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**Examining the institutional work of sustainability reporting
managers and sustainability assurance providers: An
institutional work perspective**

A thesis

submitted in fulfilment

of the requirements for the degree

of

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Abstract

Sustainability reporting and sustainability assurance are new accounting technologies which have been introduced to assist organisations in transitioning to a sustainable growth model. The overarching research objective guiding this study is to understand how sustainability reporting managers (SRMs) prepare sustainability reports and how sustainability assurance providers (SAPs) undertake sustainability assurance. The study draws on Lawrence and Suddaby's (2006) typology to understand the forms of institutional work SRMs and SAPs undertake as they perform their roles and how these efforts affect the institutionalisation of sustainability reporting and sustainability assurance. Given the interpretive nature of this research the tenants of hermeneutic theory are used to provide the research methodology and research method to guide the investigation. Data comprises of semi-structured interviews with SRMs and SAPs based in Australia and New Zealand. From the overarching research objective, three research questions are addressed.

The first research question explores the supply-side of the sustainability assurance market. The institutional efforts of accounting sustainability assurance (ASAPs) are directed at institutionalising sustainability assurance as similar to or the same as a traditional financial statements audit. In comparison, the institutional efforts of non-accounting sustainability assurance providers (NASAPs) are directed towards institutionalising sustainability assurance as a vehicle designed to drive sustainability within reporting organisations.

The second research question explores the institutional work of SRMs as they attempt to institutionalise sustainability reporting within their organisations. SRMs play the role of sustainability reporting champions and sustainability reporting experts. These efforts occur within the backdrop of the new GRI G4 reporting guidelines. As a result, SRMs are changing the normative foundations underlying sustainability reporting from bigger is better to more focused materiality assessment driven reporting. However, while SRMs have been successful in embedding and

routinising sustainability reporting these efforts have had a lesser immediate impact in promoting balanced sustainability reporting practices.

The third research question focuses on the demand-side of the sustainability assurance market. Given the voluntary nature of sustainability assurance, SAPs institutional efforts are aimed at achieving the dual objectives of enhancing the credibility of sustainability reports and promoting the sustainability assurance as a value added service. However, due to the voluntary nature of sustainability assurance, the efforts of SAPs have had a relatively greater impact in promoting reliable sustainability reporting and less success in promoting balanced sustainability reporting. Finally, the efforts of SAPs in promoting sustainability assurance as a value added activity has also met with difficulties as this study finds that the engagement suffers from diminishing returns.

The contributions from this study are both practical and academic. At a practical level, the findings will prove beneficial to inexperienced SRMs. The study recommends that given the voluntary nature of the engagement, there is a need for greater regulation designed to strengthen the position of SAPs. At an academic level, the findings build on the limited body of interpretive research examining the phenomena of sustainability reporting and sustainability assurance. Finally, the findings contribute to the literature on institutional work, building on Lawrence and Suddaby's (2006) typology of forms of institutional work.

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“So which of the favours of your Lord will you deny” (Quran, 55:46)

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Contents

Abstract.....	i
Acknowledgements.....	iii
List of tables.....	ix
List of figures.....	x
List of abbreviations.....	xi
Chapter 1.....	1
Research overview.....	1
1.1 Introduction.....	1
1.2 Research context and gaps in the literature.....	1
1.2.1 Sustainability reporting.....	3
1.2.2 Sustainability assurance.....	6
1.3 Theoretical framework.....	10
1.4 Research objective and research questions.....	11
1.5 Research methodology and method.....	13
1.6 Research contributions.....	13
1.7 Structure of thesis.....	15
1.8 Summary.....	16
Chapter 2.....	18
Literature review: Sustainability reporting.....	18
2.1 Introduction.....	18
2.2 Defining sustainability.....	18
2.3 Defining sustainability reporting.....	20
2.4 Sustainability reporting: balanced or biased?.....	23
2.4.1 The need to consider materiality of issues.....	25
2.4.2 Materiality assessment in sustainability reporting.....	27
2.5 How do organisations prepare a sustainability report?.....	31
2.5.1 Degree of participation in sustainability reporting.....	31
2.5.2 The roles and responsibilities of SRMs.....	32
2.5.3 Senior management and board support.....	34
2.5.4 Training and education.....	36
2.5.5 Materiality assessment.....	37
2.5.6 Stakeholder engagement.....	39
2.5.7 Sustainability KPIs.....	43

2.6	Summary	47
Chapter 3.....		48
Literature review: Sustainability Assurance		48
3.1	Introduction.....	48
3.2	Defining sustainability assurance	48
3.3	Demand side of sustainability assurance	50
3.4	Supply side of sustainability assurance	54
3.4.1	Sustainability assurance standards.....	54
3.4.2	ASAPs versus NASAPs	58
3.5	Summary	75
Chapter 4.....		76
Institutional theory		76
4.1	Introduction.....	76
4.2	The institutional work perspective.....	76
4.2.1	Institutions and work	80
4.2.2	Justification for using an institutional work lens.....	82
4.3	Typology of forms of institutional work.....	83
4.1.1	Creating institutions.....	85
4.1.2	Maintaining institutions	96
4.1.3	Disrupting institutions.....	100
4.1.4	Relationship between forms of institutional work	104
4.4	Research objective and research questions	105
4.5	Summary	106
Chapter 5.....		108
Research methodology and method		108
5.1	Introduction.....	108
5.2	Research methodology	108
5.2.1	Ontology and human nature	109
5.2.2	Epistemology and methodology.....	110
5.2.3	Interpretive research.....	111
5.3	Hermeneutics.....	114
5.3.1	Branches of hermeneutic theory	114
5.3.2	The hermeneutic circle	118
5.3.3	Ricoeur's critical hermeneutics	127

5.4	Research method	134
5.4.1	Identifying interview participants	134
5.4.2	Recruiting interview participants	136
5.4.3	Semi-structured interviews.....	141
5.4.4	Data analysis: thematic analysis.....	154
5.5	Trustworthiness	160
5.6	Ethical issues	164
5.7	Summary	165
	Chapter 6.....	166
RQ1	Understanding how the accountants and non-accountants compete in the market for sustainability assurance services.....	166
6.1	Introduction.....	166
6.2	ASAPs approach to sustainability assurance	167
6.2.1	Why ASAPs prefer ISAE3000	167
6.2.2	Institutional work undertaken by ASAPs.....	170
6.3	NASAPs approach to sustainability assurance	183
6.3.1	Why NASAPs prefer AA1000AS.....	183
6.3.2	Institutional work undertaken by NASAPs.....	186
6.4	Summary	199
	Chapter 7.....	203
RQ2	Examining the institutional work of sustainability reporting managers.	203
7.1	Introduction.....	203
7.2	Institutional work undertaken by SRMs	204
7.2.1	Educating and guiding internal stakeholders	204
7.2.2	Championing sustainability reporting	209
7.2.3	GRI G4 and materiality driven sustainability reporting	211
7.3	Mechanisms used by SRMs	214
7.3.1	Engaging with internal stakeholders.....	214
7.3.2	Decentralised approach to sustainability reporting	217
7.3.3	The use of sustainability KPIs	222
7.3.4	Establishing supervisory groups & committees	223
7.3.5	Frequent internal sustainability reporting.....	226
7.3.6	Establishing materiality assessment processes	228
7.4	Summary	246

Chapter 8.....	251
RQ3 Examining the institutional work of sustainability assurance providers	251
8.1 Introduction.....	251
8.2 The institutional work of SAPs.....	251
8.2.1 Educating and guiding SRMs	254
8.2.2 Encouraging best practice in sustainability reporting	259
8.2.3 Raising the profile of sustainability reporting	264
8.2.4 Using the sustainability report as a management tool.....	266
8.3 Mechanism used to affect institutional work	267
8.3.1 The management report.....	267
8.4 Promoting reliable and balanced sustainability reporting.....	284
8.4.1 Seeking evidence to support claims.....	284
8.4.2 Three levels of balance	286
8.4.3 Management’s resistance to balanced sustainability reporting.....	291
8.5 Summary	295
Chapter 9.....	299
Research summary, recommendations and conclusion	299
9.1 Introduction.....	299
9.2 Summary research findings.....	299
9.2.1 Research question one.....	300
9.2.2 Research question two	309
9.2.3 Research question three	317
9.3 Contributions and implications from research.....	324
9.3.1 Implications for sustainability reporting managers.....	324
9.3.2 Implications for assurance providers, regulators and standard setters	325
9.3.3 Implications for sustainability accounting researchers	327
9.3.4 Implications for institutional researchers.....	329
9.4 Limitations	332
9.5 Future research	333
9.6 Conclusion.....	334
Bibliography	336
Appendices.....	373
Appendix 1: Interview guide for sustainability reporting managers	373

Appendix 2: Interview guide for sustainability assurance providers.....	376
Appendix 3: Atlas ti coding of transcripts.....	378
Appendix 4: Atlas ti code manager.....	379
Appendix 5: Ethics approval	380
Appendix 6: Participant information sheet.....	381
Appendix 7: Consent form	383

List of tables

Table 1.1 Structure and layout of thesis	15
Table 2.1 Summary of key issues identified in the literature on how sustainability reports are prepared	46
Table 3.1 Summary of findings from studies analysing sustainability assurance statements	69
Table 3.2 Summary of differences between ASAPs and NASAPs	74
Table 4.1 Lawrence and Suddaby (2006) typology of forms of institutional work	84
Table 4.2 Summary of examples of forms of institutional work from the extant literature	103
Table 5.1 Summary of objectivist versus subjectivist approaches to social science research	109
Table 5.2 Summary of SRM interviews	150
Table 5.3 Summary of SAP interviews	151
Table 5.4 Stages in thematic analysis	157
Table 5.5 Evaluating qualitative research	162
Table 6.1 Comparison of institutional efforts of ASAPs and NASAPs ...	198
Table 7.1 Mechanisms used by SRMs to affect their institutional work ..	245

List of figures

Figure 4.1 Life-cycle of institutional work	104
Figure 5.1 Hermeneutic circle as applied in this study	120
Figure 5.2 The hermeneutic circle: Pre-understandings, authors intent and context of a text, dialogic interaction and fusion of horizons	126
Figure 5.3 Hermeneutic circle modified to include Ricoeur's concepts	132
Figure 8.1 Institutional objectives, work and mechanisms	254
Figure 8.2 Changes in scope of sustainability assurance engagements.....	277
Figure 8.3 Impact of institutional work on sustainability report reliability.....	293
Figure 8.4 Impact of institutional work on sustainability report balance	294

List of abbreviations

SRM	Sustainability reporting manager
SAP	Sustainability assurance provider
ASAP	Accounting sustainability assurance provider
NASAP	Non-accounting sustainability assurance provider
GRI	Global Reporting Initiative
AA1000AS	AccountAbility 1000 Assurance Standard
AA1000APS	AccountAbility 1000 Principles Standard
ISAE3000	International Standard on Assurance Engagement 3000
ISA320	International Standard on Auditing 320
MNC	Multinational company
CEO	Chief operating officer
MD	Managing director
KPI	Key performance indicator
IAASB	International Audit and Assurance Standards Board
IFAC	International Federation of Accountants

Chapter 1

Research overview

1.1 Introduction

This chapter provides an introduction and overview to the thesis. The chapter is divided into eight sections. Following the introduction, section 1.2 provides the context to this research. The need for sustainable development and the role accounting technologies, such as sustainability reporting and sustainability assurance, can play in promoting sustainability at an organisational level are discussed. The section identifies gaps within the existing literature and which this study attempts to fill. Section 1.3 introduces the concept of institutional work which provides the theoretical framework used to analyse the research findings. Following this, section 1.4 sets out the overarching research objective guiding this study and the three research questions which this study addresses. Section 1.5 provides an outline of the research methodology and research method used to collect and analyse the data. Section 1.6 discusses the practical and theoretical contributions this study makes to the existing body of knowledge. Section 1.7 provides an outline of the structure of the thesis including the purpose of each chapter. Finally, section 1.8 closes the chapter with a brief summary.

1.2 Research context and gaps in the literature

The world faces a range of complex inter-related social, environmental and economic challenges including global warming, climate change, labour rights, poverty, water shortage, destruction of rainforests and loss of biodiversity (Flannery, 2005; Grossman, Erikson, & Patel, 2013; Stern, 2007). The London-based think tank SustainAbility (2015), warns that it is uncertain whether the global society, on its current path, has the ability to endure or

sustain itself. It is estimated that by 2050 the world population will reach 9 billion and the resource demands placed on the earth are unsustainable. As a result, the vast majority of the world's population will not be able to obtain a basic quality of life.

These challenges have drawn criticisms of the existing traditional capitalist paradigm prompting calls for an alternative approach based on sustainable development (Bebbington, 2001; Gray, 1992, 2010; Jones, 2010). The concept of sustainable development or sustainability is not new and reference to the term has been made in the agriculture, fishing and forestry industries as far back as the 18th century (Gray, 1992; Kula, 1994; Lamberton, 1998). However, it was in 1987 that the concept rose to global prominence when the Brundtland Commission of the United Nations World Conference on Environment and Development appealed to the global community for the need to achieve sustainable development (Gray, 1992, 2010; Tregida, Milne, & Kearins, 2014). The Brundtland Commission defined sustainable development as “development that meets the needs of the present without comprising the ability of future generations to meeting their own needs” (Brundtland, 1987, p.8).

Subsequently, sustainable development was formally recognised as a global challenge at the 1992 United Nations Earth Summit held in Rio de Janeiro, Brazil. The event was hailed as a historic landmark in which 172 countries participated and agreed on a broad-based plan towards sustainable development referred to as “Agenda 21” (Bebbington & Gray, 2001; Larrinaga-Gonzalez & Bebbington, 2001). Proceeding Rio, other Earth Summits (such as that held in Johannesburg in 2002) have sought to monitor the world's progress made towards this plan.

The role of accounting technologies in supporting sustainable development must be recognised (Bebbington, 2001; Frame & Cavanagh, 2009; Gray, 1992; Mathews, 1997). Accounting technologies can be used to monitor and control organisational activities and to communicate organisational

performance to stakeholders (Bebbington, 2001). However, traditional accounting practices are incapable of capturing the broader impacts of organisational operations and an alternative more holistic approach to measuring and reporting on organisations economic, social and environmental performance must be devised (Deegan, 2013; Gray, 1992; Hopwood, Unerman, & Fries, 2010; Jones, 2010; Unerman & Chapman, 2014).

As a result, a range of alternative accounting, assurance and accountability practices have been developed to account for, report on and ultimately provide assurance to stakeholders on organisations ability to manage these challenges and run their operations in a more sustainable manner (Bebbington & Larrinaga, 2014; Bebbington, Unerman, & O'Dwyer, 2014; Gray, Owen, & Adams, 1996; Jones, 2010; Unerman & Chapman, 2014). Examples include full cost accounting, natural capital inventory accounting, input-output analysis (Gray & Bebbington, 2001) and sustainability accounting. The term “sustainability accounting” is often used to describe the use of accounting to support sustainable development (Lamberton, 2005). The focus of this study is the phenomena of sustainability reporting and sustainability assurance.

1.2.1 Sustainability reporting

One form of sustainability accounting that has become increasingly common amongst organisations is the voluntary disclosure of information on the economic, social and environmental impacts of their operations (Bebbington, 2001; Gray, 1992, 2006; KPMG, 2013). Although this type of reporting is not a new phenomenon it is only in the last 20 years that this practice has gained considerable traction amongst organisations across the world (Bebbington, Larrinaga, & Moneva, 2008; Spence, 2007).

Numerous studies have documented the global rise in sustainability reporting (Junior, Best, & Cotter, 2014; KPMG, 2013, 2011). Junior et al. (2014) reviewed the sustainability reports of 484 Fortune 500 companies in 2010.

They observed that 85% of the sample issued a sustainability report. The KPMG (2013) survey shows that 93% of the world's largest 250 companies published a standalone report containing information on the social and environmental consequence of their operations. The study also found that 71% of the top 100 companies¹ from 41 different countries in their study included social and environmental information in their annual reports. The highest increase in sustainability reporters was observed in the Asia-Pacific region and the Americas (primarily South America) which have overtaken Europe as the leading sustainability reporting region. The study indicates that approximately 76% of companies in the Americas, 73% in Europe and 71% in the Asia-Pacific region engage in sustainability reporting.

These increasing trends towards sustainability reporting have meant that the field has attracted considerable academic attention (Deegan, 2002; Gray, 2002; Lamberton, 2005; Owen, 2008; Owen, Swift, & Hunt, 2001; Parker, 2010). Researchers have sought to explore issues such as “who” the reporters are and “why” they report, “what” is reported and “how” organisations prepare sustainability reports². Within these three broad categories considerable academic focus has been directed at the “who” and the “why” of sustainability reporting and a range of micro and macro level drivers have been identified (see Adams, 2002 and Bebbington, Higgins, & Frame, 2009). Similarly, a number of studies have examined the content of sustainability reports in order to evaluate if sustainability reports provide a balanced (i.e. good news/performance versus bad news/performance) and fair account of the reporter's sustainability performance (Unerman & Zappettini, 2014). Studies in this area have involved primarily a content analysis of words (i.e. counting words/sentences allocated to good and bad news) and comparing this with some proxy for sustainability performance e.g. media coverage (Adams, 2004; Adams, Coutts, & Harte, 1995; Adams &

¹ KPMG uses the term “company” to refer to the top 100 organisations operating in 41 countries. KPMG states that these companies include listed and non-listed entities and those of differing ownership structure such as privately owned and government owned organisations.

² See Deegan (2002) for a more comprehensive list of research questions.

Kausirikun, 2000; Boiral, 2013; Bouten, Everaert, Van Liedekerke, & De Moor, 2011; Deegan & Rankin, 1996; Neu, Warsame, & Pedwell, 1998).

These studies have drawn primarily negative conclusions arguing that sustainability reports provide little if any information on reporter's negative sustainability performance (Brown & Deegan, 1998; Deegan & Rankin, 1996). Critics conclude that sustainability reports are mostly self-laudatory and are used as public relations tools to create, maintain or repair the organisations legitimacy (Adams, 2004; Adams, Hill, & Roberts, 1998; Bewley & Li, 2000; Boiral, 2013; Cormier & Gordon, 2001; Deegan & Gordan, 1996; Deegan, Rankin, & Tobin 2002; Guthrie & Parker, 1990; Milne & Patten, 2002; Moermon & Van Der Laan, 2005; O'Donovan, 2002; Patten, 1992; Patten 2002a, 2002b; Wilmshurst & Frost, 2000). As a result, these reports cannot be relied on by stakeholders in evaluating the sustainability performance of the reporting entity. Thus instead of promoting accountability and transparency (Gray, 2006; Gray, 2010; Gray, et al., 1996) these documents mislead stakeholders (Deegan & Rankin, 1996), act as a corporate veil (Hopwood, 2009) and are basically detrimental to social welfare (Deegan, 2002).

While these studies provide useful insights, there is a need to consider the materiality of issues when evaluating the balance of published sustainability reports (Unerman & Zappettini, 2014). An issue is material if it is relevant to organisations and its stakeholders (AccountAbility, 2008b). Only if an organisation consistently fails to provide adequate coverage over material issues can the sustainability report be described as a legitimacy tool. In order to make this assessment it is necessary to understand "how" organisational managers prepare a sustainability report including "how" they undertake a materiality assessment (Unerman & Zappettini, 2014).

However, in comparison to research examining the "who", the "why" and the "what" of sustainability reporting, less academic effort has focused on understanding "how" sustainability reports are prepared (Adams, 2002;

Adams & Larrinaga, 2007; Adams & Harte, 1998; Buhr, 1998; Campbell, 2000; Gray, 2002, Owen, 2008). Addressing, “how” requires in-depth interviews with organisational managers responsible for preparing sustainability reports (Adams & Whelan, 2009). In-depth interviews allow researchers to secure the perspectives and experiences of sustainability reporting managers (SRMs) responsible for preparing sustainability reports. This would facilitate in developing an understanding of the complexities of the sustainability reporting process and the challenges that SRMs face when preparing a sustainability report (Higgins, Milne, & van Gramberg, 2014). As Adams (2002) states:

“... there are significant internal contextual variables which are likely to impact on the extensiveness, quality, quantity, completeness of reporting. [These] internal contextual variables ... include aspects of the reporting process and attitudes to reporting, its impacts, legislation and audit” (Adams, 2002, p.244).

“If improvements in the effectiveness, quality, quantity, and comprehensiveness of reporting are to be achieved, then perhaps, academic researchers should be engaging more with companies that do it in order to gain a better understanding of their internal processes and attitudes to communicating this type of information and how they influence reporting” (Adams, 2002, p. 246).

Thus this study seeks to build on the limited existing research exploring how sustainability reports are prepared. The aim is to secure the perspectives of SRMs engaged in the sustainability reporting process and understand the efforts they undertake when preparing a sustainability report.

1.2.2 Sustainability assurance

The increasing trend in sustainability reporting has been followed by a gradual increase in organisations seeking voluntarily third-party assurance

over their sustainability reports³. The objective of sustainability assurance⁴ is to provide confidence to stakeholders in the credibility of sustainability reports (Deegan, Cooper, & Shelly, 2006a, 2006b; Jones, Hillier, & Comfort, 2014). However, in comparison sustainability reporting, sustainability assurance is a relatively new practice and the field is still evolving (Gillet, 2012; Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005). The lack of regulation has resulted in a diverse landscape in which the scope and objectives of engagements are set by the market forces of demand and supply.

From a demand-side, studies have shown that sustainability assurance positively impacts stakeholder's perceived credibility of sustainability reports (Carey, Simnett, & Tanewski, 2000; Hodge, Subramaniam, & Stewart, 2009). However, sustainability assurance provides a number of additional benefits including improvements to systems and processes underlying the sustainability report, improvements in the quality of sustainability reports, better risk management processes and improvements in sustainability performance (Gillet, 2012; O'Dwyer, Owen, & Unerman, 2011; Park & Brorson, 2005). This leads some scholars to argue that sustainability assurance drives its primary value not as a credibility enhancing mechanism but rather as a value-added activity that provides a number of internal benefits to management (Wong & Millington, 2014).

From a supply-side, the market for sustainability assurance is fragmented with a number of different sustainability assurance providers (herein SAPs) competing for a share of the market (Wallage, 2000). These providers can be broadly divided into two main categories of accounting SAPs (ASAPs) and non-accounting SAPs or NASAPs (Deegan et al., 2006a). ASAPs comprise primarily the Big Four accounting firms which have entered into the market in search of additional sources of income (Wallage, 2000). Over time the market

³ The rate of uptake in sustainability assurance has remained low with both scholars and practitioners encouraging greater adoption amongst reporters (KPMG, 2013; Marx & van Dyk, 2011).

⁴ While a number of terms such as "audit", "verification", "validation" have also been used the term "assurance" is preferred in line with the terminology used by IAASB, AccountAbility and academics such as Deegan et al. (2006a).

share of ASAPs has continued to grow placing them in a dominating position in most countries (Mock, Rao, & Srivastava, 2013). In comparison, NASAPs comprise a range of different providers including certification firms, specialist consultancies and others (Perego & Kolk, 2012).

ASAPs typically adopt the International Standard on Assurance Engagements 3000 (or ISAE3000 for short), when undertaking sustainability assurance (Perego & Kolk, 2012). As Park and Brorson (2005) note, ASAPs adopt a similar approach as that used in the traditional financial statements audit (herein referred to as financial audit and financial auditors). NASAPs however, commonly adopt AA1000AS, a standard developed by AccountAbility specifically for sustainability assurance engagements (Manetti & Becatti, 2009) and appear more willing to innovate and experiment new approaches to sustainability assurance (O'Dwyer, 2011).

Additionally, ASAPs prefer to limit the scope of the sustainability assurance engagement to verifying the reliability of the data and information contained within the sustainability report (Deegan et al., 2006a; O'Dwyer & Owen, 2007). These narrow scope engagements do not involve the SAP providing assurance over the level of balance (i.e. disclosure over material good news versus disclosure over material bad news) within sustainability reports. In comparison, NASAPs are willing to undertake more broad scoped engagements involving assurance over information reliability as well as an evaluation of the balance of sustainability reports (Deegan et al., 2006a; O'Dwyer & Owen, 2007). However, many are sceptical of the ability of sustainability assurance to enhance credibility of sustainability reports (Ball, Owen, & Gray, 2000; Deegan et al., 2006a, 2006b; Gray, 2000; Manetti & Becatti, 2009; O'Dwyer & Owen, 2005, 2007).

There is however, a need for greater research examining new forms of audit and assurance such as sustainability assurance (Hay, 2015). The limited academic efforts in this field have followed a similar pattern to that of sustainability reporting focusing primarily on analysing sustainability

assurance statements in an attempt to understand the complexities of the underlying sustainability assurance process (Ball et al., 2000; Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Moroney, Windsor, & Aw, 2012; Perego & Kolk, 2012). There is thus a need for more research using in-depth interviews with SAPs in order to gain their views and perspectives on the complexities the sustainability assurance process (Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005). However, studies using in-depth interviews in the field of sustainability assurance are limited and there is a need for more academic effort in this direction (O'Dwyer, 2011; O'Dwyer et al., 2011). Fewer studies still have sought to examine the dynamic interaction between SRMs and SAPs and how this impacts the reliability and balance of published sustainability reports.

Thus this study attempts to bridge this gap in the literature by undertaking in-depth interviews with SRMs and SAPs (ASAPs and NASAPs) in order to understand the sustainability reporting process and the sustainability assurance process. The knowledge gained through in-depth interviews can be used to assist in improving the sustainability reporting process and the sustainability assurance process (Adams & Zutshi, 2004). These improvements will yield greater accountability of organisations leading to improvements in sustainability performance (Adams, 2002).

