsourced or delegated to a small team, while production decisions are made by line managers with different incentives. The separation is structural, not merely attitudinal.

This is the situation Meyer and Rowan (1977) describe, in which formal structures are maintained for legitimacy while technical activities are buffered from inspection. The HSE managers sit at the boundary between the two. They supply the language of compliance to the reporting function and absorb the pressures of production on the shop floor. Their position suggests that decoupling is not necessarily a deliberate deception by individuals. It can arise from the way functions are arranged and rewarded within the firm.

3.4 What Sustains Decoupling

Three mechanisms emerge. First, audience distance: investors and regulators rely on reports, not factory visits. Second, weak verification: third-party assurance is rare, and where it exists, it is scope-limited. Third, worker silence: shop-floor workers are not consulted in ESG assurance, and those who raise concerns risk retaliation. The decoupling is thus held in place by an accountability architecture that is disclosure-centric rather than verification-centric.

These mechanisms correspond to the conditions that the literature associates with greenwashing: limited monitoring, weak penalties, and low scrutiny (Delmas & Burbano, 2011; Marquis et al., 2016). Worker silence deserves particular emphasis because workers are the only actors who observe daily practice and also have a direct stake in it. Where concerns can be raised only at the risk of retaliation, the most informed witnesses are excluded from assurance, and the information that would close the gap never reaches those who could act on it.

3.5 Implications for Sustainable Finance

If ESG reports are decoupled from practice, then sustainable finance is allocating capital on the basis of organisational performance rather than organisational reality. This is not only a problem of mispricing risk; it is a problem of justice. Workers bear the costs of the gap through suppressed wages, unsafe conditions, and environmental exposure, while firms capture the benefits of green legitimacy. The Nigerian evidence aligns with broader findings that greenwashing undermines financial system integrity by distorting market signals and eroding trust (Anuforo & Ede, 2026).

The implication for investors is that disclosure-based screening, including the use of ratings (Berg et al., 2022), cannot by itself identify firms whose commitments are substantive. The implication for regulators is that rules which stop at disclosure leave the underlying incentive untouched. Both point to the need for assurance that reaches the factory floor.

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The justice dimension deserves emphasis because it is easily lost in debates about data quality. The social pillar of ESG is meant to record how firms treat their workers and communities. When reports claim fair wages and safe conditions that workers say they do not experience, the cost of misreporting is not only borne by investors who misjudge risk. It is borne by the people whose conditions the report purports to describe, and who are also the people with the least opportunity to contest it. A sustainable finance system that cannot register this gap has, in a literal sense, left the social dimension out of its accounting.

3.6 Integrating the Findings

The findings support a framework in which decoupling is produced and sustained by three linked mechanisms. The first is structural separation, in which the reporting function is organisationally distant from production. The second is audience distance combined with weak verification, in which external readers rely on self-reported data that no independent party tests. The third is the exclusion of worker voice, in which the people best placed to detect a gap have no safe channel to report it. Each mechanism is sufficient to allow some decoupling; together they make it stable.

The framework explains why greenwashing is better described as structurally produced than as a collection of individual failures. It also indicates where intervention is likely to be effective. Measures that address only one mechanism, for example more detailed reporting templates, leave the others in place, whereas measures that address all three, namely closer integration of reporting and production, independent verification, and worker-inclusive assurance, change the incentives that make decoupling attractive.

4. CONCLUSION

4.1 Summary of Findings

The article's core claim is that ESG greenwashing in Nigerian manufacturing is a structurally produced decoupling, not a collection of individual failures. Firms separate the reporting function from the production function, disclose commitments without verifiable performance data, and are rarely held to account by distant audiences or weak verifiers. The shop floor is where the gap becomes visible, and workers are the witnesses who are least likely to be heard.

4.2 Contributions and Implications

The contribution is threefold. Empirically, the study is, as far as the available literature shows, one of the first to combine content analysis of sustainability reports with shop-floor ethnography of ESG decoupling in Nigerian manufacturing. Theoretically, it develops a decoupling-based account of ESG greenwashing that moves beyond measurement toward explanation. For policy and practice, it argues that sustainable finance governance must shift from disclosure-centric to verification-centric accountability: mandatory third-party assurance, worker-inclusive audit mechanisms, and penalties for greenwashing that are proportionate to the capital-access advantages it confers. Disclosure alone cannot close a gap that the organisational field is organised to produce. For neo-institutional theory, the findings suggest that decoupling is held in place not only by firms' search for legitimacy but also by the internal division of labour between reporting and production, which allows an organisation to say one thing and do another without any individual needing to lie.

Each of these measures targets one of the mechanisms identified. Mandatory third-party assurance addresses weak verification and audience distance by giving external readers evidence they did not write themselves. Worker-inclusive audits address silence by creating a safe channel through which shop-floor knowledge can enter assurance, with protection against retaliation. Proportionate penalties address the incentive structure by raising the cost of misleading claims relative to the cost of compliance. Financiers can reinforce all three by making access to green capital depend on verified performance rather than on the

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existence of policies.

4.3 Limitations and Directions for Future Research

The content analysis covers thirty listed firms and the fieldwork two industrial centres, and worker accounts of unreported emissions and safety shortcuts were not independently checked against measured or audited data. Future research could triangulate such accounts with independent environmental monitoring and inspection records, extend the design to extractive and agro-processing firms, and test the proposed framework on larger samples.

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