1.3 Theoretical framework

Given the nature of the research objective as well as the evolutionary nature of sustainability reporting and sustainability assurance, an institutional work perspective (Contrafatto, 2014; Lawrence & Suddaby, 2006; Lawrence, Suddaby, & Leca, 2011; Lounsbury, 2008; Suddaby, 2010) was selected to understand the efforts SRMs and SAPs undertake, the challenges they face and the mechanisms they use to affect their efforts

The concept of institutional work is defined as the “the broad category of purposive work action aimed at creating, maintaining and disrupting institutions” (Lawrence & Suddaby 2006, p.216). Institutions represent acceptable and expected ways of doing things (Venter & De Villiers, 2013), taken-for-granted assumptions (Burns & Scapens, 2000) and rationalised myths (Greenwood & Suddaby, 2006) which influence the behaviour of social actors. The institutional work perspective argues that while institutions can influence the behaviour of social actors and thus promote stasis, social actors in an attempt to further their own interests can also influence (i.e. create, maintain, and disrupt) existing institutions (Lawrence & Suddaby, 2006; Scott, 2001). However, the institutional work perspective recognises that the outcome of these efforts are unknown and the work done to create, maintain or disrupt institutions will interact with existing institutional structures in “unintended and unexpected ways” (Lawrence & Suddaby, 2006, p. 219).

More specifically the study uses Lawrence and Suddaby’s (2006) typology of forms of institutional work. This typology categorises institutional work into three categories of creating institutions, maintaining institutions, and disrupting institutions. Given the evolutionary nature of sustainability reporting and sustainability assurance the use of an institutional work perspective allows researchers to examine organisational practices as they develop and take form or shape. The concept of institutional work (Lawrence & Suddaby, 2006) is based on the premise that intelligent and knowledgeable social actors pursuing their interests can affect institutional change by efforts

directed at creating, maintaining, and disrupting institutions. Using Lawrence and Suddaby's (2006) typology this study attempts to analyse the institutional work undertaken by SRMs and SAPs (including ASAPs and NASAPs) and how these efforts contribute towards the institutionalisation of sustainability reporting and sustainability assurance.

1.4 Research objective and research questions

The overarching research objective, guiding this study, is to understand how sustainability reports are prepared and assured. This involves understanding how SRMs prepare sustainability reports and how SAPs undertake sustainability assurance. The study explores the efforts of SRMs and SAPs, the challenges they face and the mechanisms they use to affect their efforts. Given the nature of the research objective, as well as the evolutionary nature of sustainability reporting and sustainability assurance, an institutional work lens is used to analyse the findings. The concept of institutional work argues that knowledgeable and skilled social actors (i.e. SRMs and SAPs) can create, maintain and disrupt institutional practices such as sustainability reporting and sustainability assurance. The study draws on Lawrence and Suddaby's (2006) typology of forms of institutional work to understand the forms of institutional work SRMs and SAPs undertake as they perform their roles and how these efforts affect the institutionalisation of sustainability reporting and sustainability assurance. From the overarching research objective, three research questions are developed:

RQ 1: "What forms of institutional work do accounting and non-accounting sustainability assurance practitioners undertake as they compete against each other in the sustainability assurance market and how do these forms of institutional work influence the institutionalisation of sustainability assurance?"

This research question focuses primarily on the supply-side of the sustainability assurance market. The aim is to understand the forms of institutional work ASAPs and NASAPs undertake, why these practitioners adopt different forms of institutional work, and how these different forms of institutional work affect the institutionalisation of sustainability assurance (i.e. the scope and objectives of sustainability assurance engagements).

RQ 2: “What forms of institutional work do sustainability reporting managers undertake in their efforts to institutionalise sustainability reporting?”

This research question focuses on the phenomenon of sustainability reporting. The aim is to understand the forms of institutional work SRMs undertake, the specific mechanisms they use to affect this institutional work and the challenges they face which impact their ability to carry out this institutional work effectively.

RQ 3: “What forms of institutional work do sustainability assurance providers undertake during the sustainability assurance engagement and what is the perceived impact of these efforts in promoting credible sustainability reporting and institutionalising sustainability assurance as a value added activity?”

This research question focuses primarily on the demand-side of the sustainability assurance market. The aim is to understand the forms of institutional work undertaken by SAPs during the assurance engagement, the mechanisms SAPs use to affect this institutional work, and the perceived impact of these efforts in promoting credible (i.e. reliable and balanced) sustainability reporting as well as institutionalising sustainability assurance as a value added activity.

1.5 Research methodology and method

Driven by the research aims the study adopts an interpretive research methodology to guide the investigation (Denzin & Lincoln, 2013). Specifically, the study uses hermeneutic theory, combining the works of Gadamer and Ricoeur, to assist in interpreting and understanding the research data and ultimately understanding the phenomena of sustainability reporting and sustainability assurance. Hermeneutic theory encourages researchers to immerse themselves within the world of the text in an effort to bring themselves closer to the text meaning and an understanding of the phenomena it describes.

Accordingly, the study relies on semi-structured interviews conducted with SRMs and SAPs based in Australia and New Zealand in order to secure rich and in-depth data for analysis (Gubrium & Holstein, 2003). Interview participants were intentionally selected based on their knowledge and experience of sustainability reporting and sustainability assurance (Silverman, 2013). Thus SRMs were identified based on their experience with preparing and publishing an assured sustainability report. In this way the sampling method can best be described as purposeful sampling (Patton, 1990). A larger sample size comprising of a diverse range of organisations (public sector and private sector, large and small, listed and non-listed) was used. This allowed the researcher to examine and compare organisations at different stages of maturity in their sustainability reporting and sustainability assurance. Subsequently, these interviews were transcribed and analysed using hermeneutic theory. The analysis was guided by an institutional work lens (Lawrence & Suddaby, 2006) to reveal the institutional efforts of SRMs and SAPs.

1.6 Research contributions

Sustainability reporting and sustainability assurance can potentially support organisations in their transition to more sustainable growth paths. However,

our understanding of these phenomena is limited with few studies seeking to engage with practitioners to understand what goes on within organisations. The knowledge gained can prove useful to both practitioners and academia. The findings will assist inexperienced SRMs gain a better understanding of sustainability reporting and sustainability assurance. The findings will also prove useful to regulators and standard setters in fine tuning standards and guidelines.

The academic contributions include the use of a unique theoretical framework of institutional work (Lawrence & Suddaby, 2006) with which to analyse the phenomena of sustainability reporting and sustainability assurance. Furthermore, the findings shed light on how sustainability reports are prepared including how materiality assessment is undertaken (including stakeholder engagement) are performed by reporters. Finally, the role of SAPs, the work they do, and the impact this work has in promoting reliable and balanced sustainability reporting will prove useful.

1.7 Structure of thesis

Table 1.1 provides a summary outline of this thesis.

Table 1.1 Structure and layout of thesis

CHAPTER NUMBER	CHAPTER NAME	PURPOSE OF CHAPTER
Chapter 1	Introduction	Provides an overview to the thesis.
Chapter 2	Literature review: Sustainability reporting	Provides a review of the literature on sustainability reporting.
Chapter 3	Literature review: Sustainability reporting	Provides a review of the literature on sustainability assurance.
Chapter 4	Theoretical framework	Discusses the theoretical lens used to analyse the research findings.
Chapter 5	Research methodology and method	Discusses the research methodology guiding the study and the research method used to collect and analyse the study data.
Chapter 6	RQ1 Understanding how accounting and non-accounting assurance practitioners compete in the market for sustainability assurance work	Addresses the first research question and focuses primarily on the supply-side of the sustainability assurance market. The chapter examines and compares the institutional efforts of ASAPs and NASAPs as they compete in the sustainability assurance market and how this institutional work shapes the sustainability assurance engagement i.e. the scope and objectives of sustainability assurance engagements.
Chapter 7	RQ2 Examining the institutional work of sustainability reporting managers	Addresses the second research question. The chapter examines the institutional efforts of SRMs and the mechanisms used to affect this institutional work. The chapter highlights the different approaches used by SRMs to undertake a materiality assessment (including stakeholder engagement) and how this impacts the balance/relevance of sustainability reports. Finally, the chapter reveals the challenges SRMs face when performing their role.
Chapter 8	RQ3 Sustainability assurance: Examining the institutional work of sustainability assurance practitioners	Addresses the third research question focusing primarily on the demand-side of the sustainability assurance market. The chapter examines the institutional work of SAPs, in enhancing the credibility (reliability and balance) of sustainability reports and promoting sustainability assurance as a value added engagement. The chapter examines the mechanisms used by SRMs to affect this institutional work and the challenges these practitioners face in doing so.
Chapter 9	Research summary, recommendations and conclusion	Provides a summary of the findings of the study from this study and how these findings contribute to theory and practice. Additionally, the limitations of the study and recommendations for future research are provided.

1.8 Summary

This chapter provides an introduction to this thesis. The need to promote sustainable development within organisations and the role new accounting technologies, such as sustainability reporting and sustainability assurance, can play in achieving this outcome provides the impetus for this research. Academic efforts in the field of sustainability reporting and sustainability assurance has been directed primarily at understanding why organisations voluntarily engage in sustainability reporting and sustainability assurance. These studies have relied on content analysis of published sustainability reports and sustainability assurance statements to understand these new accounting technologies. These studies draw generally negative conclusions, arguing that sustainability reports are biased and provide an unbalanced portrayal of the reporting entity. Similarly, researchers express a pessimistic outlook towards sustainability assurance arguing that SAPs are incapable of promoting credible sustainability reporting. However, analysing published sustainability reports and sustainability assurance statements offers little insights into the complex processes that take place behind these published documents. Such insights require direct in-depth engagement with SRMs and SAPs. However, relatively less academic effort has been exerted in this direction. Thus there is a need to understand how SRMs prepare a sustainability report and how SAPs undertake sustainability assurance engagements. These insights would assist in understanding the efforts SRMs and SAPs undertake, the challenges they face and how they overcome these challenges when they perform their roles. This study contributes to this limited literature by undertaking in-depth interviews with SRMs and SAPs based in Australia and New Zealand. Using an interpretive research paradigm and hermeneutic theory of interpretation this study seeks to explore the perspectives and experiences of SRMs and SAPs operating in the field. Given that sustainability reporting and sustainability assurance are new accounting technologies the use of an institutional work perspective (Lawrence & Suddaby, 2006) is appropriate. This lens allows researchers to

understand how the efforts of knowledgeable and skilled social actors (i.e. SRMs and SAPs) create, maintain and disrupt institutional practices. The findings of this study will prove beneficial to theory and practice.

The following two chapters explore the literature on sustainability reporting and sustainability assurance respectively.

Chapter 2

Literature review: Sustainability reporting

2.1 Introduction

This chapter is the first of two that review the literature relevant to this study. The focus of this chapter is the field of sustainability reporting. The chapter is structured into six sections. Following the introduction, sections 2.2 and 2.3 define and describe the concepts of sustainability and sustainability reporting respectively. Section 2.4 then reviews the literature examining the content of sustainability reports and whether sustainability reports provide a balanced or biased portrayal of the reporting entity. The section also reviews the guidance provided by sustainability standards on the concept of materiality as it applies to sustainability reporting. Section 2.5 then turns to studies which shed light on how organisations prepare a sustainability report including how organisations engage with stakeholder and select issues for inclusion within their sustainability report. Finally, section 2.6 closes the chapter with a brief summary on the key themes motivating this study and the gaps in the literature which this research attempts to address.

2.2 Defining sustainability

The Brundtland Commission defined sustainable development as “development that meets the needs of the present without comprising the ability of future generations to meeting their own needs” (Brundtland, 1987, p.8). Commenting on this definition, the International Institute for Sustainable Development explains how Brundtland (1987) highlights two key concepts (IISD, 2013). The first concept is that of “needs” and how the needs of society may be met. This requires considering the needs of the poorer members of society and also considering the needs of future generations. The second concept is that of “limitations” and how the finite resources of the world place

a limit on how much society today can consume without compromising the ability of future generation to meet their needs.

However, there is considerable debate amongst academics, organisational managers and consultants on what sustainability is or what the concept refers to (Bebbington, Brown, & Frame 2007; Farneti & Guthrie, 2009; Van Marrewijk, 2003). According to one estimate some 300 alternative definitions for the concept have been developed since the Brundtland definition (Johnston, Everard, Santillo, & Robert, 2007). These competing definitions interpret the concept of sustainable development in uniquely different ways (Giddings, Hopwood, & O'Brien, 2002; Hopwood, Mellor, & O'Brien, 2005). The concept has also been criticised as vague, confusing and even as an oxymoron (Jabareen, 2008). The Brundtland (1987) definition, which has contributed to this confusion, has also received criticism for being too broad and vague (Williams, Wilmshurst, & Clift, 2011).

Within this discussion the role of organisations⁵ in achieving sustainable development must be recognised (Bebbington, 2001; Gray, 1992, 2010). Supported by globalisation and de-regulation modern organisations, especially large multinational corporations (or MNCs), are powerful entities that have a significant impact on the economies, societies, and natural environments in which they operate (Adams & Zutshi, 2004; Akisik & Gal, 2011; Bebbington et al., 2007; Gray, 2010; Hertz, 2001; Unerman, 2003). Thus organisations have a key role to play in promoting sustainable development and they have a duty to act (Jones, 2010).

However, in order to promote sustainability at an organisational level, it becomes necessary to take what is to many a theoretical planetary concept, and apply it at an organisational level (Gray, 2010; Williams et al., 2011). At an organisational level, sustainability refers to an organisation's operation's

⁵ The use of the term organisation has been preferred as it has the ability to cover a range of entities of varying legal status (incorporated and non-incorporated entities), goals (profit making and not-for-profit) and ownership structures (private and public sector) (Gray, 1992).

being “environmentally sustainable” and “socially sustainable” (Gladwin, 1993; Hawkin, 1993). The first concept is referred to as “eco-efficiency” i.e. ensuring that organisations do not negatively impact global environmental stability (Bebbington, 2001, p.137). The second relates “eco-justice” i.e. achieving an equitable distribution of the gains of development within and between generations i.e. “inter” and “intra-generational” equity (Bebbington, 2001, p.137).

In conclusion, while there is disagreement over how best to define sustainable development there is a general consensus that the concept is concerned with a broad range of complex inter-related social, environmental and economic issues (Bebbington, 2001; Bebbington et al., 2007; Bebbington & Larrinaga, 2014; Gray, 1992, 2010; Strange & Bayley, 2008). The aim of sustainable development, as espoused by the Brundtland Commission, is to promote economic growth, environmental stability and social equity (Williams et al., 2011). At an organisational level the concept can be defined as “those activities undertaken at the local organisational level that seek to maintain, integrate and improve environmental protection, social equity and economic/financial growth within the community”⁶ (Williams et al., 2011). Thus, for the purpose of this research it is this conceptualisation of sustainability that will be used.

2.3 Defining sustainability reporting

There is no international consensus on what a sustainability report is or what it should contain (Farneti & Guthrie, 2009; UNEP, 2015). This form of voluntary⁷ organisational disclosure has been given a number of different names including “Environmental”, “GRI”, “Citizenship”, “Triple Bottom Line”,

⁶ Adapted from the definition of sustainable development by Williams et al. (2011).

⁷ While sustainability reporting has traditionally been a voluntary activity, governments are now beginning to introduce mandatory sustainability reporting requirements (KPMG, 2013). Countries such as Denmark, France, South Africa, Nigeria and Taiwan have witnessed significant increases in sustainability reporting levels due to government regulation now mandating the practice.

“Accountability”, “Corporate Responsibility”, “Corporate Social Responsibility”, “Sustainability” and “Sustainable Development” reports or reporting (Kolk, 2010; Mahoney, Thorne, Cecil, & LaGore, 2013; Owen et al., 2001; Roca & Searcy, 2012). However, the previously popular label of “Social” and “Environmental” reporting is now being gradually replaced by the more favoured, but what many argue to be still ambiguous, term of “Sustainability” reporting (Adams & Larrinaga, 2007; Farneti & Guthrie, 2009; Gray, 2010). There are also considerable variations in the length, content, rigour in preparation, and to whom these reports are addressed (Owen et al., 2001).

Daub (2007) argues that sustainability reporting represents the coming together of what were historically separate social reports (which gained popularity in the 1970s) and environmental reports (which came to the fore in the 1980s). Ball (2002), offers a broad definition of sustainability reporting, stating that it is a form of accounting that is designed to assist stakeholders in understanding “the extent to which communities are moving towards, or away from, sustainability” (Ball, 2002, p. 61).

The Global Reporting Initiative (GRI) is an international body based in the Netherlands that develops sustainability reporting standards or guidelines for reporters (Global Reporting Initiative, 2015). The GRI describes sustainability reports as documents that provide information on the economic, environmental and social impacts of organisations day to day operations. The reporting entity must also disclose the organisations values, how it is governed and address the question of how the organisations strategy will contribute towards sustainable global economy must be addressed. The description provided by the GRI has received support from academics (and international organisations) who also describe sustainability reporting as the voluntary disclosure of information on the social, economic and environmental impacts arising from an organisations operation (Adams & Frost, 2008; Bass & Dalal-Clayton, 2012; Mahoney et al., 2013; United Nations Environment Programme, 2015).

There are however others who disagree, arguing that organisational practices referred to as sustainability reporting can best be described as “triple bottom line” (Elkington, 1997) reporting, which while important, relates to disclosures on issues pertaining to the organisations immediate stakeholders and the local environment, whereas sustainability is a more complex global/planetary concept (Gray, 2010; Milne & Gray, 2013). Consequently, sustainability and sustainability reporting have become popular terms and organisations are referring to these concepts with little consideration for their true meaning or how the organisation intends to adopt them (Deegan, 2013; Gray, 2010). Instead sustainability reports may simply reinforce the status quo resulting in more damage than good to efforts for promoting global sustainability (Milne & Gray, 2013).

Despite these differences, this form of voluntary reporting, shares a common aim of addressing the information needs of a broad range of stakeholders and is a way of holding organisations accountable to society (Gray et al., 1996; Jones, 2010; Junior et al., 2014; Mathews, 1997; Solomon & Lewis, 2002). This conceptualisation of sustainability reporting is compatible with the normative branch of stakeholder theory which states that an organisation “should” consider the interests and concerns of a broader range of stakeholders as opposed to merely financial stakeholders (Freeman, 1984). This approach to running a business contrasts with the traditional approach to running businesses which focuses on shareholder wealth maximisation (Berle & Means, 1932; Friedman, 1962).

Thus for the purpose of this study the term sustainability reporting is used in line with the definition provided by the GRI to include disclosure over economic, social and environmental performance (Junior et al., 2014). There are three reasons for this. First, the GRI guidelines are widely referred to with an estimated 78% of sustainability reporters making reference to these guidelines in their sustainability reports (KPMG, 2013). This rate is higher for the Global 250 companies, of which 82% make reference to the GRI

guidelines in their sustainability reports ⁸ (KPMG, 2013). Second, this definition is consistent with the definition for sustainable development presented in section 2.2. Third, "... many organisations have moved away from the separate terms of social and environmental accounting and reporting, in favour of the all-embracing, vague terms of "sustainability" accounting and reporting. Indeed whilst many academics prefer to use separate labels, often including environmental within social, these are now perhaps somewhat meaningless, or at least less meaningful, to organisational participants and practitioners ... [thus] the term sustainability accounting and reporting [is used] to refer to all the issues which might be included in an organisation's sustainability report⁹" (Adams & Larrinaga, 2007, p. 350).

2.4 Sustainability reporting: balanced or biased?

The aim of sustainability reporting is to address the information needs of a broad range of stakeholders (Gray et al., 1996; Jones, 2010; Junior et al., 2014; Mathews, 1997; Solomon & Lewis, 2002). However, critics argue that organisations fail to disclose information on material issues and thus published sustainability reports do not provide stakeholders with a balanced account of the organisations sustainability performance (Gray et al., 1996). Testing these concerns academics have evaluated the content of sustainability reports in an effort to assess if these documents contain a fair and balanced portrayal of the reporting organisations sustainability performance (Unerman & Zappettini, 2014). The method adopted primarily involves counting words (often classified into positive and negative social and environmental performance) in the sustainability report and comparing these

⁸ More than 80% of Australian companies make references to the GRI guidelines in their sustainability reports (KPMG, 2013).

⁹ For the purpose of this thesis the term sustainability report will be used to refer to both stand-alone sustainability reports and sustainability data and information published alongside other information in an organisation's annual report. Furthermore, this study does not discriminate amongst organisations that may choose to publish a hard copy only of their sustainability or others that may choose to upload only a soft copy only of their sustainability report on to their organisations website.

with some proxy for sustainability performance. Proxies used include media coverage as a representation of issues important to society/stakeholders (Adams, 2004; Adams & Kausirikun, 2000; Boiral, 2013; Neu et al., 1998), government released figures on pollution (Patten, 2002a), list of organisations prosecuted for regulatory breaches (Deegan & Rankin, 1996), legislative requirements on social reporting (Adams et al., 1995) and sustainability reporting guidelines and standards (Bouten et al., 2011).

For example, Deegan & Rankin (1996) examined 20 Australian companies that were successfully prosecuted by regulators for breaches of environmental legislation. They found that only two out of the 20 companies made reference to the environmental breach. Furthermore, the disclosure of good news was higher in organisations that faced prosecution as opposed to those that did not. They argue that these organisations were misleading users by omitting material information on negative environmental performance.

Boiral, (2013) examined and compared the content (words and images) of 23 sustainability reports, published by organisations operating in the energy and mining sector, against incidents that received national and international media coverage. The disclosure practices were compared against the requirements of the Global Reporting Initiative (GRI) sustainability reporting guidelines. The study found that 90% of the 116 significant sustainability issues identified in local and international media received no coverage in the sustainability report. Boiral (2013) concludes that sustainability reports lack balance, completeness and transparency. Instead sustainability reports present an image of an organisation that is decoupled from its underlying realities.

Bouten et al. (2011), examined the sustainability reporting practices of 108 Belgian listed companies. Comparing the content of sustainability reports against the GRI guidelines, they conclude that Belgian companies were not providing disclosure over all GRI indicators and therefore these reports were neither comprehensive nor complete. Furthermore, the study states that the selected organisations were engaged in the selective reporting of good news.

These studies conclude that sustainability reports are mostly self-laudatory in nature disclosing only positive impacts while providing little or no information on the negative impacts of organisational activities (Brown & Deegan, 1998; Deegan & Rankin, 1996). Adams, (2004) speculates that these reports are prepared without consulting/engaging with stakeholders on issues stakeholders perceive as material require and which require disclosure. Instead sustainability reports are tools used to gain, maintain or repair the legitimacy¹⁰ of the organisation (Adams, 2004; Bewley & Li, 2000; Boiral, 2013; Cormier & Gordon, 2001; Deegan & Gordan, 1996; Deegan et al., 2002; Guthrie & Parker, 1990; Milne & Patten, 2002; Moermon & Van Der Laan, 2005; O'Donovan, 2002; Wilmshurst & Frost, 2000; Patten, 1992; Patten 2002a, 2002b) and are used to support the organisations risk and reputation management processes (Bebbington et al., 2008). These documents are biased, lacking in balance. Instead these documents fail to promote accountability and transparency (Gray, 2006; Gray, 2010; Gray et al., 1996)mislead stakeholders (Deegan & Rankin, 1996), act as a corporate veil (Hopwood, 2009) and are basically detrimental to social welfare (Deegan, 2002).

2.4.1 The need to consider materiality of issues

While these studies offer useful insights they suffer from certain limitations. The research approach of counting words and comparing this against some proxy for sustainability performance fails to consider the materiality, as perceived by stakeholders, of issues facing the organisation (Unerman & Zappettini, 2014). For example, the Deegan and Rankin (1996) study does not discuss the severity of the breach nor does it consider how material the issue is within the entire context of issues facing the organisation (Unerman & Zappettini, 2014). For example, the study does not differentiate the materiality of environmental issues for a chemical manufacturer in comparison to a

¹⁰ The use of legitimacy theory (Donaldson, 1982; Dowling & Pfeffer, 1975; Lindblom, 1994; Schocker & Sethi, 1973; Suchmann, 1995) is one of the most commonly cited explanations for why organisations when faced with media and stakeholder pressures (discussed below) undertake sustainability reporting (Owen, 2008).

retailer or a food processing company. They argue that organisations “generally” should disclose “all” information of an “environmental” nature.

The limitations of using proxies such as media coverage to evaluate the materiality of an issue and the overall balance of sustainability reports have also been noted. For example, Patten (2002), in the limitations to his study notes that not every issue which receives media coverage will raise societal concerns. Similarly, other issues may receive only limited media coverage but may generate significant public interest forcing organisations to provide greater disclosure. Additionally, media coverage does not necessarily mean that every issue that receives high media coverage/hype is a material issue for a particular organisation and/or if an issue receives little or no media coverage then that issue is a non-material issue (Unerman & Zappettini, 2014).

Finally, Bouten et al. (2011), state that the aim of their research was not to evaluate quality of sustainability reports but rather to assess the completeness and comprehensiveness of disclosure by measuring how many GRI indicators are reported on. The limitation of this approach is that it requires all Belgian companies to report on issues such as human rights, child labour and bonded labour which may not be material to a particular organisation. While these issues may be relevant for a Belgian MNC sourcing products from a developing country, these issues are less relevant to a Belgian company specialising in the manufacture of high tech equipment or the provision of medical services say. Instead, Bouten et al. (2011) encourage future research to add to their list of potential issues for organisations to disclose on within sustainability reports.

Thus researchers appear to be equating increased disclosure i.e. provided coverage over more or every issue (whether material or immaterial) as a measure of quality in sustainability reporting (Unerman & Zappettini, (2014). The approach should be to assess if an organisation provides adequate coverage over material issues. The differences in materiality of issues to

organisations was briefly touched on by Holder-Webb, et al. (2009) when examining sustainability reporting practices in the US. They find that health and safety (as a generic category) represented an important discussion topic for a number of companies. However, while pharmaceutical companies provided disclosure over the health and safety of their employees working in factors and their customers from using/consuming their products, US software developers were more focused on customer's health and safety arising from hacking, virus attacks and identify theft. Thus only when a software developer fails to provide adequate disclosure over material issues (i.e. hacking, virus attacks and theft) can the published sustainability report be labelled as biased or lacking in balance.

Finally, sustainability reporting as a phenomenon has become more widespread (Higgins et al., 2014). The practice has become well established in high-impact¹¹ industries and is now spreading to organisations based in low-impact industries. While the legitimacy argument may be valid for organisations operating in high-impact industries it does not serve as a valid explanation for those organisations operating in low-impact ones. Consequently, there is a need for a fresh perspective involving more in-depth research examining the phenomenon.

The following section will discuss the concept of materiality as it applies in the world of sustainability reporting.

2.4.2 Materiality assessment in sustainability reporting

The International Standard on Auditing (ISA) 320, states that in the context of a financial statements audit “[m]isstatements including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements” (ISA 320, 2009, p. 314). Materiality, as a concept, has both a qualitative and quantitative dimension and auditors

¹¹ This refers to organisations which have a high impact on society and the environment e.g. oil and gas.

must exercise their professional judgement to assess what is material. This will require considering both the size and nature of the misstatement or both. Financial auditors undertake a “materiality assessment” when planning and performing their audit. Furthermore, when forming an opinion on the financial statements, financial auditors will state whether or not those financial statements are free from material misstatements (ISA 320, 2009). Thus materiality forms a key concept in financial audits.

Given the increasing global trends in sustainability reporting, sustainability standards have a clear role to play in promoting high quality sustainability reporting (Beets & Souther, 1999). There is a need for standards that encourage stakeholder engagement and ensure that organisations report on material issues (Swift, 2001).

2.4.2.1 AccountAbility

AccountAbility, a global consultancy, provides organisations with guidance on sustainable development through the development and publication of sustainability standards (AccountAbility, 2015). AccountAbility identifies inclusivity, materiality and responsiveness as foundation principles that organisations should adhere to in order to understand, improve and manage their sustainability performance (AccountAbility, 2008b). An organisations performance on these principles is then disclosed in the sustainability report.

AccountAbility (2008b) recommends that reporting organisations undertake a materiality assessment. They define this as the process of “determining the relevance and significance of an issue to an organisation and its stakeholders. An issue is deemed material if it will influence the decisions, actions and performance of an organisation or its stakeholders” (AccountAbility, 2008b, p. 12). For example, the need for disclosure around responsible gambling by organisations based in the gambling industry is self-evident as the issue is relevant and material. However, the absence of such disclosure indicates the lack of balance in sustainability reports published by organisations based in such industries (Leung & Gray, 2012). The principle of inclusivity encourages

organisations to engage with stakeholders and allows them participate in the organisations strategic decision making. The principle of responsiveness encourages organisations to adopt a proactive approach of responding to stakeholders concerns and interests (AccountAbility, 2008b).

2.4.2.2 The Global Reporting Initiative

A similar position is adopted by the GRI, an international body based in the Netherlands, specialising in the development of sustainability reporting guidelines (GRI, 2015). The GRI in their latest guidelines, the G4, are placing increasing emphasis on materiality as a key stage in the sustainability reporting (GRI, 2013). The aim is to avoid a “tick the box” approach to sustainability reporting for which they have received criticisms (Moneva, Archel, & Correa, 2006) which fails to provide adequate coverage of material issues. The GRI claims that the materiality assessment will make reports more relevant, credible and user-friendly (GRI, 2013a).

GRI G4 identifies stakeholder inclusiveness, sustainability context, materiality, and completeness as 4 key principles necessary for promoting balance and transparency (GRI, 2013a). The GRI definition of the principle of inclusiveness appears to merge AccountAbility’s principles of inclusivity and responsiveness. The definition for materiality is similar and an issue is material if it represents a significant social, environmental and/or economic impact and if will influence the decisions of stakeholders. The principle of completeness requires a reporter to provide coverage over all material issues in the sustainability report while the principle of sustainability context requires organisations to present their “performance in the wider context of sustainability” (p.17).

Thus both the GRI and AccountAbility emphasise stakeholder engagement as key pre-requisite to ensuring that sustainability reports address material issues (Belal, 2002; Kaur & Lodhia, 2014; Owen et al., 2001; Unerman, 2007). Based on the results of the materiality assessment (including stakeholder

engagement) organisations can identify relevant GRI indicators that should be addressed in the sustainability report.

The quality of a sustainability report is evaluated based on balance i.e. disclosure over both positive and negative performance, comparability i.e. consistency in reporting and presentation facilitating comparison, accuracy i.e. sufficiently accurate and detailed, timeliness, clarity i.e. information is understandable and accessible, reliability i.e. prepared using robust processes that facilitate the identification of material issues and can be subject to examination (GRI, 2013a, p. 17-18).

However, both AccountAbility and the GRI argue that materiality in sustainability is distinguished from the accounting concept of materiality which represents a relatively narrow perspective which focuses primarily on short term impacts identified from backward looking financial results (AccountAbility, 2006; GRI, 2013b). Critics have argued that the GRI guidelines have simply borrowed terms and concepts such as materiality, reliability, completeness etc. from the financial reporting world which restricts what can and should be disclosed in sustainability reports (Deegan, 2013).

AccountAbility encourages a broader application of the results of the materiality assessment (AccountAbility, 2013). The materiality assessment process should support the development of the organisational strategy, assist in improving understanding of the link between sustainability and the organisations performance, assist in developing dialogue, cooperation and collaboration with stakeholders (i.e. stakeholder engagement) and finally assist in the sustainability reporting process. Thus sustainability standards recommend organisations undertake a rigorous formal materiality assessment drawing on multiple sources of internal and external data to develop a comprehensive list of material issues (AccountAbility, 2006; GRI, 2013b).

Furthermore, organisations are encouraged to subject their materiality assessment process to regular internal and external review (AccountAbility,

2013). Internally it should be reviewed by senior management and approved by the board and externally it should form part of the scope of sustainability assurance engagements (AccountAbility, 2013 Adams, 2002; Adams, 2004; Adams & McNicholas, 2007; Beets & Souther, 1999).

Despite the importance of materiality assessment and stakeholder engagement, studies show that organisations do not perform well here (Belal, 2002; KPMG, 2013). KPMG (2013) note that the Global 250 sustainability reports average a score of just 59 out of 100 suggesting room for significant improvement. They find that European companies scored the highest with a 71, while companies based in the Americas and Asia Pacific scored the lowest with 54 and 50 respectively. They identify the need to improve disclosure over the materiality assessment process and stakeholder engagement. Furthermore, reporters fail to link material issues to targets for performance management. Consequently, only 24% of the Global 250 published a balanced and transparent report that discusses the organisations negative impacts as well as positive performance.

2.5 How do organisations prepare a sustainability report?

This section reviews the literature examining how organisational managers prepare a sustainability report (including how a materiality assessment is undertaken) and the key issues involved.

2.5.1 Degree of participation in sustainability reporting

Studies have identified considerable variation in organisations approach to sustainability reporting (Adams, 2002; Williams, 2015). For example, Adams (2002) interviewed SRMs working in 7 European companies (i.e. 3 based in the UK and 4 based in Germany) operating in the chemicals and/or pharmaceutical industries. The study finds that while some organisations rely on an informal ad hoc reporting process others adopt a more structured and formalised one. These variations were attributed to the organisations size, culture and country of origin. Thus the German companies in the sample

appeared to adopt a more participative approach with more people involved in the production of the sustainability report than the UK companies. Furthermore, the reporting process in German companies was comparatively more structured and formalised.

Importantly, while a participative approach to sustainability reporting may be preferred, achieving such an approach is not easy. For example, Bellringer, Ball, and Craig, (2011) interviewed SRMs working in 5 city councils based in New Zealand. These SRMs faced difficulties in getting employees to take time out of their busy schedules to participate in the sustainability reporting process have been documented. Consequently, in some organisations the sustainability report is prepared by one manager with little input from other members of the organisation.

2.5.2 The roles and responsibilities of SRMs

The roles and responsibilities for managing the sustainability reporting process varies considerably (Adams, 2002; Adams & Frost, 2006; Adams & McNicholas, 2007; Farneti & Guthrie, 2009). Studies have found that establishing new managerial positions, teams (and in some cases sustainability departments), not only serves a functional purpose but also sends a strong signal of management's commitment towards sustainability and sustainability reporting (Adams & McNicholas, 2007; Ball, 2007; Ball & Craig, 2010). Filling these positions using individuals with an NGO/green background, unrelated to the organisations core business, also serves to generate interest amongst existing employees who perceive these moves as evidence of management's commitment towards sustainability (Ball, 2007).

Adams (2002), reports that in some organisations the responsibility of preparing the sustainability report was jointly undertaken by the environmental and communications departments¹². In other cases, the process was primarily managed by the environmental function. Yet in other

¹² For the purpose of this study the term SRM refers to both individual managers and teams of managers that are jointly working on the sustainability report.

instances the report drafting was the responsibility of the public affairs function. German companies appeared to have greater involvement of the communications function than UK companies.

Adams and Frost, (2006) find that for the Australian organisations in their study the primary responsibility for the sustainability report was that of the corporate communications department whereas in the UK it is the sustainability department that is responsible for preparing the sustainability report. However, Farneti and Guthrie (2009) who conducted semi-structured interviews with 11 SRMs based in 7 local councils in Australia note a slightly different picture. They find that there was no clear preference for a certain function to manage the process. In some cases, it was the environmental department whilst in other cases the responsibility fell on the planning function.

The preparation of a sustainability report is a significant task that takes up the bulk of the SRMs time and concentration (Ball, 2007). SRMs stress the challenges of collecting data and information to satisfy the requirements of the GRI (Bellringer et al., 2011). One participant pointed out how his/her councils comprised of 32 groups, employed 2,500 people and was spread across geographically dispersed sites. In organisations of such size the need for a full-time manager/team dedicated to the sustainability reporting process is self-evident. Thus the under-resourcing of the sustainability reporting function will impact the quality of the disclosure.

Consequently, as organisations grow in size and/or the profile and scope of the sustainability report increases, a full-time SRM or sustainability reporting team responsible for managing the process and developing the organisations sustainability strategies becomes necessary (Adams & Frost, 2008; Adams & McNicholas, 2007). In larger organisations, SRMs based in the head office will be supported by divisional managers/representatives, who allocate 10% to 15% of their overall time to the task of sustainability reporting (Adams & Frost, 2008).

Studies have also noted differences in the composition of teams and who these teams report to within organisations. For example, in the Adams and McNicholas (2007) study the team comprised of managers from marketing, applied sciences and business. Whereas in the study by Adams and Frost (2008), the team comprised of managers from environment, quality and sustainability functions. This suggests that sustainability reporting teams had a stronger marketing/business orientation in the former and a relatively stronger sustainability orientation in the latter. This may have consequences for the final sustainability report.

Interestingly studies have found little if any role being played by traditional accountants in the sustainability reporting process (Ball, 2007; Farneti & Guthrie, 2009). Ball (2005) notes that while most accountants were in principle in favour of environmental accounting, this did not translate into the accountants divesting themselves from their traditional roles.

2.5.3 Senior management and board support

The cost of preparing a sustainability report can be significant (Adams, 2002). Additionally, preparing a sustainability report requires time and effort from a number of different managers that have to provide data and information against tight deadlines (Ball, 2007; Belal & Cooper, 2011). The lack of resources is one of the reasons for organisations providing limited disclosure in sustainability reports (Belal & Cooper, 2011). Without the support of powerful internal stakeholders such as the chief executive officer (CEO) or managing director (MD) SRMs will face considerable difficulty in performing their role effectively (Bellringer et al., 2011). Indeed, it will be this powerful officer that drives/champions the sustainability reporting agenda in many organisations (Belal & Owen, 2007; Campbell, 2000). However, research shows that while some CEOs are supportive of sustainability reporting others are less so (Accenture/United Nations Global Compact, 2013). Examining the social reporting practices of Marks & Spencer PLC from 1969 to 1997 Campbell (2000) found that changes in the board chair had an impact on the

company's sustainability reporting practices. Thus powerful officers such as the board chair (chair) or chief executive officer have (CEO) play an important role in an organisations decision to undertake sustainability reporting¹³.

Additionally, in some organisations the SRM will be held directly answerable to the CEO or MD. This serves to strengthen the position of the SRM and the sustainability reporting process within the organisation (Adams & Frost, 2008; Adams & McNicholas, 2007). For example, Ball (2007) found that a new department responsible for the council's environmental policy matters was established by the organisation. The department was headed by a manager from the organisations traditional core service line. This gave top level support to the newly established department which monitored the organisations progress against the environmental strategy and reported back to senior management in an annual environmental report (Ball, 2007).

The need for a key internal stakeholder to champion sustainability reporting will be necessary in countering resistance towards the sustainability reporting process from managers that perceive little purpose or value in the exercise (Bellringer et al., 2011). As Bellringer et al. (2011) note, managers based in the finance function did not perceive much value in undertaking sustainability reporting. These functions were not willing to provide resources to the exercise which was perceived as costing more than the benefits it provided. Thus instead of championing the sustainability report these managers were acting as impediments to the exercise and were termed "wet blankets". In other instances, management have appointed an external consultant to champion the introduction of sustainability accounting within the organisation (O'Dwyer, 2005). These observations contrast with the findings of Farneti and

¹³ Some studies find that the introduction of good governance mechanisms such as independent non-executive directors and sustainability reporting committees positively influences an organisations sustainability reporting practices (Adams, 2002; Campbell, 2000; Kent & Monem, 2008; Solomon & Lewis, 2002). Other studies however find mixed results. For example, Roa and Tilt (2016) find that while board diversity (gender, tenure, and multiple directorships) positively influenced sustainability reporting the presence of independent non-executive directors had no clear impact in positively influencing sustainability reporting behaviour.

Guthrie (2009) and Greco, Sciulli, and D'Onza, (2015) who find that sustainability reporting was pioneered and championed by key individuals within the organisations.

2.5.4 Training and education

Training and education of both the SRMs and other managers has been identified as a key challenge for organisations undertaking sustainability reporting (Adams & McNicholas, 2007; Ball, 2007; Belal & Cooper, 2011; Williams, 2015). For example, Adams and McNicholas, (2007) note that none of the managers on the sustainability reporting team had any experience with preparing a sustainability report (which the researchers acting as consultants assisted them with). Managers had to study the requirements of sustainability reporting standards such as the GRI and learn new concepts (Bellringer et al., 2011). Similar results have been noted by Farneti and Guthrie, (2009), who found that SRMs faced difficulties in implementing the GRI guidelines and as a result many only partially implemented the guidelines during their first reporting year. Greco et al. (2015) interviewed 17 SRMs based in 11 Italian local councils. They found that most SRMs did not use the GRI guidelines as they had little knowledge of these guidelines. Instead SRMs made reference to guidelines issues by the Italian government.

Referring to Lewin's (1947) 3-step model of organisational change, Adams and McNicholas, (2007) argue that the introduction of sustainability reporting prompted organisational change in the form of a psychological process of unlearning existing (unfreezing) and relearning new ways of doing things i.e. changing (Schein, 2002). SRM have a key role in educating internal stakeholders on sustainability and sustainability reporting (Ball, 2007). Consequently, SRMs must first develop ecological literacy in order to perform their role effectively.

However, training and educating internal managers on sustainability and sustainability reporting is far from a simple exercise. The study by Bellringer et al. (2011) notes two challenges in this area. First, SRMs complain of

difficulty in getting employees to take time out of their busy schedules to learn about sustainability, sustainability reporting and the requirements of sustainability standards. This also limits the degree of participation in the process and also limits the impact the process has on the wider organisation.

Second, SRMs cite a lack of clarity over what a sustainability report is and what the purpose of undertaking sustainability reporting was. Confusion and a lack of consensus over this was a challenge that SRMs appeared to have difficulty in addressing. As Farneti and Guthrie, (2009) note, the concept of sustainability itself held different meanings for SRMs. However, SRMs generally linked the concept of sustainability to a broad range of social, environmental, ethical and political issues as opposed to merely being green. These observations contradict those of Williams (2005) who find SRMs adopting a predominantly economic perspective of sustainability with the environmental perspective of sustainability slowly growing in importance (Williams, 2015).

This leads some researchers to conclude that it is possibly ignorance and mis-education (i.e. managers thinking that business as usual can solve the problem) as opposed to malice that may be a potential explanation of why some organisations fail to integrate sustainability and why they fail to prepare balanced sustainability reports (Thomson & Bebbington, 2005). Thus educating SRMs and organisational managers may help to address the issue of a lack of balance or biased sustainability reporting.

2.5.5 Materiality assessment

While studies have not commented on how a materiality assessment is undertaken (Unerman & Zappettini, 2014), they have discussed the issues surrounding the selection of individual topics (especially material bad news) for discussion within sustainability reports (Adams, 2002; Adams & McNicholas, 2007; Bellringer et al., 2011; Buhr 1998; O'Dwyer, 2002; Solomon & Lewis, 2002). For example, the study by Adams, (2002) raises two important points in this regard. First, the study finds that SRMs perceived

reporting on bad news as necessary in order to enhance the credibility of the report and the image of the organisation. However, disclosure around bad news was kept minimal (to a few sentences) as there was a fear of what would happen once this information was disclosed. She concludes that a complex range of internal factors (including the organisations culture and the attitude of senior management) impacts the quantity and quality of sustainability reports. The role of senior management has also been highlighted by Solomon and Lewis (2002). They find that secrecy and management's reluctance to disclosing sensitive internal information were disincentives for undertaking sustainability reporting.

Second, Adams (2002) finds that the degree of involvement of the communications/PR department also varies with potential consequences for the structure and content of sustainability reports. The study finds that when the environmental department is managing the sustainability reporting process the final report focuses more on facts and figures. However, when the process is within the control of the communications function then final report leans more towards a PR document with greater emphasis on using images (a journalistic style).

Similarly, Adams and McNicholas (2007), note that sustainability reporting team members debated and disagreed over what to include in the sustainability report. This disagreement was partially attributed to the different disciplinary backgrounds of the managers. There was an overall consensus to provide limited disclosure on the grounds that there was lack of space within the annual report and the fact that all issues were already reported to the government in a separate confidential report. However, there was a concern that the report might then resemble a public relations document. Decisions over the final structure and content of the sustainability report took 5 months to finalise (Adams & McNicholas, 2007). The delay was due to the team's apprehension of the consequences of sustainability reporting and in the end the report was structured following patterns of similar organisations

operating in the same sector. The lack of experience meant that the sustainability reporting team was unsuccessful in launching a full sustainability report in their first year. Similarly, disagreements amongst internal stakeholders over the scope and purpose of the sustainability report i.e. an internal planning document or something else, also has implications for the final structure and content of the document (Bellringer et al., 2011).

Buhr (1998) examined the social and environmental disclosure in the annual report of a Canadian mining company over a 28-year period from 1964 to 1991. The study narrates the interplay of three factors including the Canadian government's introduction of environmental laws on sulphur dioxide abatement, the company's efforts to reduce sulphur dioxide emissions and the company's disclosure of its social and environmental impacts in its annual report. Buhr (1998) notes that engineers, who represented the core operations of the company, responded to environmental laws by investing in new technology to improve efficiency and reduce sulphur emissions. In terms of disclosure however, the company policy was to provide minimal disclosure. Managers perceived that disclosure on the pros and cons of operations was of little value. Buhr (1998) concludes that legitimacy (Suchman, 1995) offers a better explanation than political economy theory.

In comparison, organisational managers in an Irish context perceived sustainability reporting as counterproductive as Irish norms viewed self-laudatory reporting in a negative light (O'Dwyer, 2002). Therefore, if organisations do engage in sustainability reporting its ability to create legitimacy is limited. The approach adopted by organisational managers towards negative social and environmental performance was to disclose less or remain silent while the issue lost public/media hype, instead of addressing it directly which would only serve to generate more suspicion and doubt.

2.5.6 Stakeholder engagement

Stakeholder engagement represents a key component of the materiality assessment (section 2.4.2). The aim of stakeholder engagement is to identify

material issues. Based on the results of the materiality assessment an organisations will identify GRI indicators that are relevant to its reporting needs (O'Connor & Spangenberg, 2008; Owen et al., 2001). However, research indicates that there is considerable room for improvement in how organisations undertake stakeholder engagement (Adams, 2002; Adams & Frost, 2006; Belal & Owen, 2007; O'Connor & Spangenberg, 2008; Owen et al., 2001).

Adams (2002) found considerable variation in the extent of stakeholder engagement amongst German and UK companies. In comparison to UK companies, German companies appeared to place greater emphasis on stakeholder engagement as a key stage in the sustainability reporting process. Companies sought feedback from a number of different stakeholder groups. However, German companies placed greater emphasis on local communities in matters of health and safety while UK companies placed greater emphasis on shareholders and employees. Additionally, reporters adopted a number of different mechanisms including the use of feedback forms (within the sustainability report), surveys, letters, phone and email have been used in order to engage with stakeholders (Adams, 2002). Studies have also noted the use of focus groups comprising of internal stakeholders (Adams & Frost, 2008) and the use of internet based boards and discussion forums on the organisations website (Adams & Frost, 2006).

Adams (2002), also notes that the results of surveys showed that overall stakeholders were satisfied with published sustainability reports (i.e. stakeholders saw little room for improvement). More concerning was the fact that stakeholders spent little time reading these reports. Some organisations had also established focus groups comprising of internal stakeholders, however the roles of these focus groups was often not clearly defined (Adams & Frost, 2008). Similar results have been noted by Greco et al. (2015) who find that the few organisations which have sought to secure stakeholder feedback appeared frustrated with the poor response rate. SRMs believed

that the general public was not interested in reading their sustainability reports. Furthermore, SRMs argued that most people did not have the knowledge or expertise to provide constructive feedback on the sustainability report while stakeholder groups such as charities and NGOs were able to secure information that they require through other sources.

The Australian local councils in the Williams (2015) study relied on both formal and informal channels of stakeholder engagement. Councils based in rural locations preferred to use informal verbal communication and ad hoc informal communication which was considered far more effective than formal communication using a sustainability report. The SRMs in the study remarked that their local councils exhibited very little concern, if any, with stakeholder engagement. If the exercise was undertaken, it was done primarily on an ad hoc informal basis to seek stakeholder views on sustainability. One council experimented with a more formal approach using sustainability steering committee. However, these committees were found to be ineffective and disbanded. In their place a simpler approach of using stakeholder feedback forms was adopted instead.

However, stakeholder engagement for sustainability reporting is far from a simple exercise. For large organisations operating in geographically dispersed location this will mean engaging with a broad range of stakeholders with different and often conflicting interests (O'Connor & Spangenberg, 2008). Reporters should ensure that their sustainability report contains a selection of indicators representing the characteristics of local sites balanced with the reporting needs of head office. Dey (2007), notes that the selection of stakeholders was driven primarily by the organisations policies. Stakeholders not identified in the policy document were not included resulting in the exclusion of a number of important stakeholder groups. Similarly, collecting and analysing data on stakeholder dealings from a disparate information system can be challenging. These technical difficulties again made it difficult to account and subsequently report for these stakeholders. Other stakeholder

groups had a commercial or economic relationship with the company and therefore it was easier to collect data about these relationships.

While stakeholder engagement is encouraged, some scholars are more critical of organisations efforts in this area. For example, Owen et al. (2001) conducted semi-structured interviews with seven SRMs, four ASAPs, two consultants and two NGO representatives within a European context. They state that while there was overall support for stakeholder engagement, the greatest support came from consultants and NGOs. SRMs while exhibiting overall support for stakeholder engagement comment that there was a need to manage stakeholder's expectations, balance between accountability to stakeholders and the need to manage stakeholders, that it would be difficult to achieve the level of transparency stakeholder engagement envisaged, that reporting was possible without stakeholder engagement and that it was something that would be difficult to achieve in the current economic environment.

Given these responses Owen et al. (2001) expressed doubt that organisations were fully committed to the concept of stakeholder engagement which appeared more orientated towards stakeholder management than genuine accountability and transparency (Manetti, 2011). For stakeholder engagement to hold any real meaning it must influence manager's decision making. Many organisations claim in their sustainability report to have undertaken stakeholder engagement however, it is questionable whether there is any real commitment to the exercise (Owen et al., 2001).

Thus sustainability reporting appears to be designed primarily to inform stakeholders as opposed to engage in a two-way dialogue with stakeholders (Adams, 2002; Adams & Frost, 2006; Williams, 2015). Owen et al. (2001) add that standardisation of sustainability reporting (including stakeholder engagement) using GRI and AA1000 is not recommended. They argue that stakeholder engagement, in its current form, achieves little by way of accountability. Instead stakeholder engagement mechanisms (i.e.

questionnaires and focus groups) act as smokescreen for institutional investors and fund managers that are exploiting their position of power. Instead they favour legislation and compulsory implementation of full cost accounting in favour of voluntary stakeholder engagement mechanisms.

2.5.7 Sustainability KPIs

Researchers have noted that some organisations are beginning to utilise the information in their sustainability reports to support management planning and decision making (Adams & Frost, 2008; Massa, Farneti, & Scappini, 2015). Reporters are measuring their sustainability performance using sustainability key performance indicators (KPIs) which are then integrated into the organisations strategic planning, performance measurement and risk management processes¹⁴ (Adams & Frost, 2008).

However, there is considerable variation in how these KPIs are developed and integrated into planning and decision making (Adams & Frost, 2008). Thus, while some organisations develop KPIs through a formalised and structured process, others have no KPIs and instead rely on an informal process of monitoring and promoting sustainability. However, an informal approach becomes more difficult to sustain as the organisation grows. Furthermore, some organisations involve external stakeholder in the development of KPIs while for others it is a primarily internally driven process. Some organisations have opted to set up of sustainability committees headed to establish and monitor KPIs (Adams & Frost, 2008). However, these committees are headed by the organisations CEO and not (as per best practice guidelines) an independent non-executive director.

¹⁴ Organisations that adopt strategies designed to reduce their social and environmental impact may then communicate their improved performance to stakeholders via sustainability reports. For example, Borghei, Leung, and Guthrie (2016) investigated the environmental reporting (specifically greenhouse gas emissions) of Australian companies. Their study uses signalling theory to explain how companies used environmental reporting to communicate superior environmental performance (achieved through environmental impact reduction strategies) to stakeholders.

The process of setting KPIs is far from simple and organisations face a number of challenges. For example, developing a single set of KPIs for a large MNC operating in countries with different cultures and thus different perceptions of sustainability are self-evident. Adopting different KPIs for each subsidiary/region may facilitate local stakeholders however it makes comparability and consistency considerably difficult to achieve. In some cases, the KPIs that are in use are inappropriate or irrelevant to some subsidiaries or sites (Belal & Owen, 2007).

However, the use of KPIs is not found in all organisations. For example, Adams (2013) examined the state of sustainability reporting and sustainability performance management in universities. The researcher draws on personal experiences while working on a project aimed at developing sustainability goals and strategy for an Australian university. The study finds that universities perform poorly in both sustainability reporting and sustainability performance management. The study attributes this poor to a number of causes including the lack of leadership, a lack of inter function communication, existing mandatory reporting requirements that do not encourage disclosure of material issues, the lack of a business case supporting sustainability and sustainability reporting and little conception of what best practice in sustainability for the education sector may look like.

It is important to note that organisations that are utilising their sustainability report for planning and decision making, have transitioned to this stage over time (Buhr, 2002; Greco et al., 2015). Many organisations will initially begin sustainability reporting with a desire to achieve legitimacy but over time the sustainability report is used for decision making and planning.

For example, Buhr (2002) analysed the environmental reporting practices of 2 Canadian pulp and paper companies. The study found that both Canadian companies were facing tough pressure from stakeholders including government, voters, suppliers, customers, environmental groups and financial analysts to accept responsibility for environmental impacts. The paper and

pulp industry was perceived as Canada's worst polluters. These companies responded by first introducing an environmental management system or EMS. However, since stakeholders did not know of these efforts the companies had to undertake a strategy of communicating efforts to improve environmental performance. Thus a combination of genuine desire to show improved performance and an element of changing societal perceptions relating to the organisations environmental performance was present. Importantly, Buhr (2002) concludes that efforts of organisational managers directed at changing environmental disclosure practices occurs only gradually over a long period of time.

However, other studies provide a slightly different perspective (Farneti & Guthrie, 2009; Momin & Parker, 2013). Farneti and Guthrie, (2009) found that few organisations if any start using the GRI from scratch. Most organisations transitioned from concepts such as the balanced scorecard. These organisations were already preparing internal reports containing sustainability information to support management planning and decision. Similarly, subsidiaries of MNCs will have already been providing their head offices with various reports containing sustainability type information e.g. health and safety reports (Momin & Parker, 2013). Later on, responding to environmental pressure, these organisations began including this internal information for publication in their sustainability report. Thus for many organisations the initial purpose of preparing sustainability information was to support internal stakeholders information needs.

Table 2.1 provides a summary of the key themes identified in the review of the literature on how organisations prepare a sustainability report i.e. the sustainability reporting process.

Table 2.1 Summary of key issues identified in the literature on how sustainability reports are prepared

Name	Description
Degree of participation in sustainability reporting	Some organisations adopt a more participative approach to sustainability reporting than others. Additionally, SRMs face difficulty in encouraging organisational managers to participate in sustainability reporting.
The roles and responsibilities of SRMs	Considerable variation in who (manager or department) is responsible for managing the sustainability reporting process. Furthermore the degree of responsibility varies.
Senior management and board support	Support from key senior managers and/or board members is essential from progressing the sustainability reporting agenda within the organisation.
Training and education	Organisations observe the need to train internal stakeholders on in order to support sustainability reporting.
Materiality assessment	The process of selecting topics for discussion within the sustainability report is subject to a number of complex and dynamic internal variables. Importantly, a simple legitimacy argument is not sufficient to explain how an organisation decides on what topics to disclose on and the extent of disclosure on these topics.
Stakeholder engagement	Considerable variation in the approach to stakeholder engagement adopted by organisations with some adopting a more formal and rigorous process than others. However, organisations express disappointment with the low response rate they receive from stakeholders over sustainability reporting.
Sustainability KPIs	The information obtained during the course of the sustainability reporting process is used to support management planning and decision making.

While these studies provide useful insights they suffer from certain limitations including; the lack of a theoretical framework to guide the analysis (Adams, 2002; Adams & Frost, 2008; Farneti & Guthrie, 2009), the use of primarily public sector organisations (Adams & McNicholas, 2007; Ball, 2005; Ball, 2007; Farneti & Guthrie, 2009; Greco et al., 2015), a focus on examining only one stage of the sustainability reporting process (Adams & McNicholas, 2007), relying on the perspectives SRMs who have no experience with sustainability assurance (and thus failing to exploring the role sustainability assurance plays) and a lack of consideration for the views of SAPs (Adams, 2002;

Adams & Frost, 2008). This study attempts to address these deficiencies and build on the limited existing literature exploring how SRMs prepare sustainability reports (including how they undertake a materiality assessment).

2.6 Summary

New accounting technologies such as sustainability reporting offer stakeholder's potential tools through which they can monitor organisations sustainability performance and hold them accountable. However, research evaluating the level of balance in published sustainability reports provides a pessimistic view of the ability of sustainability reports to fulfil their role of promoting transparency and accountability. These studies find that organisations report primarily good news and avoid reporting bad news to their stakeholders. While these studies provide useful insights, many fail to consider the materiality of issues facing the reporting entity. There is however, little if any research examining how organisations undertake a materiality assessment in sustainability reporting. This type of research requires direct in-depth engagement with SRMs (and SAPs to provide a different perspective) in order to understand how a sustainability report is prepared including a how materiality assessment is undertaken. Consequently, this study attempts to build on the limited existing research in this area. The aim is to examine the complexities of the process that sits behind a finished sustainability report focusing specifically on the efforts of SRMs (and SAPs – chapter three) as they prepare sustainability reports (including how they undertake a materiality assessment), the challenges they face and the mechanisms they use to affect their efforts.

The following chapter reviews the literature on sustainability assurance.

Chapter 3

Literature review: Sustainability Assurance

3.1 Introduction

This chapter is the second of two that review the literature relevant to this study. The previous chapter explored the literature on sustainability reporting. This chapter reviews the literature on sustainability assurance. The chapter is divided into five sections. Following the introduction, section 3.2 provides a definition for sustainability assurance. Section 3.3 examines the demand-side of the sustainability assurance market. The discussion focuses on why organisations voluntarily undertake assurance over their sustainability reports. Section 3.4 then reviews the supply-side of the sustainability assurance market. The review examines the key standards practitioners use when performing sustainability assurance services and the different types of SAPs operating in the market, focusing specifically on the differences between ASAPs and NASAPs. Finally, section 3.5 closes the chapter with a summary of the key issues identified from the literature review and the gaps in the literature which this research attempts to address.

3.2 Defining sustainability assurance

The International Audit and Assurance Standards Board (IAASB)¹⁵ defines assurance as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information” (IAASB, 2013, p.7). For the purpose of this study the term sustainability assurance will be used to refer to assurance engagements in which an external third-party assurance provider (SAP) is recruited to provide assurance over a sustainability report. The

¹⁵ The IAASB is a sub body of the International Federation of Accountants or IFAC (IFAC, 2016).

primary objective of sustainability assurance is to improve external stakeholder's confidence in the credibility of published sustainability reports (Deegan et al., 2006a, 2006b; Jones et al., 2014; Park & Brorson, 2005). Stakeholders demand credible sustainability reports that provide an reliable and balanced account of the organisations sustainability performance. However, sustainability reports are often viewed as marketing documents that lack such qualities (Ackers, 2009; Junior et al., 2014; Perego, 2009). In order to bridge this "credibility gap" organisations are voluntarily submitting their disclosures to SAPs for assurance (Manetti & Becatti, 2009; Milne & Adler, 1999).

While sustainability reporting is a well-established practice, sustainability assurance is a relatively recent phenomenon (Gillet, 2012; Deegan et al., 2006a; O'Dwyer & Owen, 2005). This new form of assurance is still in its developmental stages, although it is evolving rapidly (Kolk & Perego, 2010; Manetti & Toccafondi, 2012). The market for sustainability assurance is very different from the market for financial audits which is highly regulated, mature and saturated by a few large players exhibiting an oligopolistic structure (Suddaby, Cooper, & Greenwood, 2007).

In comparison, sustainability assurance, remains a largely voluntary exercise in most jurisdictions¹⁶ (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009) and there is no global consensus on how such engagements should be undertaken (O'Dwyer & Owen, 2005). The market is fragmented with a number of different players using different standards and approaches to satisfy differing levels of demand (Deegan et al., 2006a, 2006b). As a result,

¹⁶ The increase in sustainability reporting in some jurisdictions is attributed to institutional pressures specifically coercive i.e. government rules and regulations (Kolk & Perego, 2010). For example, the Japanese and French governments have introduced rules and regulations on social and environmental reporting that have encouraged many organisations to undertake sustainability reporting. This may also encourage the adoption of sustainability assurance. For example, the "Grenelle 2 Law" in France requires encourages organisations to undertake sustainability reporting and to secure assurance third-party assurance over their sustainability reports (Gillet-Monjarret, 2015).

the market forces of demand and supply determine the objectives and scope of sustainability assurance engagements. This has given rise to a diverse and dynamic landscape in which sustainability assurance tools are continuously changing (Edgley, Jones, & Atkins, 2015; Manetti & Toccafondi, 2012). The following section examines the demand-side of the sustainability assurance market.

3.3 Demand side of sustainability assurance

The ability of sustainability assurance to enhance external stakeholder's perceived credibility of sustainability reports has been investigated (Carey et al., 2000; Cheng, Green, & Ko, 2015; Coram, Monroe, & Woodliff, 2009; Hodge et al., 2009; Romero, Fernandez-Feijoo, & Ruiz, 2014; Wong & Millington, 2014). These studies find that sustainability assurance does have a positive impact on external stakeholder's perceived credibility of sustainability reports. However, sustainability assurance is a costly exercise (De Moor & De Beelde, 2005; Jones & Solomon, 2010; Park & Brorson, 2005; Sawani, Zain, & Darus, 2010). For organisations to voluntarily undertake sustainability assurance would suggest that the benefits (perceived or real) are greater than the costs (Simnett et al., 2009) and that these benefits are more than mere improvements in the credibility of sustainability reports (AccountAbility, 2009; KPMG, 2011; Jones & Solomon, 2010). This leads some scholars to argue that sustainability assurance plays a limited role in improving the credibility of sustainability reports and drives its primary use as a management tool (Wong & Millington, 2014). For example, O'Dwyer et al. (2011) conducted in-depth interviews with SAPs working in a Big Four accounting firm based in Europe. SAPs expressed concern that the low level of interest in sustainability reports, amongst external stakeholders, would result in a low demand for sustainability assurance. Consequently, these SAPs were attempting to create a demand for sustainability assurance by marketing the service as a value added activity to managers.

During the course of the sustainability assurance engagement SAPs may identify a number of issues or weaknesses. These issues, together with broad recommendations on how to address them, are shared with the reporter in a management report at the conclusion of the engagement¹⁷ (De Moor & De Beelde, 2005; Gillet, 2012; Moroney et al., 2012; Park & Brorson, 2005). Based on the SAPs recommendations some organisations will put in place a plan for addressing these issues (Park & Brorson, 2005). In this way the sustainability assurance engagement acts as a driver of change and a lever that encourages continuous improvement.

Thus studies have identified, in addition to enhancing external stakeholder's perception of sustainability report credibility, at least four additional perceived benefits or sources of value addition to organisations from undertaking sustainability assurance. First, studies note that the initial demand for sustainability assurance came not from external stakeholders but from internal stakeholders (i.e. senior managers and board members) who wanted to be confident in the reports that they were publishing (O'Dwyer, 2011). Sustainability assurance was seen as a way of providing these stakeholders with comfort that their claims were credible and that they could defend their position in the event of a debate with a stakeholder or a stakeholder raising a question of suspicion (Park & Brorson, 2005). Thus managers secure sustainability assurance in order to minimise the risk of misreporting (Darnall, Seol, & Joseph, 2009; Sawani et al., 2010) and their exposure to the potential reputational and legal consequences of such misreporting.

Second, studies find that the SAPs can assist organisations in improving the quality of their sustainability reports (Coram et al., 2009; Gillet, 2012; Park &

¹⁷ The voluntary nature of sustainability assurance means that the implementation of these recommendations is entirely at the discretion of management. Consequently, the full benefits of securing sustainability assurance may not be realised or may often lag behind as management take time (or refuse altogether) to implement the recommendations (Moroney et al., 2012). Importantly, the issues highlighted/limitations do not relate to the reliability of the data and information contained within the sustainability report which need to be addressed otherwise the reporter risks receiving a qualified opinion on the sustainability report (Park & Brorson, 2005).

Brorson, 2005). For example, in their study, Park and Brorson, (2005) interviewed 28 SRMs and five SAPs based in Sweden. They attempted to understand why some organisations secure sustainability. They found that securing assurance was perceived by organisational managers as a natural step to maintaining their position as front runners in the field of sustainability reporting. SRMs sought advice from their SAPs on what to report on and what issues to focus on within their sustainability reports. SAPs encouraged organisations to provide a clear description of issues and content that is comparable year on year. Furthermore, SRMs used their SAPs to benchmark their sustainability reports against industry competitors (Park & Brorson, 2005). In this way SAPs inform and guide reporters on best practice in sustainability reporting.

These findings are supported by Moroney et al. (2012) who analysed the quality of environmental reports of a sample of top 500 listed Australian companies. They compared the quality of 74 assured environmental reports against the quality of 74 non-assured environmental reports issued by companies of similar size and industry membership. Organisations that secure assurance published higher quality environmental reports¹⁸. They argue that SAPs will compare the quality of an organisations disclosure against best practice/international reporting guidelines and provide recommendations for improvement. Additionally, SRMs (Park & Brorson, 2005) comment that that securing sustainability assurance raises the profile/importance of the sustainability reporting process amongst internal stakeholders leading to improvements in the quality of disclosures.

Third, studies note that SAPs can assist the reporting organisation in improving systems and processes underlying sustainability reporting (De Moor & De Beelde, 2005; Gray, 2000; Jones et al., 2014; Jones & Solomon, 2010; O'Dwyer et al., 2011; Park & Brorson, 2005; KPMG, 2011; Sawani et

¹⁸ The quality of environmental reports was measured by comparison against an index developed based on guidance of international sustainability reporting standards such as the GRI.

al., 2010). The SAPs interviewed in the O'Dwyer et al. (2011) study commented that many reporters over-estimate the quality of their information systems and sustainability reports as well as underestimating the extent of assurance work required for even a low assurance opinion.

Thus SAPs educate organisations on better systems and processes and reduce reporter's complacency in data collection and collation, the use of varying definitions and procedures, and the unreliability of data coming from sites to the head office (Sawani et al., 2010). This contributes to improving the reliability of sustainability report content. Organisations view sustainability assurance as a tool to support internal learning and development (Sawani et al., 2010). Similarly, the SAP provides recommendations on how to improve a reporter's materiality assessment and stakeholder engagement processes (Park & Brorson, 2005). This impacts the selection of topics for inclusion in the sustainability report and affects the balance of sustainability reports. Studies have also noted that ASAPs will often first advise their clients on how to develop information systems to supporting assurance (O'Dwyer, 2011). This is referred to by Powers (1997, 1994, 1991) as creating auditable environments to support assurance. The creation of these auditable environments facilitates their subsequent assurance by practitioners and is a necessary step in supporting the growth of audit and assurance into new fields e.g. sustainability reporting.

Fourth, studies find that SAPs assist organisations in identifying areas in which to improve their sustainability performance (Park & Brorson, 2005). This is achieved through five routes. First, an environmental auditor can assist in educating employees and creating awareness of environmental issues thus effecting a positive change in environmental performance (De Moor & De Beelde, 2005). Second, assurance practitioners can provide recommendations for improving an organisations environmental management system (Moroney et al., 2012). This should provide access to better quality data and information leading to improvements in management planning and

decision making. Third, SAPs can assist organisations in improving their sustainability policy (Gillet, 2012). The aim is to make the policy more in line with issues which are material to the organisation and its stakeholders. Fourth, studies have noted that SAPs provide recommendations on the development of KPIs for inclusion in the sustainability report (Park & Brorson, 2005). By setting targets, which are then measured using KPIs, organisations can begin to monitor performance against these targets. Finally, De Moor and De Beelde, (2005) observe that environmental auditors (with expertise in environmental laws and environmental issues) can assist organisations in having a better understanding of the risks they face. For example, environmental auditors can point out areas where a potential breach of environmental laws can occur. This allows for more effective management of these risks which may provide a source of competitive advantage for organisations (De Moor & De Beelde, 2005). Effective risk management offers organisations the opportunity to secure a competitive advantage (Moroney et al., 2012). In this way SAPs can play an important role in identifying these risks and assisting their clients in managing these risks.

3.4 Supply side of sustainability assurance

This section first explores the differences in sustainability assurance standards used by practitioners and second the differences amongst the different SAP types operating in the market.

3.4.1 Sustainability assurance standards

The growth in the demand for sustainability assurance has been associated with the emergence of standards (Kolk & Perego, 2010; Manetti & Becatti, 2009; Zadek, Raynard, Forstater, & Oelschlaegel, 2004) designed to enhance the quality of this new form of assurance (Dando & Swift, 2003). These standards have been developed by a number of different organisations (Wallage, 2000). As a result, there is a lack of consensus on what constitutes generally accepted standards on sustainability assurance (Dando & Swift,

2003). However, as the sustainability assurance market matures, there is a move towards greater standardisation and consistency in the use of standards. For example, Mock et al. (2013) analysed a random sample of 148 sustainability reports published during 2006-2007 and compared these against a 2002-2004 sample by Mock, Strohm and Swartz (2007). They observed that the use of international standards had increased from 18% in 2002-2004 to 45% in 2006-2007 while the use of national/local standards 15.4% to 8% during the same period.

Globally recognised standard setters include IAASB, AccountAbility and the GRI (Gillet, 2012; Kolk & Perego, 2010; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; Perego, 2009). The scope and focus of the standards issued by these organisations varies considerably (Manetti & Toccafondi, 2012). As a result, the standards do not compete directly with each other and there is evidence that SAPs are using these standards in combination (O'Dwyer & Owen, 2005). Thus these standards appear to be more complementary in nature rather than substitutes for one another (O'Dwyer & Owen, 2007).

3.4.1.1 International Audit and Assurance Standards Board

The ISAE3000 issued by the IAASB is the accounting professions sustainability assurance standard (Deegan et al., 2006a). The standard describes assurance engagements (section 3.2) and sets out the key elements that comprise an assurance engagement (Wallage, 2000). The standard distinguishes two types of assurance engagements i.e. reasonable and limited assurance engagement (Gillet, 2012). A reasonable assurance engagement provides a higher level of assurance to the intended user (Manetti & Becatti, 2009). The work performed by the assurance practitioner is more extensive and the evidence obtained must be sufficient and appropriate to support the provision of a high level of assurance. The assurance practitioner's opinion within the assurance statement is positively worded to reflect the higher level of assurance being offered.

In comparison a limited assurance engagement provides a lower level of assurance to the user (Manetti & Becatti, 2009). The work performed by the assurance practitioner and the evidence collected is less extensive. The opinion offered in the assurance statement is negatively worded to reflect the lower level of assurance that is being provided. As a result, the SAP is unable to provide a high level of assurance (Hasan, Roebuck, & Simnett, 2003). Finally, ISAE3000 allows SAPs to provide different levels of assurance for different sections of a sustainability report (Wallage, 2000).

The drawback of ISAE3000 is that it is a generic or umbrella standard that provides guidance on a broad range of assurance engagements as opposed to providing specific guidance for sustainability assurance engagements (CorporateRegister.com Limited, 2008; IAASB, 2013; Manetti & Becatti, 2009; Simnett et al., 2009; Smith, Haniffa, & Fairbrass, 2011). ASAPs accept these criticisms and note that the standard is largely based on concepts and principles derived from financial audits. The standard relies on the same definitions and procedures as those used in accounting auditing standards (O'Dwyer et al., 2011). Thus the primary weakness of the standard is that it does not deal specifically with sustainability assurance. The standard does not use sustainability related terminology nor does it provide guidance on issues that are particular to sustainability reporting such as materiality assessment and stakeholder engagement (as they apply to the specific context of sustainability reporting).

3.4.1.2 AccountAbility

The primary standards issued by AccountAbility include; AA1000 Assurance Standard (AA1000AS); AA1000 Assurance Principles Standard (AA1000APS); and AA1000 Stakeholder Engagement Standard (AA1000SES)¹⁹ (AccountAbility, 2009). In comparison to ISAE3000, the

¹⁹ These standards are supported by a number of supplementary guidance documents including "Guidance for Reporting Organisations Seeking Assurance to AA1000AS 2008", "Redefining Materiality II: Why it Matters, Who's Involved, and What It Means for Corporate Leaders and Boards 2013", "AA1000 Stakeholder Engagement Standard 2011", "Guidance for AA1000AS 2008 Assurance

AA1000AS standard is specifically designed for sustainability assurance engagements (Manetti & Becatti, 2009; O'Dwyer & Owen, 2007; Perego & Kolk, 2012). Furthermore, the AccountAbility standards place greater emphasis on stakeholder engagement than either the GRI or IAASB standards (O'Dwyer & Owen, 2005; Perego & Kolk, 2012).

The AA1000AS divides sustainability assurance engagements into two categories referred to as Type 1 and Type 2 engagements (AccountAbility, 2008a). Type 1 engagements are narrow in scope and focus only on assessing an organisation's adherence to the AA1000AS foundation principles of inclusivity, materiality and responsiveness (AccountAbility, 2008b). Inclusivity refers to including stakeholders within the organisations decision making process. Materiality refers to identifying, managing and reporting on issues important to the organisations and its stakeholders and responsiveness refers to responding to stakeholder's concerns. The verification of information disclosed in the sustainability report is beyond the scope of a type 1 sustainability assurance engagement. Type 2 engagements however, are broader in scope and will involve the SAP evaluating both the application of foundation principles as well as the reliability of data and information contained within the sustainability report (AccountAbility, 2008a).

In this way, AccountAbility attempts to shape the sustainability assurance engagements as a tool designed to promote sustainability within the organisation and not merely as a tool to verify the reliability of sustainability report content (AccountAbility, 2008a). An organisation must first demonstrate that they have embedded sustainability via the applying AccountAbility's three accountability/sustainability principles of inclusivity, materiality and responsiveness (AccountAbility, 2008b). The disclosure of information on how the organisation is performing on these three principles comes later. However,

Providers", "Redefining Materiality: Practice and public policy for effective corporate reporting 2003", and "The Materiality Report: Aligning Strategy, Performance and Reporting 2006 (AccountAbility, 2009a, 2009b, 2011).

simply verifying the reliability of sustainability reports alone is not enough and is not encouraged.

3.4.1.3 Global Reporting Initiative

Although some studies (Perego, 2009) identify the GRI as a set of sustainability assurance guidelines it is important to note that the GRI guidelines are primarily aimed at guiding sustainability reporting (Ackers, 2009; Manetti & Becatti, 2009). However, the GRI guidelines can be used as a suitable criterion (or subject matter criteria) against which the sustainability report can be compared (Wallage, 2000). SRMs can use the GRI guidelines, such as their latest G4, in preparing their sustainability report. Subsequently, SAP will evaluate the sustainability report by reference to the requirements of the GRI guidelines.

The GRI guidelines do however encourage organisations to secure sustainability assurance as this will contribute towards improving the credibility of sustainability reports (Dando & Swift, 2003). The requirements of the GRI G4 guidelines have been discussed in chapter two. The GRI G4 places increasing emphasis on materiality assessment as a key stage in the sustainability reporting process and encourages organisations to undertake a rigorous materiality assessment (including stakeholder's engagement) when preparing a sustainability report. Issues that are identified as material should receive adequate coverage within the sustainability report. Thus for sustainability assurance engagements in which the reporting criteria is G4, the SAP will focus on the reporter's materiality assessment process and the results thereof. This will involve providing assurance over both the reliability and balance of sustainability reports.

3.4.2 ASAPs versus NASAPs

The lack of regulation over sustainability assurance has meant that there is no international consensus on who should perform sustainability assurance, what competencies the SAP should have or how the assurance engagement should be performed (Deegan et al., 2006a; Wallage, 2000). As a result, the

market is characterised by a diverse range of SAPs each with their own economic, professional and ideological interests²⁰ (Deegan et al., 2006a; CorporateRegister.com Limited, 2008; Jones & Solomon, 2010; Kolk & Perego, 2010; Perego & Kolk, 2012). These SAPs are usually grouped in two main categories comprising of ASAPs and NASAPs (Deegan et al., 2006a, 2006b; Edgley et al., 2015; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005).

ASAPs comprise of accounting firms, primarily the global Big Four accounting firms. These firms must adhere to the requirements of their professional association. Accounting firms entered the market for sustainability assurance in search of additional sources of revenue and to reduce their dependency on financial audits (Ackers, 2009; Wallage, 2000). However, unlike the market for traditional financial audits, sustainability assurance is open to all types of suppliers (Wallage, 2000) and there is no regulation protecting the accounting professions monopolistic position (Elliott, 1998).

NASAPs on the other hand comprise of a broad range of organisations including certification providers, specialist consultancies and others. This third category (of others) constitutes stakeholder panels, NGOs, academic institutions, individual auditors and experts and opinion leaders²¹ (CorporateRegister.com Limited, 2008; Perego & Kolk, 2012; Zadek, Raynard, Forstater, & Oelschlaegel, 2004). In comparison to ASAPs, NASAPs do not need to follow a specific sustainability assurance standard (such as ISAE3000).

Studies find that the position of ASAPs in the market for sustainability assurance appears to be strengthening (Ackers, 2009; Gomes, Eugenio, & Branco, 2015; KPMG, 2013; Mock et al., 2013). The KPMG (2013) survey

²⁰ It is estimated that 350 different providers across the world issued an SA statement (CorporateRegister.com Limited, 2008).

²¹ Consequently, NASAPs comprise of both large MNCs and smaller local firms operating at a national level (Simnett et al., 2009).

shows that two thirds of the Fortune 250, that chose to have their sustainability reports assured, preferred to select an ASAP (KPMG, 2013). A study by Junior et al. (2014) analysed the sustainability reporting and sustainability assurance practices of 484 of the Fortune 500 companies in 2010. They find that ASAPs held 56% of the market and were more popular in European countries, Brazil, and Russia. In comparison NASAPs held 42% of the market and were more popular in Australia, China, Taiwan, US, and India. Finally, 2% of organisations secured assurance from both ASAPs and NASAPs (i.e. mixed approach). The following discussion compares ASAPs against NASAPs to evaluate differences between these two SAP types.

3.4.2.1 Expertise and knowledge

The need for a competent SAP is important in order to achieve the objectives of sustainability assurance (Gillet, 2012). SAPs should have expertise in audit and assurance, a sound knowledge of the organisations and how it impacts society and the environment and knowledge of sustainability including related concepts such as materiality assessment and stakeholder engagement (Adams & Evans, 2004; Zadek, Raynard, Forstater, & Oelschlaegel, 2004).

Expertise in audit and assurance

The Big Four audit firms have acquired legitimacy as experts in audit and assurance (Gillet, 2012). ASAPs can leverage this reputational capital to secure a competitive advantage (Elliott, 1998). Their expertise is in verifying data, information systems (and IT) and reporting to those outside the organisation (Elliott, 1998; Wallage, 2000). As a result, some argue that ASAPs are better qualified to perform sustainability assurance having acquired audit and assurance skills from their experience as financial auditors (Gray, 2000). In comparison NASAPs lack these skills and are yet performing sustainability assurance (Gray, 2000).

However, the growing dominance of ASAPs in the field of sustainability assurance has also been met with criticisms. First, there is concern that ASAPs will transfer traditional financial audit methods to sustainability

assurance in a pre-defined manner (Etzion & Ferraro, 2010; Power, 1997 & 2003). Critics argue that these traditional financial audit methodologies have been implicated in several high profile corporate accounting frauds, and is attributed to the structural deficiencies inherent in these methodologies, resulting in a decoupling of the image of what auditing is from what auditing actually involves (Boiral & Gendron, 2011). The perception of auditor independence, audit objectivity and rigour are simply a myth and financial statements auditors are incapable of holding organisations accountable using existing traditional financial audit methodologies (Boiral & Gendron, 2011; O'Dwyer & Owen, 2005). Traditional financial audit methodologies constitute a bureaucratic verification of quantifiable data (Gendron, Cooper, & Townley, 2007) and ignore the qualitative nature of sustainability (a concept which in itself has not been properly defined and continues to evolve - Perego & Ans, 2012). Thus, the pre-defined nature of ASAPs approach to a new, yet evolving field may not be appropriate (Kemp, Owen, & Van de Graaf, 2012; Boiral & Gendron, 2011). Instead, scholars are encouraging practitioners to experiment with innovative and new assurance standards and methods to find more suitable approaches.

However, O'Dwyer (2011) argues that ASAPs are experimenting with different methods learning through trial and error. ASAPs accept that they face difficulties when transferring traditional assurance methods to a new field, compounded by a lack of verifiable data, which accountants usually rely on. Thus a summary adoption of traditional audit practices into the field of sustainability assurance has not been observed and ASAPs are not approaching sustainability assurance in the same rigid way as the audit of historic financial statements. However, given accountant's preference to auditing hard quantitative data there remains a fear that innovation in sustainability assurance may be stifled (O'Dwyer, 2011).

Knowledge of the organisation & industry

SRMs have stated that one of the primary reasons for securing sustainability assurance from an ASAP was that the ASAP was also responsible for assuring the company's financial statements (Gillet, 2012). As the financial auditor, an ASAP will have acquired a strong understanding of the organisation and the industry in which it operates in²² (Gillet, 2012; Park & Brorson, 2005). This explains why some researchers have found that the frequent rotation of the SAP by organisations is rare with some organisations having a relationship of longer than 5 years with their assurers (Park & Brorson, 2005). SRMs perceived maintaining a long term relationship as beneficial in that it allows the SAP to acquire a more comprehensive understanding of their business. Similarly, SRMs that were unsatisfied sustainability assurance raised questions over their SAPs knowledge of the business and systems and processes underlying sustainability reporting. Importantly, if the ASAP is also the financial auditor, two separate teams will often be used for the financial audit and sustainability assurance (Gillet, 2012).

Knowledge of sustainability

Sustainability reporting is a complex area to provide assurance over as it combines quantitative and qualitative data and information and an examination of underlying processes of materiality assessment and stakeholder engagement (Manetti & Toccafondi, 2012). Thus it is questionable whether accountants (in comparison to physicists, sociologists, ethicists) have sufficient knowledge of social and environmental issues to undertake sustainability assurance engagement effectively on their own (Gillet, 2012; Gray, 2000; Wallage, 2000).

Some argue that sustainability assurance is simply too complex and varied and cannot be carried out by a single assurance practitioner (Jones & Solomon, 2010). Consequently, the use of multi-disciplinary teams comprising of accountants and non-accounting sustainability experts is recommended

²² However, recruiting the financial auditor as the SAP may create independence issues.

(Gillet, 2012; Gray, 2000 Wallage, 2000). This would combine accountants who have expertise in information systems, data and reporting (Wallage, 2000) and non-accountants such as environmental engineers who have expertise in environmental data, environmental laws, labour relations, labour laws and NGOs for site specific data in developing nations (Manetti & Toccafondi, 2012).

These teams should be led by accountants as they have a comparative advantage in operating large multi-disciplinary firms, working with other accounting firms, experience and reputation of independence, experience in working with experts (Wallage, 2000). Furthermore, the sustainability assurance statement should be signed off by the financial auditor and the sustainability expert (Gillet, 2012). However, in the long run accountants will need to learn new skills and universities accounting departments will need to review their curriculum to ensure that it keeps pace with changes and the future challenges and opportunities facing the accounting profession (Elliott, 1998). The accounting profession needs to change its image from financial accountants (and financial auditors) to a broader one redefining accounting towards a broader conceptualisation (Elliott, 1998).

3.4.2.2 Size advantage of ASAPs

Perego and Kolk, (2012) use the resource based view to explain the variation in the quality of the sustainability assurance statement issued by different SAP types. They argue that it is more than a mere case of SAPs performing a service dictated by the demands of organisations. Not all SAPs have the resources to undertake sustainability assurance for large organisations. Furthermore, ASAPs (specifically the Big Four) can leverage their size to achieve economies of scale resulting in lower costs and fees (Simnett et al., 2009). They have access to a larger pool of resources which they can invest in developing new audit and assurance technologies.

In comparison some NASAPs²³ may lack the capabilities to undertake a rigorous sustainability assurance engagement and may issue sustainability assurance statements without having rigorously tested the underlying subject matter (Perego & Kolk, 2012). For example, sustainability assurance, although on a rise in Japan, scores low in terms of quality/points. The sustainability assurance market in Japan is dominated primarily by NASAPs (specifically “others”). Thus there is a perception that only ASAPs have the resources necessary to offer assurance to larger global reporters (Mock et al., 2013).

3.4.2.3 Perceived independence of the SAP

In addition to competency SAPs must be independent and objective (Gillet, 2012) and hold credibility with stakeholders (Adams & Evans, 2004). Some argue that ASAPs are more capable of maintaining their independence than NASAPs. Three arguments are presented to support the premise that ASAPs are able to maintain a relatively higher level of independence and objectivity than NASAPs. First, ASAPs through their experience with financial audits have a better understanding of independence and objectivity than NASAPs (Gray, 2000). Second the size advantage of ASAPs²⁴ means that they are not dependent on any one client enabling them to maintain their independence and objectivity (Perego & Kolk, 2012; Simnett et al., 2009). The Big Four are less likely to take action that could potentially threaten their independence. Furthermore, ASAPs have the resources to implement greater internal controls ensuring that they maintain consistency in the quality of their sustainability assurance engagements (CorporateRegister.com Limited, 2008). Third, ASAPs are bound by the requirements of professional code of ethics and conduct which requires them to exhibit traits of professionalism, independence and objectivity (Gray, 2000; Moroney et al., 2012). Thus

²³ NASAPs comprise of a diverse group and while some NASAPs such as local sustainability consultancies will be comparatively smaller in size while the global certification firms operate on a global scale and drive revenue from multiple sources.

²⁴ Again this argument only applies when comparing ASAPs against smaller NASAPs.

ASAPs are more likely to provide an independent opinion while NASAPs will not as they are not bound by any such code of practice.

However, corporate collapses involving financial auditors (e.g. Enron and Arthur Anderson) have dented the image of independence and objectivity associated with financial auditors (Dando & Swift, 2003). The reputation of the accounting profession was tainted and stakeholders are now more sceptical of audit and assurance engagements and the accounting profession. For example, in their study, Wong and Millington, (2014) find that third-sector and investing stakeholders did not use sustainability assurance statements as a result of a lack of trust. These stakeholder respondents remarked (p. 873): “Look at Enron and Arthur Anderson”, “We don’t trust auditors because they have a close relationship with companies and reports are often biased”, “Verification can often be a joke”, “Fails to add value by identifying operational issues and the quality of the auditor varies considerably”. Despite this the accounting profession remains adamant that “... the joint provision of non-audit services and audit services creates knowledge spill overs that lead to a more efficient audit” (Walker & Hay, 2013, p. 32). Testing these claims on a sample of New Zealand public limited companies over the period 2004 to 2005, Walker and Hay (2013) find that the provision of non-audit services results in a reduction in time taken for auditors to issue clients with an audit report²⁵.

3.4.2.4 Stakeholders preference for SAP type

Studies have noted differences in stakeholder’s preference towards SAP types (Jones & Solomon, 2010; Wong & Millington, 2014). For example, Wong and Millington, (2014) found that external stakeholders (e.g. investors, procurement officers and third-sector organisations) preferred sustainability assurance statements issued by NASAPs. The study identified two primary reasons for this. First, all three groups of stakeholders attached greater importance to competence in the subject matter over competence in audit

²⁵ Walker and Hay (2013) add that this benefit occurs over the long run.

practices. Second, the need for the SAP to appear independent was important and this was something which the accounting profession had lost. Similarly, Hodge et al. (2009) find only weak support to suggest that assurance provided by an ASAP has a bigger impact on stakeholders perceived level of credibility. Importantly, this difference only occurs when the sustainability assurance statement offers a reasonable one i.e. higher level of assurance.

In comparison, the SRMs interviewed by Jones and Solomon, (2010) viewed sustainability assurance as a logical extension of the financial audits and thus the domain of financial auditors. Furthermore, SRMs perceived that having one assurance provider (for both sustainability assurance engagements and financial audits) would be beneficial in terms of cost and time as it would be easier to co-ordinate while having two assurance practitioners was perceived by some as potentially more challenging (Huggins, Green, & Simnett, 2011). The image of the Big Four/ASAPs is also leveraged by managers as a way of communicating to internal and external stakeholders that the organisations attaches the same level of importance to the sustainability report as the financial statements (Jones & Solomon, 2010).

Furthermore, in a world that is moving towards integrated reporting organisations will ultimately recruit the services of a single assurance provider for both their financial and non-financial disclosures (Simnett, 2012). The concept of integrated reporting refers to the publication of one report comprising of financial and non-financial/sustainability information. “The aim is to promote integrated thinking rather than "silo" thinking” (Stent & Tuyana, 2015, p. 117) and is gradually gaining popularity as initial scepticism gives way to more optimistic assessments (Atkins & Maroun, 2015).

3.4.2.5 Impact on quality of disclosure

Moroney et al. (2012) examined the impact of environmental audits on the quality of environmental reports. They found that while environmental audits had a positive impact on the quality of environmental reports, there was no

significant difference in the quality of environmental report audited by ASAPs or NASAPs. However, organisations that used a NASAP were observed to engage in more soft disclosure (i.e. qualitative disclosure) than those seeking assurance from ASAPs. This may be due to accountants adopting a more cautionary approach and limiting the scope of the engagement to hard disclosure only. They argue that ASAPs have created an image of independence and objectivity, and may find it more difficult to provide assurance over soft disclosures which are relatively harder to verify. Additionally, the study observes that the quality of environmental disclosure improves over time. Thus consistent reporters provide better quality information.

3.4.2.6 Differences in approach to sustainability assurance

A number of studies have sought to evaluate the quality of engagements by comparing sustainability assurance statements against the requirements of sustainability assurance standards such as the AA1000AS and ISAE3000. The findings of these studies provide a critique of practice as well as identifying differences in ASAPs and NASAPs approach to sustainability assurance.

These studies differ in terms of sample size and the country of origin. For example, a Deegan et al. (2006a) reviewed 33 sustainability assurance statements published in Australia during the years 2000, 2001, 2002 and 2003. Deegan et al, (2006b) reviewed 170 sustainability assurance statements published in 2000, 2001, 2002 and 2003 of which 48 were published by UK companies, 52 by other European companies and 16 by Japanese companies. O'Dwyer and Owen, (2005) reviewed 41 sustainability assurance statements (comprising of UK and European companies) chosen for the 2002 ACCA UK and European Sustainability Reports Award Scheme. O'Dwyer and Owen (2007) reviewed 29 sustainability assurance statements (comprising of UK and European companies) that were shortlisted for the 2003 ACCA UK and European Environmental Reporting Awards. Manetti and

Becatti (2009) used a sample of 32 assured sustainability reports prepared according to GRI G3 in 2007. The reporting companies operated in a diverse range of industries and were based predominantly in Europe with representation from North America, South America, Australia and Asia. Finally, Manetti and Toccafondi, (2012) analysed 160 sustainability assurance statements contained within the sustainability reports of MNCS from North America, South America, Australia and Asia and industries relating to the financial year 2009. The findings of these studies relevant to this study are summarised in table 3.1.

Table 3.1 Summary of findings from studies analysing sustainability assurance statements

Area	Observation
Addressee	Many sustainability assurance statements do not identify an addressee. Of those that do most are issued by ASAPs. However, ASAPs are more likely to address their assurance statements to internal stakeholders while NASAPs are more willing to address their assurance statements to the sustainability report readers.
Objectives of sustainability assurance	There is a lack of uniformity in the stated objectives of sustainability assurance engagements. The most common objective is to review/verify the reliability of data and information contained within the sustainability report. This objective is more popular amongst ASAPs while NASAPs will aim to evaluate the reporter's sustainability performance against the AA1000 principles.
Scope of sustainability assurance engagements	In some engagements SAPs provide assurance over the entire contents of the sustainability report while in other engagements assurance over only some sections of the sustainability report. NASAPs appear more willing to provide assurance over the entire sustainability report.
Nature, timing and extent of procedures	Description of the work done varied from brief one paragraph to one page descriptions. The detailed procedures adopted by ASAPs and NASAPs were similar. NASAPs adopt a more consultative approach and are often involved from the start of the sustainability reporting process rather than coming in at the end stages to verify data as is the case with ASAPs.
Materiality assessment	Few engagements aimed to verify materiality (including stakeholder engagement mechanisms) and relevance of data and information. Instead most engagements focused on verifying the reliability of data and information contained in the sustainability report. Thus sustainability assurance follows the approach of traditional financial audits. However, this was more common amongst ASAPs than NASAPs.
Sustainability assurance standard	Some statements made no reference to a sustainability assurance standard (these are attributed to NASAPs). A number of statements used more than one standard in combination. ASAPs prefer ISAE3000 and thus adopt traditional auditing techniques focusing primarily on verifying the reliability of data and information. NASAPs however prefer AA1000AS, are more innovative and more willing to review materiality and relevance.
Assurance opinion	NASAPs appear more willing than ASAPs to provide detailed statements addressing accuracy, reliability and completeness of the sustainability report. Overall NASAPs statements offer a more detailed discussion of the level of assurance provided. In comparison, ASAPs appeared more cautious, focusing on assuring reliability and reliability and less on performance. This leads O'Dwyer and Owen, (2007) to identify two main categories of sustainability assurance engagements including those that focused on verifying data and information reliability and those that had a broader focus aimed at verifying data and information balance/materiality (and stakeholder engagement).
SAP recommendations	Providing recommendations are common practice and indicates the consultancy nature of sustainability assurance. NASAPs are more likely to provide recommendations than ASAPs. Recommendations are very broad, generalised and brief. In some cases, these recommendations are of a strategic nature however in most cases they focus on weaknesses were in underlying systems, sustainability report content and sustainability reporting process.

While the results of these studies present a critical view of sustainability assurance, longitudinal studies indicate that there has been some improvement in the quality of sustainability assurance engagements (Manetti & Becatti, 2009; O'Dwyer & Owen, 2007; Perego & Kolk, 2012). For example, Perego and Kolk, (2012) note that the average score of sustainability assurance statements has risen from 9.72 in 1999 to 12.93 in 2008. However, the score of 12.93 is considerably lower than the total score of 27 points suggesting considerable room for improvement. Thus despite these improvements, scholars remain sceptical arguing that the inadequacies identified above limit the ability of sustainability assurance to enhance credibility of sustainability reports (Ball et al., 2000; Deegan et al., 2006a, 2006b; Gray, 2000; Manetti & Becatti, 2009; O'Dwyer & Owen, 2005, 2007). Furthermore, there is a perception that despite their obvious skills in audit and assurance it appears that ASAPs are not applying these skills with the same level of rigour to sustainability assurance (Ball et al., 2000; Gray, 2000). Instead the accounting profession appears more interested in developing and promoting other skills such as consultancy which are less unique. Others speculate that perhaps ASAPs face a higher reputational risk and thus are more cautious (CorporateRegister.com Limited, 2008; Gray, 2000).

3.4.2.7 Assurance procedures

The detailed tools and techniques used by SAPs to collect data and evidence to support their opinion appears to mimic those followed in traditional financial audit engagements (Wallage, 2000). These include seeking information from knowledgeable persons inside and outside the organisation, observing how a process or procedure is performed, inspection of records and documents, checking the arithmetical accuracy of computation, seeking management confirmation of events and transactions, involving the analysis of ratios and trends to identify relationships amongst variables and seeking advice from experts (Wallage, 2000). Additionally, procedures such as “surveys of focus

groups, expert commentary such as independent market research agencies and stakeholder panels to advise the auditor” (Wallage, 2000, p. 45). The use of management interviews has also been highlighted as a key assurance procedure relied on SAPs (Gillet, 2012). Examples, include management interviews with managers responsible for preparing the sustainability report (to understand the underlying process) and with the diversity manager/HR manager who are responsible for preparing the data (Wallage, 2000). NASAPs were found to conduct more than 40 interviews with directors down to operational managers (Jones & Solomon, 2010). Overall, the detailed audit procedures used by ASAPs and NASAPs are largely the same.

3.4.2.8 Summary of differences between ASAPs and NASAPs

Studies have observed that ASAPs prefer to adopt ISAE3000 when conducting sustainability assurance (Gillet, 2012; Perego & Kolk, 2012; Smith et al., 2011). Consequently, ASAPs utilise the same assurance tools as those used in financial audits while NASAPs are more willing to use other tools in a more creative and innovative manner (Dillard, 2011). ASAPs appear more focused on verifying the reliability of the data and information contained within the sustainability report (Park & Brorson, 2005) and argue that assessing if all material issues were included in the sustainability report was a one of the most difficult parts of the engagement (O'Dwyer, 2011). Some ASAPs argue that it simply is not possible to provide an opinion on the sustainability report as a whole (Wallage, 2000).

In comparison NASAPs prefer using AA1000AS (Mock et al., 2013). The use of this standard assists in building NASAPs credibility as SAPs. Furthermore, NASAPs may prefer AA1000AS because it is developed by AccountAbility which is a non-accounting standard setter while ISAE3000 is developed by the IAASB, a subcommittee of IFAC and which works towards the development of the accounting profession (IFAC, 2016). Furthermore, NASAPs do not have to adhere to the various ethical codes supplied by the IAASB.

The differences between ASAPs and NASAPs approach to sustainability assurance was highlighted by O'Dwyer, (2011) in which both SAP types had to work together in multi-disciplinary teams. NASAPs believed that their role was to hold organisations accountable on behalf of stakeholders, improve society and promote sustainability, while accountants were more dispassionate and kept their professional and personal motivations separate. These accountants argued that they had to control the non-accountants. NASAPs argued that ASAPs preferred a limited or restricted scope engagement and this was frustrating for them. ASAPs had what one NASAP viewed as a “structured, inflexible mentality, rigid” (O'Dwyer, 2011, p. 1251) which focused primarily on substantive testing. NASAPs saw ASAPs as unable to see the bigger picture and reluctant to go into the field and evaluate the processes.

ASAPs argued that they need to follow the standard and adopt an approach that was defensible (O'Dwyer, 2011). However, NASAPs appeared less concerned with the difference between assurance and advice and how this could impact their independence. ASAPs focusing more on data reliability and struggled with assuring qualitative data and information in the sustainability report. Despite their lack of expert knowledge ASAPs were managing the assurance teams. Finally, NASAPs were challenging ASAPs on simply signing off on material that had been copy pasted from the audited annual report.

Studies have also noted that ASAPs face greater internal pressure from their risk department (O'Dwyer et al., 2011). The risk department viewed sustainability assurance as high risk and restricted the level of assurance that is provided. Thus the reputational risk of the Big Fourface is higher than that faced by smaller NASAPs.

Using metaphors Dillard (2011) equates ASAPs to “engineers” that emphasise on “doing the thing right” or the method of assurance. In comparison, NASAPs are more like “adventurers” who are focused on “doing

the right thing” or focused on the end goal of assurance. However, the end goals of sustainability assurance are also different. While ASAPs focus on verifying the reliability of data and information presented in the sustainability report. NASAPs attempt to promote sustainability practices within organisations.

Thus ASAPs perform better than NASAPs both in sustainability assurance statement format and sustainability assurance procedures undertaken (Perego, 2009). However, NASAPs perform better than ASAPs in terms of the recommendations that they offer to organisations and the opinion they provide in the sustainability assurance statement (i.e. they are more likely to offer a higher level of assurance or reasonable assurance statement). Table 3.2 provides a summary of the differences between ASAPs and NASAPs.

Table 3.2 Summary of differences between ASAPs and NASAPs

Factor	ASAP	NASAP
Expertise and knowledge	ASAPs have expertise in audit and assurance. As financial statements auditors ASAPs have a better understanding of the organisation and its industry	NASAPs have expertise in knowledge of sustainability
Size	ASAPs (especially the Big Four) can leverage their size advantage to offer services to larger organisations, offer reduced fees, invest in audit and assurance technologies and maintain quality of assurance services	Some NASAPs (especially global certification firms) also have size advantages similar to the Big Four ASAPs. However, other NASAPs are small entities and find it difficult to compete against larger ASAPs
Perceived independence of the SAP	ASAPs through their experience with financial audits have a better understanding of independence The size advantage of ASAPs also means that they are not dependent on any one client ASAPs are bound by the requirements of professional code of ethics	Corporate collapses and scandals involving financial auditors e.g. Enron and Arthur Anderson, have dented the image of independence and objectivity associated with accountants Furthermore, large NASAPs similar to ASAPs are not dependent on a single source of revenue and have in place quality control measures
Stakeholders preference for SAP type	SRMs prefer ASAPs as they perceive sustainability assurance as a natural extension of a financial audit	External stakeholders prefer NASAPs because they value subject matter expertise and because they do not perceive ASAPs being independent
Impact on quality of disclosure	No difference on the quality of the sustainability report However, ASAPs more comfortable assuring hard quantitative data	NASAPs comfortable in providing assurance over soft qualitative data
Differences in approach	ASAPs adopt ISAE3000 and thus follow the same approach as adopted in financial audits. They adopt a more cautionary approach focusing on verifying the reliability of data and information contained within the sustainability report and restricting their assurance opinion to limited assurance	NASAPs are not bound by any standard however most prefer AA1000AS. They are more willing to innovate and adopt creative assurance methodologies to achieve their objectives. They view sustainability assurance as a tool that can drive sustainability in organisations and thus promote accountability and improve society. They are more willing to provide assurance over reliability and balance.

3.5 Summary

Sustainability assurance, a new form of voluntary assurance, represents a diverse and rapidly evolving field. The voluntary nature of the engagement subjects it to the market forces of demand and supply. From a demand-side, studies have revealed that while the primary objective of sustainability assurance is to enhance the credibility of sustainability reports, SAPs are also actively marketing sustainability assurance as a value added activity. From a supply-side, studies find a range of SAPs competing in the market using different assurance standards and offering services of differing scope and objectives. These SAPs can be categorised into ASAPs and NASAPs and the primary assurance standards used include AA1000AS and ISAE3000. While ASAPs lean more towards ISAE3000, NASAPs have preferred to adopt AA1000AS when performing sustainability assurance engagements. However, research in this area has focused primarily on a content analysis of sustainability assurance statement. Studies using in-depth interviews with SAPs (and SRMs) are limited. Consequently, this study attempts to build on the literature using in-depth interviews with SAPs (including ASAPs and NASAPs) and SRMs in order to understand the demand and supply-side of the sustainability assurance market. From a demand-side this study explores SAPs efforts in enhancing the credibility of sustainability reports and promoting sustainability assurance as a value added service. From a supply-side this study focuses on the competition between ASAPs and NASAPs and how this influences the field. The aim in both cases is to understand the efforts ASAPs and NASAPs, the challenges they face and mechanisms they use to affect their efforts.

The following chapter outlines the theoretical perspective used to analyse the findings.

Chapter 4

Institutional theory

4.1 Introduction

This chapter presents the theoretical framework used to analyse the research findings. The chapter is structured into five sections. Following the introduction, section 4.2 discusses the concept of institutional work. The discussion places this branch of institutional theory within the broader institutional realm. Section 4.3 examines Lawrence and Suddaby's (2006) typology of forms of institutional work. This typology categorises institutional work into three groups including creating new institutions, maintaining existing institutions, and disrupting existing institutions. These forms of institutional work are explored in this chapter using examples from the extant literature. Section 4.4 presents the three research questions which this study addresses and which are developed based on the literature and the theoretical this framework. Finally, section 4.5 closes the chapter with a summary of the main issues discussed.

4.2 The institutional work perspective

Institutional theory provides researchers in social science with a robust tool with which to study the inner workings of organisational life (Greenwood & Hinings, 1996; Greenwood, Oliver, Sahlin, & Suddaby, 2008; Walsh, Meyer, & Shoonhoven, 2006). The use of institutional theory to guide accounting research has also been noted (Burns & Vaivio, 2001; Carpenter & Feroz, 2001; De Villiers, Low, & Samkin, 2014; Fogarty, 1996; Fogarty & Rogers, 2005; Jamali, 2010; Larrinaga-Gonzalez & Bebbington, 2001; Lawrence, Sharma, & Ruvendra, 2009; Sharma, Lawrence, & Lowe, 2014). Early work on institutional theory focused on providing an alternative explanation to the argument that all organisational behaviour could be attributed to rational

predictable decisions aimed at promoting efficiency and effectiveness (Burns & Vaivio, 2001; Lounsbury, 2008; Meyer & Rowan, 1977; Meyer, Scott, & Deal, 1981; Sharma et al., 2014; Zucker, 1977). Institutional researchers argued that organisational structures, processes and practices were additionally influenced by internal organisational and external societal expectations, values, and rules. These institutions represent acceptable and expected ways of doing things (Venter & De Villiers, 2013), taken-for-granted assumptions (Burns & Scapens, 2000) and rationalised myths (Greenwood & Suddaby, 2006) which influence the behaviour of social actors. Institutions exert powerful isomorphic pressures²⁶ that cause organisations, operating in a particular field, to adopt similar patterns of behaviour (De Villiers & Alexander, 2014; De Villiers et al., 2014; DiMaggio & Powell, 1983). Thus organisational behaviour cannot always be attributed to a rational desire to improving efficiency or effectiveness, but are sometimes due to a need to conform to institutional pressures in order to create legitimacy, avoid social sanctions, secure access to resources and improve the organisations chances of survival (DiMaggio, 1983; Lounsbury, 2008; Powell, 1988).

In keeping with this view, early academic effort in the field of institutional theory focused on identifying institutions, institutional pressures, and explaining institutional impacts on organisational life (Greenwood et al., 2008). A similar approach has been adopted by researchers in the field of sustainability reporting and sustainability assurance. For example, De Villiers et al., (2014) used institutional theory to explain how isomorphic pressures are encouraging the institutionalisation of sustainability reporting practices amongst mining companies in South Africa. Thus smaller mining companies mimicking the practices of their larger counter parts provide the same amount of environmental information, in the same general format, as larger companies (p. 51). At a global level, De Villiers and Alexander (2014), find

²⁶ For example, DiMaggio and Powell (1983) observed that institutions exerted coercive, normative and isomorphic pressures. Building on this work Scott (1995, 2005) argued that institutions comprised of regulative, normative, and culturally-cognitive elements and that different institutions comprised of these elements in different combinations.

evidence to support the institutionalisation of corporate social responsibility reporting within the mining industry. Comparing the disclosure practices of South African mining companies against their counterparts based in Australia they find evidence of isomorphic pressures which have led to similarities in reporting patterns despite the mining companies operating in two distinct geographic locations. Perego and Kolk (2012) argue that coercive institutional pressures in the form of government regulations explain the high uptake of sustainability reporting, and subsequently sustainability assurance, in France and Japan. Normative pressures have been introduced through the development of sustainability standards and guidelines (e.g. such as the GRI guidelines discussed in the literature review).

As a result, early institutional research adopted a deterministic top-down approach aimed at explaining organisational homogeneity (Scott, 2008). Social actors were portrayed as constrained by institutional pressures and unable to break free from the taken-for-granted rules and procedures. However, it is common knowledge that institutions themselves are the product of the efforts of certain individuals who through their efforts can affect institutional change (Lawrence & Suddaby, 2006). For example, Sharma et al. (2014) found that the introduction of accounting routines, language and practices in a privatised public sector organisation were driven by the efforts of accountants, who were recruited specifically to champion these new institutional norms within the organisation. Thus institutions themselves are “humanly devised constraints” (North, 1990, p. 97) and are the product of social activity (Jepperson, 1991). Institutions depend on social actors to establish (or create) and reproduce (or maintain) them (Berger & Luckmann, 1976). Furthermore, social actors may also resist institutional pressures, thus contributing to a disruption in their functioning (or even destroying/tearing down institutions) if their interests conflict (Jamali, 2010; Oliver, 1991). There is thus a need to consider an element of agency i.e. social actors pursuing their interests, within institutional theory (Dacin, Goodstein, & Scott, 2002; DiMaggio, 1988; Fligstein, 1997).

In order to introduce agency within institutional theory, the concept of institutional entrepreneurship was developed ²⁷ (Battilana, Leca, & Boxenbaum, 2009; Sharma et al., 2014; Sharma & Lawrence, 2008). The term institutional entrepreneur describes those social actors who, resisting existing institutional pressures, attempt to create new institutions (DiMaggio, 1988; Holm, 1995; Seo & Creed, 2002). The concept was first introduced by Eisenstadt (1980) to highlight how social actors may take the initiative to promote structural changes within an organisation. Latter DiMaggio (1988), building on the work of Eisenstadt (1980), argued that institutional entrepreneurs are actors who can leverage resources to create new institutions or transform existing ones.

However, the concept of institutional entrepreneurship has received criticism for promoting an overly “heroic” and “hypermuscular” portrayal of social actors and focusing academic effort on primarily “successful” incidents of agency involving the creation of new institutional structures, practices and processes (Delbridge & Edwards, 2013; Greenwood & Suddaby, 2006; Maguire, Hardy, & Lawrence, 2004; Hinings & Greenwood, 1988; Powell & Colyvas, 2008; Suddaby & Greenwood, 2005; Thornton, 2002; Tolbert & Zucker, 1983; Lawrence et al., 2011). There was a fear that the concept represented a step in the wrong direction taking researchers back to the rational decision making model, which institutional theory set out to address in the first instance.

²⁷ Battilana et al. (2009), state that early research on institutional theory did consider the role of actors and agency (Selznick, 1949). However, later studies focused primarily on explaining how exogenous shocks influenced institutional change. It was DiMaggio in 1988 that re-introduced the role of endogenous shocks, affected through social actors, on institutional change. One the first responses to the demands for including agency within institutional research came from Oliver (1991) who developed a typology of the possible strategic responses social actors/organisation can adopt in the face of institutional pressures. These responses are presented on a continuum from active resistance to passive conformity. The five strategies include acquiesce, compromise, avoid, defy and manipulate with further three tactics for each category. The response adopted will vary depending on individual circumstances of the social actor. Importantly, social actors can resist institutional pressures which may result in the disruption of existing institutions or may frustrate the functioning of these institutions to the point that they must be removed and replaced by other institutions.

In order to overcome the overly heroic portrayal of institutional entrepreneurs the concept of institutional work was introduced (Contrafatto, 2014; Lawrence & Suddaby, 2006; Lawrence et al., 2011; Lounsbury, 2008; Suddaby, 2010). Institutional work is defined by Lawrence & Suddaby (2006, p.216), as “the broad category of purposive work action aimed at creating, maintaining and disrupting institutions”. The concept of institutional work offers a promising solution to the tension between structure and agency where on the one hand existing institutions promote stasis (stability and order) while on the other hand social actors can affect institutional change in pursuit of their interests (Lawrence & Suddaby, 2006; Scott, 2001). This is often referred to as the paradox of embedded agency (Seo & Creed, 2002; Holm, 1995). If the behaviour of social actors is determined by the values and norms set out by existing institutions, then how can social actor’s influence institutions?

The institutional work perspective attempts to resolve this conflict (i.e. the paradox of embedded agency) by adopting a middle approach between two extreme viewpoints of agency on the one hand and institutional determinism on the other (Battilana et al., 2009; Lawrence & Suddaby, 2006). Lawrence & Suddaby (2006, p. 219), emphasise that viewing social actors as knowledgeable and skilled does not equate to a move back to the concept of the “rational actor model”. While social actors may attempt to affect institutional change to further their interests the outcomes of these conscious efforts are unknown and the work done to create, maintain or disrupt institutions will interact with existing institutional structures in “unintended and unexpected ways” (Lawrence & Suddaby, 2006, p. 219).

4.2.1 Institutions and work

In order to further understand the concept of institutional work it is necessary to examine its component parts “institutions” and “work” (Lawrence et al., 2011). The concept of an institution forms a central part of institutional theory (DiMaggio & Powell, 1983). However, there is no universally agreed definition for an institution (Burns & Scapens, 2000). Lawrence and Suddaby, (2006, p.

216) describe institutions as "... enduring elements in social life that have a profound effect on the thoughts, feelings and behaviour of individual and collective actors". Hoffman (1999, p. 351) defines institutions as "rules, norms, and beliefs that describe reality for the organisation, explaining what is and is not, what can be acted upon and what cannot". Scott (2001, p. 48) describes institutions as "culturally-cognitive, normative and regulative elements that ... provide stability and meaning to social life ... Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artefacts" and they "operate at multiple levels of jurisdiction".

Synthesising these definitions, Lawrence et al. (2011, p. 53) state that "... the concept of an institution can be thought of as those (more or less) enduring elements of social life (Hughes, 1936) that affect the behaviour and beliefs of individuals and collective actors by providing templates for action, cognition, and emotion (DiMaggio & Powell, 1991; Meyer & Rowan, 1977; Scott, 2001), nonconformity with which is associated with some kind of costs (DiMaggio & Powell, 1983; Jepperson, 1991)".

Importantly, Greenwood et al. (2008, p.5) note that; "Although institutions exist at the level of the individual (e.g. a handshake in western societies), the organisation (e.g. the use of formal accounting controls, particular structures, and impersonal personnel practices), the field (e.g. hierarchies of status between categories of occupations or between organisations that affect hiring patterns and alliances), or society (e.g. a legal system based on upon due process), organisational institutionalism is primarily interested in institutions and institutional processes at the level of the organisation and organisational field". Similarly, the focus of this study is organisation level institutions which represent the taken-for-granted assumptions influencing the behaviour of members of an organisation (Burns & Scapens, 2000).

The concept of work as visualised within the institutional work branch associates it with the concepts of "intentionality" and "effort" (Lawrence et al., 2011). In terms of intentionality, Lawrence et al. (2011) argue that institutional

work must imply some form of intentionality. However, Battilana et al. (2009) note that social actors responsible for institutional change may not have initially set out to achieve as much and their intentions in some cases may have evolved at later stages of the institutional change process. Thus social actors may not have set out with some grand plan to achieve institutional change and in some cases may not have been aware of the entire impact of their efforts.

The concept of effort refers to some form of effort (i.e. a mental and/or physical activity) undertaken to achieve a certain goal (Lawrence et al., 2011). Thus within the context of institutional work, the concept of work alludes to social actors directing their energies towards achieving a goal or set of goals relating to institutional change. However, research in this area is limited and there is a need to further build on our understanding of the “the kinds of effort associated with social practices could reveal a great deal about the ways in which those practices connect to the institutions that give them context and that may be the target of their intended outcomes” (Lawrence et al., 2011, p. 53).

4.2.2 Justification for using an institutional work lens

There are two reasons why the use of an institutional work lens (Lawrence & Suddaby, 2006) is considered appropriate for this study. First, the overarching research objective, guiding this study, is to understand how sustainability reports are prepared and assured. This involves understanding how SRMs prepare sustainability reports and how SAPs undertake sustainability assurance. The concept of institutional work offers a useful theoretical lens with which to analyse the efforts of SRMs and SAPs as they perform their roles and attempt to institutionalise sustainability reporting and assurance. Second, sustainability reporting and sustainability assurance are new accounting technologies. These practices are largely voluntary in nature and thus there is no consensus on how sustainability reports should be prepared or how sustainability assurance engagements should be undertaken

(chapters two and three). For example, a number of different standards and guidelines are available and these are being revised to reflect the evolutionary nature of these practices and as practitioners and regulators understand the issues better (Jamali, 2010).

These new accounting technologies have not yet become established or institutionalised. At this stage, in which these practices are still evolving, the use of an institutional work lens allows the researcher to analyse the efforts of SRMs and SAPs as they perform their roles.

4.3 Typology of forms of institutional work

Reviewing the literature on institutional theory, Lawrence and Suddaby (2006) offer a typology of forms of institutional work (table 4.1).

Table 4.1 Lawrence and Suddaby (2006) typology of forms of institutional work

Sr. #	Form of institutional work	Description
Creating institutions		
1	Advocacy	The mobilisation of political and regulatory support through direct and deliberate techniques of social suasion
2	Defining	The construction of rule systems that confer status or identify, define boundaries of membership or create hierarchies within a field
3	Vesting	The creation of rule structures that confer property rights
4	Constructing identities	Defining the relationship between an actor and the field in which the actor operates
5	Changing normative associations	Re-making the connections between sets of practices and moral and cultural foundations for those practices
6	Constructing normative networks	Constructing of inter-organisational connections through which practices become normatively sanctioned and which form the relevant peer group with respect to compliance, monitoring and evaluation
7	Mimicry	Associating new practices with existing sets of taken-for-granted practices, technologies and rules in order to ease adoption
8	Theorising	The development and specification of abstract categories and the elaboration of chains of cause and effect
9	Educating	The education of actors in skills and knowledge necessary to support the new institution
Maintaining institutions		
10	Enabling work	The creation of rules that facilitate, supplement and support institutions, such as the creation of authorizing agents or diverting resources
11	Policing	Ensuring compliance through enforcement, auditing and monitoring
12	Deterring	Establishing coercive barriers to institutional change
13	Valourising and demonising	Providing for public consumption positive and negative examples that illustrate the normative foundations of an institution
14	Mythologising	Preserving the normative underpinnings of an institution by creating and sustaining myths regarding its history
15	Embedding and routinising	Actively infusing the normative foundations of an institution into the participants day to day routines and organisational practices
Disrupting institutions		
16	Disconnecting sanctions	Working through state apparatus to disconnect rewards and sanctions from some set of practices, technologies or rules
17	Disassociating moral foundations	Disconnecting the practice, rule or technology from its moral foundation as appropriate within a specific cultural context
18	Undermining assumptions and beliefs	Decreasing the perceived risks of innovation and differentiation by undermining core assumptions and beliefs

Source: Lawrence and Suddaby (2006, p. 221, 230, & 235)

The following discussion provides a more in-depth examination of the various forms of institutional work. The discussion will focus only on those categories from Lawrence and Suddaby (2006) which are relevant to this study. The discussion draws on the extant literature including both theoretical papers and empirical studies to illustrate how social actors undertake the various forms of institutional work. The examples are drawn from a range of studies in social sciences as the number of examples from an accounting context (especially sustainability reporting and sustainability assurance) dealing specifically with institutional work are limited.

4.1.1 Creating institutions

As discussed above, early academic efforts aimed at understanding how social actors create institutions was conducted under the field of institutional entrepreneurship (Contrafatto, 2014; Lawrence, Leca, & Zilber, 2013). These studies have focused at identifying the characteristics of institutional entrepreneurs and the contextual factors that give rise to institutional entrepreneurs. Less academic effort has been directed at providing “detailed descriptions of precisely what it is that institutional entrepreneurs do” (Lawrence & Suddaby, 2006, p.220). Thus the following examples will include findings from studies using an institutional entrepreneur perspective. The four sub forms of institutional work in Lawrence & Suddaby’s (2006) typology which are relevant to this study include advocacy, changing normative associations, mimicry, and educating.

4.1.1.1 Advocacy

Lawrence & Suddaby (2006, p.221) describe advocacy as “the mobilisation of political and regulatory support through direct and deliberate techniques of social suasion”. The aim is to provide legitimacy (Suchman, 1995)²⁸ to the

²⁸ Suchman, (1995, p.574) defines legitimacy as “... a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”. Suchman (1995) further breaks legitimacy into three forms including pragmatic, moral and cognitive. An organisations behaviour will hold pragmatic legitimacy if it conforms to the self-interests of the organisations stakeholders. An organisations actions carry with them moral legitimacy if these actions are in line with societal moral values. Finally, cognitive

new institution. Advocacy work includes a range of techniques including lobbying, advertising, and litigation²⁹ (Lawrence & Suddaby, 2006), leveraging relationships with powerful actors (Holm, 1995) and allies (Boxenbaum & Battilana, 2005), developing alliances and cooperation (Fligstein, 2001), mobilising key players such as highly embedded agents (Battilana et al., 2009; Hwang & Powell, 2005; Lawrence, Hardy, & Phillips, 2002). Hence institutional work is a complex political and cultural process which requires social skills depending on the nature of the project (Lawrence & Suddaby, 2006).

For example, Greenwood and Suddaby, (2006) analysed the efforts of the then big five accounting firms in introducing changes to the multidisciplinary practice (MDP) structure adopted by professional practice firms. The acquisition of a law firm by Ernest & Young in Canada (with news of further acquisitions to follow in the US) was met with a strong backlash from the legal profession which saw the move as an infringement of the “boundaries of a highly institutionalised profession” (p. 35). The legal profession responded leveraging their relationships with the Canadian Bar Association to engage in a regulatory response to the move. These actions were followed by a similar response in the US with the American Bar Association resulting in a formal inquiry into the “multidisciplinary practice”. The securities regulators of Canada and the US also announced an enquiry into how MDPs may potentially impact the independence of financial auditors. Subsequently the SEC announced that it would limit the ability of the big five in pursuing their multidisciplinary agenda.

These moves were met by an aggressive counter response from the big five which threatened the SEC with litigation and leveraged their relationships with

legitimacy stems from societies belief that the organisations behaviour and actions are proper and/or desirable, not because of self-interest, but rather because of taken-for-granted beliefs.

²⁹ Lobbying, advertising, and litigation will often involve recruiting specialist firms (i.e. lobbyists, advertising and public relations firms, and law firms) to advocate in favour of certain groups and their social agendas (Lawrence & Suddaby, 2006).

politicians and lobbyists to exert considerable pressure on the SEC. The aim was to delay the SEC chairman's decision to pass any unfavourable laws until the next presidential elections when a new chairman more favourable to the multidisciplinary practice would be brought in. The aspirations of the Big five were only frustrated with the subsequent Enron-Arthur Anderson scandal which led to the introduction of the Sarbanes Oxley Act which effectively prevented financial auditors from taking on non-audit services (Greenwood & Suddaby, 2006). This study highlights how institutional change will be resisted by supporters of existing institutions (DiMaggio, 1988; Levy & Scully, 2007). These supporters often have vested interests and are therefore not supportive of institutional change.

Brown, de Jong, and Levy (2009) trace the institutionalisation path of the GRI as a prominent standard setter in the field of sustainability reporting. The success of the GRI is attributed to the ability of the GRI founders to mobilise a diverse range of social actors to participate in the project³⁰. However, the study notes that the GRI founders originally envisioned an institution that would promote both civil-private regulation/accountability as well providing organisations with tools through which to manage their sustainability performance (promoted as a win-win situation). However, this did not occur as there was relatively low participation from activists and NGOs while banks and companies played a more active role in standard setting. The latter group of social actors also held considerable power as they provide funds required to support the GRIs various activities and operations. As a result, the institutionalisation of the GRI project was more in favour of corporate entities.

A study by Hayne and Free (2014) examines the institutionalisation of COSO's (Committee of Sponsoring Organisations) Enterprise Risk Management (ERM) framework using an institutional work lens. They note that a number of promotion tools were used in combination including

³⁰ The authors state that the institutionalisation of the GRI can be assessed with reference to the strong uptake in sustainability across the globe and the diffusion of sustainability reporting terms and concepts/language and assumptions.

requesting sponsoring organisations to pioneer the adoption of the framework and utilising communication media to encourage adoption amongst organisations. The use of Price Waterhouse Coopers (PWC), a Big Four accounting firm, was instrumental in this regard. PWC was brought on board as the co-author of the framework and PWC partners from across the globe met to develop a strategy to promote the framework in the market. The study highlights the need to leverage actors with high levels of social capital (e.g. the Big Four in audit and assurance) in order to provide legitimacy to new standards.

The example highlights how social actors must mobilise tangible and intangible resources in order to bring about their desired plans (Fligstein, 1997; Seo & Creed, 2002). Tangible resources include finances necessary to undertake costly lobbying, advertising, educating etc. efforts. This suggests that larger social actors may be more successful in introducing institutional change (Greenwood, Suddaby, & Hinings, 2002). Intangible resources comprise of social capital which is described as a social actor's informal position in a broader web of social relationships that provide information and political support that can be leveraged to influence other actors (Battilana et al., 2009; Coleman, 1988). Consequently, institutional entrepreneurs typically comprise of social actors with high levels of social capital.

At a more intra-organisational level the use of champions to promote institutional change has been noted by Sharma et al. (2014). Using an institutional entrepreneur lens, the study highlights how a privatised New Zealand based telecommunications provider transitioned from one with dominant engineering driven routines to business and accounting-based routines and norms. Accountants were recruited and appointed within the organisations divisions to ensure that private sector business and accounting routines and norms were embedded at the business unit level. Accountants facilitated the introduction of accounting technologies such as business plans, budgets and capital expenditure evaluation techniques such as net present

value and economic value added were introduced. Initially projects were evaluated using accounting technologies such as the accounting payback period however later more sophisticated techniques such as net present value and economic value added were introduced. All capital expenditure projects now required a financial evaluation in order for them to be submitted for consideration. Accountant's role in decision making increased as managements began to rely more on accounting information for planning and decision making. This signalled a shift in power from engineers to accountants. Overtime accounting routines became embedded in the organisational routines e.g. management meetings, planning, decision making (budgeting) and finally within the language which shifted from engineering language to accounting language of profits and revenues.

4.1.1.2 Changing normative associations

This form of institutional work involves “re-making the connections between sets of practices and the moral and cultural foundations for those practices” (Lawrence & Suddaby, 2006, p.224). In explaining this form of institutional work Lawrence and Suddaby (2006) provide two contrasting examples. The first example is a study by Zilber (2002) in which a rape crisis centre based in Israel was transformed from its original ideological objectives of feminism (a political institution) to one that projected the centre as a therapeutic practice (a medical centre). The centre continued to go through the same routines and practices however the purpose of undertaking these practices were gradually replaced from promoting feminism to providing victims with a form of medical treatment. Importantly, the new institutional norms were initially introduced as supplementary to the existing institutional assumptions and not as a challenger institution. Gradually however social actors working in the centre began to perceive the centre as a medical centre having forgotten the centres originally political origins.

The second example, a study by Townley (1997), highlights how UK universities responded to government pressure directed at introducing

private-sector based norms. The study highlights how the UK government formed a committee (i.e. the Jarratt committee) which issued a report recommending the introduction of private sector performance appraisal techniques within UK universities. While universities accepted the legitimacy of the government (and the power it exerted through resource/funding control) and introduced a performance appraisal system this was not in line with what the government had originally envisaged. Universities resisted these pressures (Oliver, 1991) relying on the institutionalised myth of educational institutions as autonomous bodies free of political influence and developing a performance appraisal system more in line with their existing internal field specific norms.

These two cases highlight two different approaches to achieving the same objective of creating new institutions by changing the normative associations of existing institutions (Lawrence & Suddaby, 2006). The first case represents subtler covert attempts in which institutional change is introduced incrementally. The new institution is presented as a “parallel or complementary to existing institutions” (p. 224) as opposed to a challenger institution. In comparison the second case provides examples of more overt coercive measures in which social actors openly question the legitimacy of an institution and argue the need for institutional change.

Examples of accounting research exploring institutional efforts directed at “changing normative associations” include the Big Four accounting firm’s attempts at introducing business risk auditing (BRA) in the face of increasing commoditisation of the financial audit and the growing popularity of risk management (Knechel, 2007). Financial auditors attempted to re-engineer the audit process from one that traditionally focused on sampling, substantive testing of source documents and evaluating internal controls to one that involved evaluating a broader range of business risks facing an organisation and how these could potentially lead to misstatements within the financial statements. Importantly, BRA was not meant to replace existing audit

procedures of substantive testing and test of controls. Rather the aim was to introduce this new technology as an addition to the auditor's repertoire of audit tools (albeit taking a more central role in the audit process).

However, these efforts were met with a number of challenges (Knechel, 2007). First, organisational managers were suspicious of the new technology as simply a method to market consultancy services. Second, traditionally, an organisations accounting department was responsible for providing data and evidence to financial auditors. In this way they were able to control the flow of information to their auditors. The new audit approach involved seeking evidence from sources outside the accounting function e.g. research and development, production and human resources and a loss of control. Third, the new audit methodology required the auditor to examine evidence such as the reporter's business plan which is very different from asking the management to provide invoices or bills to support a particular transaction. Consequently, convincing reporters that the new business risk audit was a better approach was a hard sell. This created "... conflicts with Chief Financial Officers about the proper remit of the audit" (Power, 2007).

Robson, et al. (2007) provides a slightly different perspective on the Big Four's experimental changes with the traditional financial audits. They argue that the introduction of BRA was less to do with satisfying an external demand as claimed by the Big Four. Instead, attempts to transform the audit process were intertwined with the Big Four's efforts on transforming their image from accountants and financial auditors to business advisors (i.e. professional service firms). The study highlights the politics inherent in introducing new audit methodologies (such as BRA) and transforming the traditional financial audit. The findings emphasise the need for research examining changes in the audit profession by recognising the "... the centrality of legitimation processes and ... the co-construction of audit technologies and the audit field" (p.430).

Similar views are shared by Cooper and Robson (2006) in their review of the literature on accounting, professions (the professionalisation project) and regulation. They argue that the institutionalisation of the accounting profession and the ongoing transfer of accounting and auditing practices to other fields is an inherently political process dominated by powerful interest groups key amongst of which are the Big Four accounting firms that now occupy the space of transnational players. They point towards the Big Four accounting firms as sites of professionalisation in which "... accounting practices are standardised and regulated, and where accounting rules and standards are translated into [institutionalised] practices, where professional identities are mediated, formed, and transformed, and where important conceptions of personal, professional, and corporate governance and management are transmitted" (Cooper & Robson, 2006, p.415). They argue that it is necessary to focus greater attention on the Big Four as they represent dominant players in the professionalisation of accounting and play an active role in the regulation (including standard setting within the profession). They believe that the extant literature has not given this area the attention that it deserves. The role of the Big Four in the diffusion of institutionalised accounting and auditing practices to new spheres of social life has been noted in earlier studies (Power, 1997).

4.1.1.3 Mimicry

Mimicry involves social actors "... leveraging existing sets of taken-for-granted practices, technologies and rules, if they are able to associate the new with the old in some way that eases adoption" (Lawrence & Suddaby, 2006, p.225). The aim is to leverage actor's familiarity and comfort with existing norms and practices and thus overcome any hesitation to adopting something that is new or alien.

For example, the Hayne and Free (2014) study discussed above, notes how COSO's ERM framework was introduced as a replacement to their existing Internal Control (IC) framework and which was being used by organisations.

However, environmental changes³¹ created heightened interest in risk and risk management amongst organisations. In order to keep up with these environmental changes COSO developed a new entity risk management (ERM) framework. Importantly, COSO argued that their IC was not being replaced but rather the IC was a springboard to the new ERM framework. The new framework incorporated many of the concepts and terms used in the previous IC framework. This also made the cost and risk of adopting the new framework lower for users.

A number of studies have pointed towards the importance of discursive strategies including analogies, similes, metaphors and rhetoric in bringing about institutional change (Etzion & Ferraro, 2010; Mills, 1940; Oaks, Townley, & Cooper, 1998; Suddaby & Greenwood, 2005; Suddaby, Saxton, & Gunz, 2015). For example, Etzion and Ferraro (2010), relying on an institutional entrepreneur lens, examine how the GRI used analogy (a type of discursive strategy) in their strategy of rapidly transforming their standards as globally agreed best practice in sustainability reporting. They highlight how at the initial stages the GRI focused on highlighting similarities between financial reporting and sustainability reporting as a strategy to secure legitimacy (Brown et al., 2009 also make similar observations). Later, the GRI focused less on highlighting similarities and more on expounding "... dissimilarity and incongruence with financial reporting" (p. 1093). Social actors deploy "naturalising analogies" to "... map a novel institution to the natural order of things, be it to physical (or metaphysical) reality or dominant taken-for-granted social practices" (p.1093).

Suddaby and Greenwood, (2005) connect the rhetoric strategies leveraged by accounting and law firms in their battle over the introduction of MDPs. The rhetoric strategies of accounting firms (proponents of MDPs) focused on highlighting the pragmatic legitimacy (Suchman, 1995) associated with the

³¹ Corporate scandals such as Enron triggered work on strengthening corporate governance (in the UK and SA and other countries) and publications by professional accounting bodies stressing the need for better risk management by organisations.

new organisational form (new institutional structures) and attempted to downplay any conflicts of interests or ethical issues that this may create. In comparison, the rhetoric strategies of law firms (opponents of MDPs) focused on highlighting how existing organisational structures (existing institutional structures) promoted moral and normative legitimacy (Suchman, 1995). Thus opponents of existing institutional structures relied heavily on words such as “core values” and “ethics” while proponents made frequent reference to “product”, “consumer”, “one-stop shopping”, and “consumer benefits”.

Battilana et al., (2009) note that discursive strategies involve articulating the existence of problems and the identification of existing institutions as the source of these problems. Subsequently, the need for change is highlighted and an alternative institutional structure, process or practice is presented as a viable solution. The aim is to simultaneously undercut the legitimacy of existing institutions whilst building support for new ones. The aim of these strategies is to secure legitimacy and resources necessary for change. However, the context in which institutional entrepreneurs operate affects the discursive strategies adopted. Thus institutional entrepreneurs operating in mature fields frame their discourse to appeal to the interests and values of dominant and well embedded field members. In comparison in emerging fields institutional entrepreneurs need to bring together actors with different interests by finding a common ground.

4.1.1.4 Educating

Educating refers to “educating of actors in skills and knowledge necessary to support the new institution or the new institutional form” (Lawrence & Suddaby, 2006, p.227). The introduction of new institutions or the transformation of existing institutions will involve innovation and the introduction of something which is new. In order to ensure that the new institution is a success, social actors will need to be educated with the knowledge and skills required to undertake new practices or engage with new structures.

The Sharma et al., (2014) study shows in order to introduce institutional change, senior management embarked on a program of training and educating existing managers in accounting and business routines and practices. The organisation operated an internal training function. Additionally, employees were encouraged to pursue tertiary education, the cost of which was reimbursed on the successful completion of the program. Internal seminars were run by the finance division in order to educate staff on accounting topics such as budgeting and capital expenditure evaluation. An accountant was recruited and allocated to each business unit manager. These accountants provide guidance and advice on matters of accounting using seminars and their day-to-day interactions which was previously not possible as the accounting function was centralised and did not engage with business unit managers.

Challenges with training and support in BRA were cited as one of the major challenges faced by financial audit firms in their efforts to introduce new financial audit methodology (Knechel, 2007). Questions were raised on how the new methodology would be implemented, who on the audit team would conduct the risk assessment, what would the evidence acquired mean in terms of audit risk and how would this evidence impact the audit opinion. Additionally, the new audit methodology required financial auditors to seek out evidence from sources outside the accounting function. This involved engaging with organisational members based in other parts of the organisation which financial auditors were less experienced and comfortable interacting with. While firms undertook training programs for their staff the author questions whether this was adequate given that previous less radical developments had failed due to the lack of training and support given to auditors.

Using an institutional lens Atkins, Solomon, Norton, and Joseph (2015) examine the practice of integrated reporting using interviews with investment managers based in the UK. They attribute the emergence of integrated

reporting has been attributed to specialist social investment managers gaining greater familiarity and understanding with financial reporting by attending private financial reporting meetings, while simultaneously mainstream fund managers began to develop greater familiarity and understanding of social and environmental reporting by attending private meetings focusing on social, environmental and governance issues.

Finally, from the literature review (chapter two) it was revealed how many SRMs (and other internal stakeholders) are new to sustainability reporting and will lack any formal training and education in this area (Adams & McNicholas, 2007; Ball, 2007; Belal & Cooper, 2011; Williams, 2015). Thus the failure of organisations to meet the requirements of sustainability reporting standards may be attributed, in part at least, to the lack of experience with sustainability reporting.

4.1.2 Maintaining institutions

The second category of Lawrence and Suddaby (2006) typology relates to work done by social actors in maintaining existing institutions. Lawrence and Suddaby (2006) argue that even amongst the most established structures, practices and processes there is a tendency for such institutions to slide towards entropy (Zucker, 1988). Thus there is a need for social actors to continuously act and re-act the routines and rituals that ensure that the institution remains alive (Lawrence, Winn, & Jennings, 2001). Additionally, work aimed at maintaining institutions is also viewed as repair work. Institutions exist within an environment which is continuously changing both at the organisational level and at a broader field level (Lawrence et al., 2013). Social actors need to develop tools and techniques with which they can use to motivate existing organisational members to continue to re-act the institutional routines and rituals. Social actors also need to engage and socialise new organisational members with the existing routines. Finally, efforts need to be directed at changing the institutions external environment in order to allow the institution to be assimilated into existing institutionalised

routines. Thus the act of maintaining institutions itself requires considerable skill and effort on the part of social actors. However, “despite the importance of this category of institutional work, it has gained relatively little attention” Lawrence and Suddaby (2006, p. 217). The three forms of institutional work under this category which are relevant to this study include enabling work, embedding and routinising and policing.

4.1.2.1 Enabling work

Enabling work refers to the “creation of rules that facilitate, supplement and support institutions” (Lawrence & Suddaby 2006, p.230). This also includes the creation of authorising agents or new roles to carry out the institutional routines. For example, the study by Brown et al. (2009) examining the institutionalisation of the GRI sheds light on the institutional work undertaken by social actors to maintain institutions. They highlight the key role played by the GRI secretariat ensuring that the interest in sustainability reporting and the GRI guidelines is kept alive. Their stakeholder inclusive approach to developing standards assisted in “... building a sense of shared ownership of the new rules and practices” (p. 571). Additionally, the process of developing new versions of the standard (G3, G3.1 and now G4) initiates a new round of stakeholder engagement, discussions and debates which provides “... a mechanism for maintaining the discussion well into the future” (p. 571).

A study by Suddaby et al. (2015), examined the adoption of social media (e.g. Facebook, Twitter, and LinkedIn) by the Big Four accounting firms. They note that accounting firms recruited social media professionals to take over the existing social media activities (run by internal committees) being undertaken within these firms. The recruited executives were afforded considerable freedom to set the social media strategies for the firm as the partners confessed that they had little experience of using social media for business purposes. These social media professionals were instrumental in “inculcation [embedding] of social media within the boundaries of the Big Five accounting firms” (p.66).

4.1.2.2 Embedding and routinising

Embedding and routinising is defined as infusing the normative foundations of an institution within the participant's day to day routines and the organisations practices (Lawrence & Suddaby, 2006, p.230). The relationship between rules and routines is explained by Burns and Scapens (2006). They Rules are defined as "formally recognised way in which things should be done" (Burns & Scapens, 2000, p.6). Rules assist in co-ordinating the work of groups of individuals and to provide coherence to their actions. When rules are followed repeatedly they gradually begin to program the behaviour of individuals to the point that knowledge takes on an increasingly tacit form as individuals monitor and reflect on their work. Over time this rule driven behaviour may become routines. Routines are defined as "the way in which things are actually done" (Burns & Scapens, 2000, p. 6). In the process of routinisation, the group may develop (deliberately or unconsciously) different ways of implementing the rules. Deliberate change to rules may occur if individuals resist the rules or because of the specific circumstances of the organisation. Unconscious change may occur if individuals misinterpret the rules or if the rules are inappropriate given the circumstances of the organisation. Over time, routines emerge, are reproduced and passed onto new members of the organisation. The opposite could also occur when routines, which deviate from existing formal rules or which emerge gradually (i.e. where never explicitly established through a set of rules), become embedded and gradually over time a set of rules are introduced to formalise the routine/s e.g. in a formal manual of procedures. The aim could be to avoid losing the knowledge of an employee leaves, to control the practice and to avoid unauthorised changes, and/or to facilitate training of new staff (Burns & Scapens, 2000). Thus rules may become routinised and similarly routines may over time become formalised in the form of rules.

Essentially embedding and routinising indicates that an organisational structure, process or practice has can become institutionalised i.e. the practice can, over time, come to underpin the "taken-for-granted" ways of

thinking and doing in a particular organisation (Burns & Scapens, 2000, p. 5; Greenwood et al, 2008; Mouritsen, 1993). However, not all behaviour patterns are institutionalised to the same extent (Tolbert & Zucker, 1996). Some institutions may have been around longer than others. Similarly, some institutions may enjoy more widespread support than others. Consequently, institutions that have not been around long or those that do not enjoy widespread support are more vulnerable to change and are less likely to influence the actions of social actors (Barley & Tolbert, 1997).

A study by Contrafatto (2014) examines the institutionalisation of social and environmental accounting and reporting (SEAR) in an Italian multinational company operating in the energy sector which was privatised. The study uses an institutional theory lens to study how new forms of accounting are incrementally infused within the day-to-day routines of the organisation. The process involved gradual formalisation and increasing “structuration” of rules and routines that were “progressively adopted in the organisation” (p.428). These rules and routines were then “enacted and reproduced” (Burns & Scapens, 2000, p.428) by organisational members. Later the organisation established an environment and safety department and a social responsibility function (enabling mechanisms). The establishment of these functions served to strengthen and reinforce SEAR within the organisation.

4.2.2.3 Policing

Policing is aimed at maintaining institutions by ensuring compliance achieved through enforcement, auditing and monitoring (Lawrence & Suddaby, 2006). For example, Garud, Jain, & Kumaraswamy, (2002) used an institutional entrepreneur lens to explain how Sun engaged in efforts to create and maintain their programming language Java as an institutionalised technological standard. Java was promoted by the developers as a platform that would allow competitors and vendors of complementary products easy access to the technology. However, Sun faced a number of challenges including those from Microsoft which Sun accused of breaching the Java

license agreement. Sun attempted to enforce its original envisioned model (and control) by initiating prolonged legal battle against Microsoft for infringing on their license agreement. Additionally, Sun introduced a suit of 5000 compatibility tests designed to ensure that Java applications developed by users were in conformance with their original planned model. While these moves were designed to maintain the uniformity of Java as a technological standard it created tension amongst Java partners and deterioration in the credibility/legitimacy of Java as an easy access technology. The case provides an excellent example of how social actors attempt to maintain/police their institutions but more importantly how these attempts are not always fully realised and will result in unexpected outcomes.

Within the context of this study, the primary objective of sustainability assurance is to enhance the credibility of published sustainability reports (Deegan et al., 2006b; Jones et al., 2014; Park & Brorson, 2005). SAPs are recruited to evaluate sustainability reports in order to ensure that these reports provide an reliable and balanced picture of the reporting entities sustainability performance. Sustainability standards such as the GRI guidelines encourage organisations to secure sustainability assurance as this will contribute towards improving the credibility of sustainability reports (Dando & Swift, 2003). Similarly, AccountAbility recommends that reporters subject their materiality assessment process to regular internal and external review (AccountAbility, 2013). Externally it should form part of the scope of the sustainability assurance engagement (AccountAbility, 2013 Adams, 2002; Adams, 2004; Adams & McNicholas, 2007; Beets & Souther, 1999). Thus SAPs perform an important policing role necessary in maintaining the institutional practice of sustainability reporting.

4.1.3 Disrupting institutions

Disrupting institutions is presented as the third and final category by Lawrence and Suddaby, (2006) in their typology of forms of institutional work. This category represents efforts of social actors at disrupting (or tearing down)

the functioning of existing institutions. The aim may be to simply remove the institution as it impacts/conflicts with their interests or because they support a new competing institution. The sub forms of institutional work in Lawrence and Suddaby's (2006) typology relevant to this study is disassociating moral foundations.

4.1.3.1 Disassociating moral foundations

This form of institutional work is aimed at disrupting "... institutions by disassociating the practice, rule or technology from its moral foundation as appropriate within a cultural context (Lawrence & Suddaby, 2006, p.235). The study by Garud et al. (2002) shows how Microsoft attempted to undermine the legitimacy of Java. Microsoft initially adopted a strategy of focusing on promoting their own competitor technology and essentially ignoring Java. However, with growing popularity in Java, Microsoft began to discredit Java by stating that it is not a revolutionary technology and that their product was superior. When this strategy also failed Microsoft retracted from their original position and licensed Java. However, Microsoft refused to accept Java as a revolutionary technology. "Sun referred to Java as the applications platform for the Internet, Microsoft sought to portray it merely as one of many programming languages that it employed, thereby downplaying its significance. In sum, Sun wanted Java to be at the apex of the hierarchy, whereas Microsoft wanted its Windows operating system to remain at the apex" (p.203). The case provides examples of how social actors attempt to delegitimise potential institutional technologies initially when competing against them.

A study by Sherer and Lee (2002) notes how the Cravath model (up-or-out system) was coming under increasing pressure as law firms struggled to find enough human resources to support their growing size. The technical logic of this institutionalised system was being called into question resulting in the erosion of its legitimacy and creating a need for institutional change. The large prestigious law firms took the initiative by introducing alternative

employment paths (senior and staff attorney tracks) for their employees. They successfully leveraged their position as elite's in their organisational field to present an alternative (a challenger institution) to the Cravath model. Later however, these alternative employments paths were simply incorporated into the existing Cravath system as opposed to replacing it outright. The case provides an example of how disruptive efforts may not result in the outright replacement of an institution. Instead in cases where there is a powerful institution alternative options may simply result in modifications to the existing system, which in this case made the Cravath model more flexible. Sherer and Lee (2002, p.116) note that "We believe that such change is often what marks institutional change. Indeed, the very term "institutional change" connotes the enduring qualities of an existing order and its ability to modify itself in ways that ultimately makes it more sustainable". Table 4.2 provides a summary of the examples of forms of institutional work from the extant literature.

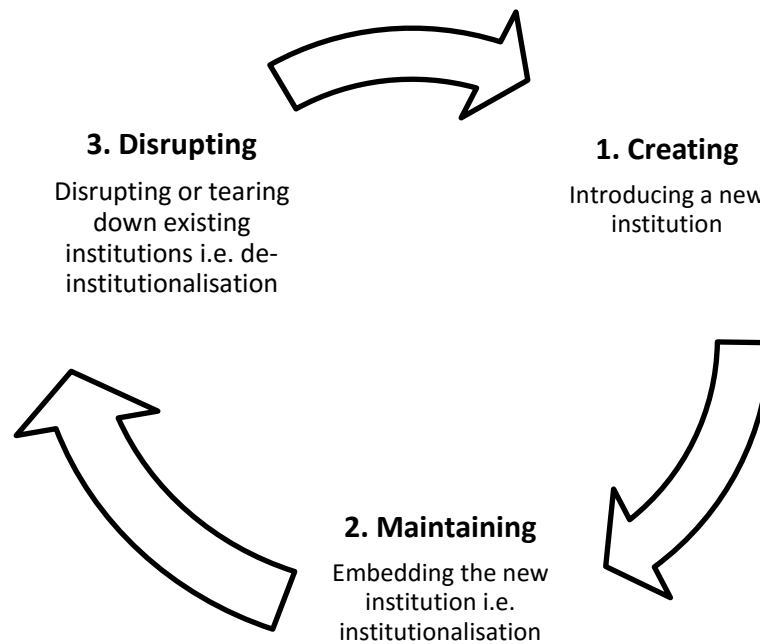
Table 4.2 Summary of examples of forms of institutional work from the extant literature

Forms of institutional work	Examples from extant literature
Creating: Advocacy	Lobbying, advertising, and litigation (whether run in house or outsourced to an external specialist supplier) Leveraging relationships with powerful social actors & key allies Developing alliances and mobilising key embedded agents Use of professionals and experts Mobilising tangible to bear the cost of introducing new institutional arrangements and to pay for the services of experts and professionals Mobilising intangible resources (e.g. social capital) to provide legitimacy to the social actors and the new institutional practice Appointing champions
Creating: Changing normative associations	Covert subtle approaches versus overt coercive measures
Creating: Mimicry	Use of discursive strategies including analogies, similes, metaphors and rhetoric
Creating: Educating	Formal training programs delivered through seminars and workshops (whether run in house or outsourced to external training provider) Recruiting experts/managers to guide and educate Attending meetings that focus on discussing a certain issue/s
Creating: Enabling work	Introducing rules to facilitate and support new institutions Creating new positions & roles
Maintaining: Embedding & routinising	Rules giving rise to routines and routines gradually becoming formalised into rules
Maintaining: Policing	Monitoring compliance using audit and assurance (whether run in house or outsourced to external assurance provider)
Disrupting: Disassociating moral foundations	Using discursive strategies to undermine the institutional efforts of competitors More overt attempts involve introducing new institutional arrangements as possible additional options as opposed to direct competitors of existing institutions

4.1.4 Relationship between forms of institutional work

These forms of institutional work are often linked in a cyclical relationship³² (Lawrence & Suddaby, 2006) as depicted in Figure 4.1.

Figure 4.1 Life-cycle of institutional work



Source: Developed based on Lawrence and Suddaby (2006)

However, it is also important to note that social actors may engage in more than one form of institutional work simultaneously (i.e. there exists an overlap between the forms of institutional work). For example, work on maintaining an institution may commence even while efforts towards creating the institution are still underway. This was the case in the Sun study where work aimed at maintaining Java as an institutional technology platform commenced almost simultaneously to when the programming language was introduced/created (Garud et al., 2002). The relationships between Sun and the various licensees, was continuously being re-negotiated and the institution recreated, while maintenance efforts were underway. Thus the life-cycle should not be

³² A similar cyclical relationship has been noted by Scott (2001) and Tolbert and Zucker (1996).

taken to represent stages with clear distinguishable boundaries in which a cut off from one stage/form of institutional work and the next can be identified. Instead the boundaries of each type of institutional work are porous with one form of institutional work bleeding into another. Lawrence et al. (2013) note that while previous studies have examined one particular form of institutional work less effort has been directed at understanding how social actors may engage in multiple forms of institutional within a single context thus contributing towards the understanding of the relationship between different forms of institutional work in more integrative models.

4.4 Research objective and research questions

The overarching research objective, guiding this study, is to understand how sustainability reports are prepared and assured. This involves understanding how SRMs prepare sustainability reports and how SAPs undertake sustainability assurance. From this overarching research objective the following three research questions are developed:

RQ 1: “What forms of institutional work do accounting and non-accounting sustainability assurance practitioners undertake as they compete against each other in the sustainability assurance market and how do these forms of institutional work influence the institutionalisation of sustainability assurance?”

This research question focuses primarily on the supply-side of the sustainability assurance market. The aim is to understand the institutional work (Lawrence & Suddaby, 2006) ASAPs and NASAPs undertake, why these practitioners adopt different forms of institutional work, and how these different forms of institutional work affect the institutionalisation of sustainability assurance (i.e. the scope and objectives of sustainability assurance engagements).

RQ 2: “What forms of institutional work do sustainability reporting managers undertake in their efforts to institutionalise sustainability reporting?”

This research question focuses on the phenomenon of sustainability reporting. The aim is to understand the forms of institutional work (Lawrence & Suddaby, 2006) SRMs undertake, the specific mechanisms they use to affect this institutional work and the challenges they face which impact their ability to carry out this institutional work effectively.

RQ 3: “What forms of institutional work do sustainability assurance providers undertake during the sustainability assurance engagement and what is the perceived impact of these efforts in promoting credible sustainability reporting and institutionalising sustainability assurance as a value added activity?”

This research question focuses primarily on the demand-side of the sustainability assurance market. The aim is to understand the forms of institutional work undertaken by SAPs during the assurance engagement, the mechanisms SAPs use to affect this institutional work, and the perceived impact of these efforts in promoting reliable and balanced sustainability reporting as well as institutionalising sustainability assurance as a value added activity.

4.5 Summary

The overarching research objective guiding this study is to understand how sustainability reports are prepared and assured. The aim is to understand the efforts of SRMs and SAPs as they attempt to establish/institutionalise the practices of sustainability reporting and sustainability assurance. The literature review (chapters two and three) also highlighted how sustainability reporting and sustainability assurance are new accounting technologies and as such are still in their evolutionary stages. The voluntary nature of these

practices leave them open to differences in approach i.e. how sustainability reports are prepared and how sustainability assurance engagements are undertaken. Thus both SRMs and SAPs have access to a number of different sustainability standards and guidelines which they can use in preparing sustainability reports and when undertaking sustainability assurance. These standards are being revised to reflect the evolutionary nature of these practices and as practitioners and regulators understand the issues better (Jamali, 2010). As a result, the rules of the game are not set and practitioners have a free hand to innovate and experiment with different approaches and models as they attempt to identify what works best for them. Thus given the nature of the overarching research question and the evolutionary nature of sustainability reporting and sustainability assurance the use of an institutional work perspective to understand the efforts of SRMs and SAPs is appropriate. This theoretical framework allows researchers to examine organisational practices as they develop and take form or shape. The concept of institutional work (Lawrence & Suddaby's, 2006) is based on the premise that intelligent and knowledgeable social actors pursuing their interests can affect institutional change by efforts directed at creating, maintaining, and disrupting institutions. Specifically, this study uses Lawrence and Suddaby's (2006) typology of forms of institutional work this study attempts to analyse the institutional work undertaken by SRMs and SAPs (including ASAPs and NASAPs) and how these efforts contribute towards the institutionalisation of the organisational practices of sustainability reporting and sustainability assurance.

The following chapter presents the research methodology and method used to conduct this research.

Chapter 5

Research methodology and method

5.1 Introduction

This chapter discusses the research methodology and method used in this study. The chapter is divided into 6 sections. Following the introduction, section 5.2 discusses the research methodology guiding this study. The section explores issues of ontology and epistemology and the characteristics of interpretive research. Section 5.3, then discusses hermeneutic theory, its three branches, and how this study uses a combination of philosophical and critical hermeneutics to guide the research. Following this, section 5.4 provides a detailed discussion of the research method used to collect and analyse the research data. Section 5.5 examines issues relating to trustworthiness (i.e. validity and reliability) and section 5.6 reviews ethical issues and how these have been addressed. Finally, section 5.7 closes the chapter with a brief summary.

5.2 Research methodology

A research methodology or research strategy can be defined as the broad or general approach adopted by a researcher when investigating phenomena (Creswell, 2014). The methodology a researcher adopts is influenced by the investigators research paradigm³³ (Burrell & Morgan, 1979; Denzin & Lincoln, 2013). A research paradigm is based on a set of assumptions which reflect the researcher's way of viewing the world or reality and knowledge (Burrell & Morgan, 1979; Chua, 1986; Denzin & Lincoln, 2013; Malmi, 2010). A number of different approaches to classifying research paradigms in social science are available (Chua, 1986). One approach is that offered by Burrell and

³³ Others such as Creswell (2014) prefer to use the term research philosophy or philosophical worldview over the term research paradigm which he argues has become more popular in recent years (Creswell, 2014).

Morgan (1979) who identify functionalist, interpretive, radical humanist, and radical structuralist as major research paradigms in social sciences. The Burrell and Morgan (1979) framework is based on objectivist-subjectivist approaches to ontology, epistemology, human nature and methodology. However, the framework has been criticised for encouraging the use of mutually exclusive dichotomies based on objectivism versus subjectivism whereas research paradigms should be viewed as existing on continuum³⁴ (Chua, 1986). Despite this the framework offers a simple and thus useful starting point for starting a discussion on research methodologies (Lukka & Modell, 2010). Table 5.1 provides a summary of the differences in the objectivist and subjectivist approaches to social science research.

Table 5.1 Summary of objectivist versus subjectivist approaches to social science research

	Objectivist	Subjectivist
Ontology	Realism	Nominalism
Human nature	Determinism	Volunteerists
Epistemology	Positivist	Anti-positivist
Methodology	Nomothetic	Idiographic

Source: Burrell and Morgan (1979)

5.2.1 Ontology and human nature

Ontology is the philosophical study of the nature of reality and what constitutes reality (Burrell & Morgan, 1979). Ontological questions explore being and deal with our beliefs relating to our being or existence (Koch, 1999). Realists view social reality or social phenomenon as a pre-existing stable entity external to social actors (Bryman, 2012; Chua, 1986). Thus social reality is entirely independent of the perceptions and actions of social actors (Braun & Clarke, 2013).

³⁴ Chua (1986) offers an alternative classification, modified from the Burrell and Morgan (1979) framework, which identifies interpretive, positivist, and critical research as three major paradigms in accounting research.

In comparison nominalists view social reality or social phenomenon as something internal and created through the perceptions and actions of social actors (Burrell & Morgan, 1979; Chua, 1986). Social reality is not viewed as a single external entity but rather multiple entities/realities which are in a constant state of flux as social actors change their perceptions of what reality is (Bryman, 2012). Thus reality is viewed as being dependent on the perception and actions of social actors (Braun & Clarke, 2013).

Assumptions relating to human nature concern whether people are free to make their own decisions or are the decisions and actions of people a result of the environment or situation in which they live in (Burrell & Morgan, 1979). The voluntarist's argue that people are in fact free to choose and decide. This freedom will lead individuals to pursue their best interests (Chua, 1986). The determinist's however argue that people's decisions are a consequence of their environment. Thus individuals have less choice and freedom to pursue their interests as they are constrained by their environment.

5.2.2 Epistemology and methodology

Epistemology concerns with knowledge and assumptions and beliefs around the nature of knowledge (Burrell & Morgan, 1979; Chua, 1986). Epistemological questions include how do we know our reality and what kinds of knowledge are legitimate and adequate (Koch, 1999). Positivists advocate the philosophical stance of natural scientists and believe that reality (and knowledge of reality) is hard and tangible. Positivists believe that only phenomenon confirmed through value free scientific inquiry (i.e. through traditional scientific inquiry) can be considered as valid knowledge. Positivist researchers develop hypothesis from theories which they seek to test using statistical analysis techniques. The aim is to explain relationships between variables, while controlling for other variables, through a cause and effect logic. Furthermore, the end product of positivist research resembles law-like generalisations similar to those produced by natural scientist (Bryman, 2012).

The anti-positivists however, do not believe in finding regularities that can be explained through the use of generalisable laws (Burrell & Morgan, 1979). They believe that the social world is relativistic and created through the perceptions of individuals (Burrell & Morgan, 1979). Anti-positivists are critical of applying the scientific model to the study of social phenomenon. Anti-positivists point towards a distinction between natural reality and social reality. They argue that knowledge of social reality or social phenomenon is subjective and acquired through experience.

Methodology concerns how the researcher can understand social reality (or social phenomena) and thus how knowledge can be acquired (Burrell & Morgan, 1979; Chua, 1986). A researcher's epistemological stance influences the methodology that is adopted. Thus positivists adopt a nomothetic approach to their research methodology. The idiographic view of knowledge is that the researcher must either experience the knowledge himself or must gain it from those who have experienced. As a result, the idiographic approach tends to be popular amongst anti-positivist researchers. In comparison a nomothetic view believes that only methods developed in natural sciences one can acquire the knowledge. Thus the nomothetic approach tends to be more popular amongst the positivists.

5.2.3 Interpretive research

Based on these assumptions Burrell and Morgan, (1979) identify four research paradigms in social sciences including functionalists, interpretive, radical humanist, and radical structuralists. This investigation is guided by an interpretive research paradigm. Interpretive accounting research developed in response to demands for greater research examining accounting practices within organisations (Chua, 1986; Hopwood, 1983). The aim was to examine accounting practices from an alternative perspective to that of mainstream positivist/functionalist or economically orientated mainstream accounting research (Parker, 2014) in which the researcher seeks "... to provide essentially rational explanations to social phenomena, based on objectivism"

(Lukka, 2010, p. 112). Similar, calls have been made by scholars in the field of sustainability reporting and sustainability assurance (chapter two and three) where existing studies have adopted a primarily functionalist/positivist approach (chapter two and three).

An interpretive paradigm has a strong subjectivist underpinning (Lukka & Modell, 2010) and is guided by a nominalist ontology (i.e. view of reality) and an anti-positivist epistemology (i.e. view of knowledge). This paradigm has been selected based on the scope and objectives of this research (Denzin & Lincoln, 2013). The objective of this investigation is to understand the institutional work (Lawrence & Suddaby, 2006) of SRMs and SAPs and how these efforts influence the institutionalisation of the phenomena of sustainability reporting and sustainability assurance. The aim is to understanding sustainability reporting and sustainability assurance by engaging with social actors directly involved in these practices (Blaikie, 2007; Crotty, 1998). The study is exploratory (Yin, 1984) and the phenomena under investigation are largely voluntary in nature (chapters one, two, and three). Finally, an interpretive research paradigm has the ability to support a range of theoretical lenses including organisational theories (Scapens, 2008) thus making it suitable for this research which adopts an institutional work perspective to analyse the research findings.

Interpretive accounting research involves interpreting the experiences of individuals with the aim of being to understand the phenomenon being investigated (Elharidy, Nicholson, & Scapens, 2008). The aim is to reconstruct the day to day actions and experiences of social actors who engage with the phenomena in question directly and as part of their daily lived experiences (Chua, 1986). Interpretive researchers view the world as socially constructed i.e. produced and reproduced through the actions and interactions of the social actors that inhabit or exist within that social reality. "Social reality is emergent, subjectively created, and objectified through human interaction" (Chua, 1986, p.615). Essentially, social reality is a

projection of human understanding i.e. humans construct their reality. Consequently, there can be no question of convergence in interpretations³⁵ (Lukka & Modell, 2010). This paradigm "... takes seriously the subjective meanings that people attach to things. This paradigm recognises that the world can be viewed as socially constructed" (Lukka, 2010, p. 112).

The goal of interpretive accounting researchers is to provide rich insights of the phenomena being investigated (Ahrens & Dent, 1998). Researchers of this paradigm "... embrace complexity, pluralism and diversity rather than abjure them. Interpretive researchers seek to explore organisational "processes, practices and behaviours from the inside [opening the so called black box of organisations] rather than simply observing them second hand and from afar" (Parker, 2014, p. 25). The aim is to capture and interpret the views and perspectives of social actor's that have experienced the phenomena through direct engagement with these social actors (Parker, 2014).

However, the interpretive paradigm identified by Burrell and Morgan (1979) is broad and contains a range of theoretical perspectives such as phenomenology, phenomenological sociology and hermeneutics. For the purpose of this investigation a hermeneutic theory of interpretation is used. The use of hermeneutics in interpretive interview based research generally (Geanellos, 2000; Michelle, 2001; Rennie, 2012; Tesch, 1990) and management sciences research more specifically (Robinson & Kerr, 2015) has been noted. Given that the aims of this research are to explore and interpret/understand the phenomena of sustainability reporting and sustainability assurance through the experiences of SRMs and SAPs a hermeneutic methodology is suitable for guiding the investigation.

³⁵ These views and beliefs coincide with the hermeneutic tradition as discussed in section 5.3.

5.3 Hermeneutics

The term hermeneutics comes from the Greek verb *hermeneuein* which means to interpret and the noun *hermeneia* which means interpretation (Michelle, 2001). Hermeneutics was originally developed for the interpretation of classical texts, biblical documents, and legal manuscripts (Rennie, 2012). Later, through the efforts of Schleiermacher (1768-1834) and Dilthey (1833-1911) the scope of hermeneutics was expanded to provide social sciences with a research methodology that supported the interpretation of all kinds of texts. Subsequently, through the efforts of philosophers such as Heidegger (1889-1976), Gadamer (1900-2002), and Ricoeur (1913-2005) contemporary hermeneutics was born (Rennie, 2012).

Hermeneutics is often described as both a theory of understanding and interpretation (Robinson & Kerr, 2015) as it offers researchers with a both a “philosophy of understanding” and a “science of textual interpretation” (Geanolles, 1998, p. 155; Walshaw & Duncan, 2015). As a philosophy of understanding (ontology) hermeneutic theory argues that humans experience the world through language and that this language serves as a medium through which understanding and knowledge is understood and communicated (Michelle, 2001). When individuals experience phenomena they make sense of that experience through language. This experience can then be written down in text form (e.g. interview transcripts) for researchers/interpreters to explore (i.e. read, interpret and understand). Subsequently, hermeneutic theory also offers researchers with a methodology (i.e. detailed tools and techniques) with which to interpret text such as interview transcripts (Robinson & Kerr, 2015).

5.3.1 Branches of hermeneutic theory

Hermeneutic theory can be divided into three main branches of romantic, philosophical, and critical hermeneutics. The following section provides an overview of these three branches and what distinguishes them before exploring the principles of the latter two, relevant to this study, in more detail:

5.3.1.1 Romantic hermeneutics

Romantic (also referred to as psychological or classic hermeneutics) is traced to the efforts of philosophers Schleiermacher and Dilthey (Leonardo, 2003). The defining feature of romantic hermeneutics is the desire to understand the original intention or intended meaning of the author of a text (Leonardo, 2003). Romantic hermeneuticists adopt an objectivist approach to the interpretation of text whereby the meaning within a text is claimed to possess an objective reality and which the reader attempts to reach through the hermeneutic process (Prasad, 2002). Schleiermacher (1985) argued that language (both speech and writing) were the product of an individual's thoughts (Schmidt, 2013). Thus hermeneutic interpretation involved a reverse process of working from a text back to the original author's thoughts.

Schleiermacher (1985) describes hermeneutics as the art of interpretation in which the aim is to understand correctly a text (Schmidt, 2013). However, this art was subject to certain rules or methods or techniques that must be followed. Consequently, Schleiermacher (1985) recommended interpreters use a dual strategy (or techniques) of grammatical interpretation (objective) and psychological interpretation (subjective) to understand the author's original meaning. The former involves the reader paying close attention to the words and grammar of the text (Rennie, 2012) with reference to the historic context of the author (Schmidt, 2013). However, a grammatical text alone is not sufficient to achieve a correct interpretation of the text (Schmidt, 2013). Thus readers must attempt to understand the entire/whole text. In order to do so readers must understand the life and personality of the author of the text i.e. psychological interpretation and the historic context of the speaker (i.e. the society to which the speaker belonged).

Thus romantic hermeneutics involves a cyclical movement of moving from the individual parts of a text (i.e. examining the words and grammar) to the whole text (i.e. examining the personality of the author). This is referred to as the Schleiermacher circle. However, in order to do so interpreters are required to

rely on empathy or empathetic understanding i.e. placing yourself in the shoes of the original author (Leonardo, 2003). This acts as a check against the positivist tendencies of forcing or imposing one's interpretation on the experiences of another individual. Later Dilthey, building on the work of Schleiermacher (1985), argued that hermeneutic interpretation involves the reader attempting to relive the experience/s of the original author of the text (Prasad, 2002).

5.3.1.2 Philosophical hermeneutics

While the aim of classical hermeneutics is to ascertain the correct meaning or understanding of a text this is not the case in modern or philosophical hermeneutics (Leonardo, 2003). This branch of hermeneutics is attributed to the efforts of philosophers Heidegger and Gadamer. Heidegger (1962) in his book "Being and Time" developed the ontological element of hermeneutic philosophy. Heidegger argued that interpretation or understanding is concerned with the issue of human existence. Gadamer argues that humans produce their reality (ontology) through a process of interpretation or understanding (Prasad, 2002).

Philosophical hermeneutics adopts a subjective and relativistic approach to interpretation (Schmidt, 2013). Gadamer argues that the goal of interpretation is not and cannot be to understand the original authors intended meaning. Nor is the aim to relive the experiences of others. Instead hermeneutic researchers must attempt to appropriate the experiences of others by understanding the meaning others attribute to their experience as contained within a text (Leonardo, 2003). Doing so requires the reader/interpreter entering into a dialogue or conversation with the text (i.e. the text as a subject as opposed to an object). This dialogue occurs through the hermeneutic circle (discussed in section 5.3.2). During this dialogue reader will rely on his/her pre-understandings. These pre-understanding were derived from the reader's personal experiences in the world and a critical part of the interpretation process to understand the meaning contained within a text (Geanolles, 1998).

Finally, philosophical hermeneutics rests on the belief that people tell us stories and that these stories contain their experiences of the phenomena under investigation (Koch, 1999). Thus interpretation requires faith i.e. believing the stories of the participants (in the form of written text) and accepting these stories as reality. However, this branch of hermeneutics is less concerned with developing the detailed or prescriptive rules/techniques to adopt in interpreting a text and focuses more on the philosophical issues involved in interpreting a text³⁶ (Prasad, 2002).

5.3.1.3 Critical hermeneutics

Philosophers of critical hermeneutics include Habermas and Ricoeur (Michelle, 2001). Habermas (1990) believed that it was necessary for interpreters to adopt a critical perspective when interpreting texts and which was missing from Gadamer's hermeneutic philosophy (Jahnke, 2012; Prasad, 2002). According to Habermas, Gadamerian hermeneutics failed to account for the use of language as a tool to support power structures and dominant ideologies within society (Jahnke, 2012). As a result, the only difference between classic and philosophical hermeneutics is that the former promotes interpretation designed to secure an author's original meaning whereas the latter argues in support of interpretation designed to understand the meaning of the text as distinct from its original author. Thus there was a need for interpreters to remain alert for hidden power imbalances and challenge the status quo during the interpretation process (Michelle, 2001).

Additionally, Habermas argued that it is only through critical self-reflection that a researcher is able to distinguish his/her productive/legitimate pre-understandings from unproductive prejudices. Thus Habermas, attempted to "... transform Gadamer's philosophical hermeneutics into critical hermeneutics" (Prasad, 2002, p. 22). For Habermas the aim of hermeneutic interpretation

³⁶ Furthermore, while early research in hermeneutics treated the concepts interpretation and understanding as two distinct concepts, with the advent of philosophical hermeneutics this distinction is no longer made and the two terms are used interchangeably (Prasad, 2002).

was to achieve an understanding that goes beyond what was explicitly stated within the text (Koch, 1999).

In an attempt to resolve the disagreements between critical/Habermas hermeneutics and philosophical/Gadamer hermeneutics, Ricoeur proposed that it was necessary for researchers to adopt the principles underlying both branches of hermeneutics (Prasad, 2002). In philosophical hermeneutics, when the researcher attempts to identify and remove unproductive pre-understandings from productive pre-understandings this exercise inherently rested on critical reflection. Thus there is a need for both the hermeneutics of faith³⁷ (i.e.) and the hermeneutics of doubt (i.e. critical reflection). However, in his efforts to reconcile the two branches of hermeneutics Ricoeur's builds on the work of Gadamer but also introduces certain changes or modifications of his own³⁸ (Jahnke, 2012).

This study adopts a combination of philosophical and critical hermeneutics to provide the methodological foundations for this study. In order to understand philosophical and critical hermeneutics further it is necessary to discuss the foundational principles of hermeneutic theory. These principles revolve around the concept of the hermeneutic circle:

5.3.2 The hermeneutic circle

The concept of the hermeneutic circle is central to hermeneutic theory (Geanolles, 1998). Interpretation and understanding in hermeneutics occurs through the hermeneutic circle. The concept is based on the premise that a whole or complete text comprises of a number of parts (paragraphs/themes and sentences). In order to understand the whole, the interpreter must understand the parts. However, in order to understand the parts, the interpreter must understand the whole. Thus understanding occurs with a

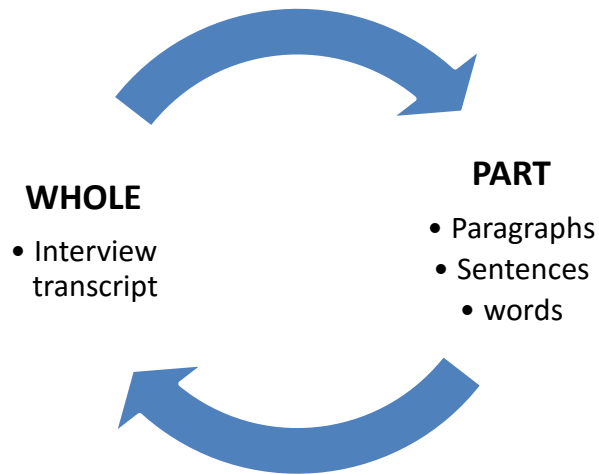
³⁷ Hermeneutics inherently involves trust as pre-understandings can never be done away with and also the reader must have faith in the stories contained within a text as reality.

³⁸ However, Prasad (2002) argues that the philosophical arguments of Habermas and Gadamer have more in common as they are based on an interpretive epistemology and ontology.

circular interpretive process which involves the researcher moving to and fro between the whole and the individual parts and from these individual parts back to the whole (Debesay, Naden, & Slettebo, 2008). This apparent contradiction also means that there is no correct starting point in hermeneutic interpretation (Geanolles, 1998).

For example, in order to understand a book/whole one must read and understand each chapter/part. However, in order to understand any one chapter/part it is necessary to read and understand the entire book/whole. Similarly, to understand any one chapter/whole within a book, one must read and understand the individual sections, paragraphs, and sentences/parts. However, in order to understand the individual sections, paragraphs, and sentences/parts of a chapter one must read and understand the entire chapter. Applied to this study the hermeneutic circle requires that in order to understand a single transcript/whole the researcher must understand the individual sections, paragraphs, and sentences/parts which comprise the transcript. However, in order to understand the individual sections, paragraphs, and sentences/parts of a transcript the researcher must read and understand the entire transcript/whole. Figure 5.1 provides a graphical depiction of the hermeneutic circle as applied to within the context of this investigation.

Figure 5.1 Hermeneutic circle as applied in this study



The following discussion explains the key elements in the hermeneutic circle.

5.3.2.1 Interpreters pre-understandings

Hermeneutic philosophy is also based on the premise that an interpreter never engages or encounters the world free from any and all pre-understandings (Debesay et al., 2008). Thus when a reader/interpreter approaches a text he/she does so while carrying with them certain pre-understandings (also referred to as prejudices or biases or preconceptions) gained from their experiences in life and existing knowledge (Charalambous, Papadopoulos, & Beadsmoore, 2008). As a result, a reader's interpretation will always be influenced by his or her pre-understandings. Thus in hermeneutic philosophy it is not possible to achieve the objective of value free interpretation (Jahnke, 2012).

However, for Gadamer these pre-understandings form a central part of the interpretation process (Prasad, 2002). Gadamer argues that every textual interpretation must begin with the reader reflecting on their existing pre-understandings (Geanolles, 1998). Thus instead of negatively influencing the researchers understanding these pre-understandings are perceived as

essential in assisting the reader understand a text. In order to explain this Gadamer argues that individuals understand their world, and their existence within this world through language, culture and history. Our history/the past influences the present/where we live. History and tradition is handed down to us and we in turn hand this on. In this way our history, culture and tradition influence the future and it also shapes or influences how we understand i.e. our consciousness (Geanolles, 1998). Furthermore, our culture, history, and the self are all captured in the form of language and text is a form of language.

These views are based on the ontological philosophies of Heidegger who argued that in order to understand the world one must be in or engaging with the world (Jahnke, 2012). This is referred to as or “thrownness” or “Dasein” in the German language. When human beings experience the world or immerse themselves in the world they begin to interpret and understand it or make sense of it. This engagement is a necessary condition to securing the truth/meaning. However, there is no such thing as a truth existing in some original meaning of a text (Jahnke, 2012).

However, Gadamer notes that an interpreter’s pre-understandings have both a positive element (i.e. play a necessary and critical role in understanding text) and a negative element i.e. can create bias leading to misunderstandings (Geanolles, 1998). For example, by simply relying on the dominant or popular beliefs relating to a particular phenomenon an interpreter has not adopted a scientific approach to the interpretation process. Consequently, researchers need to address their pre-understandings and attempt to filter out unproductive pre-understandings which potentially create barriers to understanding and ultimately leading to misunderstandings (Plager, 1994).

In order to filter out these unproductive pre-understandings Gadamer refers to the temporal distance between the text and the interpreter (Prasad, 2002). Early hermeneutic philosophers attempted to bridge or close this temporal gap. However, philosophical hermeneutics argued that the existence of a temporal gap is a necessary condition for achieving understanding. This

temporal gap acted as a filter allowing the interpreter to identify unproductive prejudices from productive ones. Furthermore, it is only when we engage with a text that clashes with our pre-understandings can we identify what our pre-understandings are in the first instance. Only then can we begin to separate productive from unproductive pre-understandings (Prasad, 2002).

For the purpose of this research chapters one, two, and three lay out the researcher's pre-understandings of the phenomena of sustainability reporting and sustainability assurance. Chapter four which contains the theoretical framework of institutional work (Lawrence & Suddaby, 2006) contains the researcher's pre-understandings related to how social actors (i.e. SRMs and SAPs) affect institutional change. In addition to this, it is worth noting that the researcher is an accountant by profession. After passing his ACCA³⁹ exams the researcher started his career training with an accountancy firm in the audit and assurance department. Here the researcher experienced first-hand the different types of assurance engagements (including the traditional financial audit) that are performed and the differences in the approach adopted. During the course of his training the researcher observed how organisations value the auditor's management report which highlights weaknesses and provides recommendations for improvement.

5.3.2.2 Authors intent and context of a text

The aim of modern hermeneutics is not to ascertain the intended meaning of the author of a text (Charalambous et al., 2008). Instead the text is perceived as standing disconnected and separate from its original author and so the author's intended meaning has no value. The text is open to interpretation by anyone and for any given number of readers (Shklar, 2004). As Gadamer notes both the text and the interpreter are situated in different socio-historic contexts (Jahnke, 2012). The text disconnected from its original author is located within a specific socio-historic context which the readers must

³⁹ The Association of Chartered Certified Accountants is a professional accounting body located in the UK.

consider when reading or attempting to understand the meaning within the text (Jahnke, 2012). The text carries with it its socio-historic context and is thus the other or foreign entity. It was created by an author living and experiencing a certain time. The reader may not hold or have the same traditions (i.e. the pre-understandings of the reader may differ from the context of the text). Thus there exists a gap or distance that separates the text from the reader. This gap may give rise to misunderstandings. However, Gadamer argues that this distance is a positive element and through pre-understandings readers are able to understand a text. Gadamer provides the analogy of sport in which the fan immersed in the game loses himself in the game. Thus hermeneutic philosophy argues that in order to reach the truth the reader must immerse himself in interpretation (Jahnke, 2012).

In comparison an emphasis on method designed to achieve the unobtainable objectivity will fail to achieve that condition of immersing oneself and thus fails to uncover any real understanding. In other words, to understand the text one must first lose oneself in the world of the text just as a fan loses himself in the game (Jahnke, 2012). Thus researchers need to define the research context and the higher the level of the research context the more comprehensive our understanding of the text will be (Prasad, 2002). According to Heidegger the aim of hermeneutic interpretation is to open up the world of the text and to project oneself on to that world (Charalambous et al., 2008). Thus Gadamer argues that the interpreter is reinterpreting history and tradition and attempts to deemphasise the problem of distance.

For the purpose of this study, the context of the text/research are set out in chapters one (new accounting technologies designed to support sustainability), two (literature on sustainability reporting), and three (literature on sustainability assurance) of this thesis. These chapters explore the literature on the use of new forms of accounting such as sustainability reporting and sustainability assurance as tools to monitor and control organisations sustainability performance.

5.3.2.3 Dialogic interaction, fusion of horizons and opening up new horizons

A reader can never understand what is within the mind of the original author or fully understand the past; nor can the reader escape his/her own pre-understandings derived from his/her experiences (Koch, 1999). However, the reader does share some things in common such as language, tradition and the world with the text and which is a common dimension that allows a fusion of horizons. According to Gadamer (1975) hermeneutic interpretation involves a dialogue between the text and the reader/interpreter (Robinson & Kerr, 2015). This dialogue allows meaning to emerge and at the same time will allow the text to pose questions to the reader thus forcing the reader to question his/her pre-understandings (Koch, 1999). This is described by Gadamer (1975) as the fusion of the horizons of the text (based on the context of the text) and the horizons of the interpreter (based on interpreter's pre-understandings) in an attempt to understand the meaning of the text (Debesay et al., 2008).

For Gadamer (1975) the horizon is defined as the range of visions available from a particular vantage point. The researcher's horizon is influenced by his/her pre-understandings. Through interpretation we seek to understand the meaning of a text. In doing so we may develop or open up new understandings which are different from our pre-understandings (Jahnke, 2012). Through the process of interpretation, the unproductive pre-understandings of the interpreter are revealed and removed. The interpreter develops new or fresh understandings and is able to identify new understanding horizons. These provide the interpreter with new perspectives with which to understand the phenomenon under investigation (Debesay et al., 2008). However, for this fusion to occur neither the interpreter nor the text's dialogue should be more dominant (Debesay et al., 2008). This is explained as interpretation of the text (epistemology) and self-interpretation (ontology). The process continues with each successive interpretation of the text yielding new insights and resulting in new perspectives and horizons of understanding. The hermeneutic circle

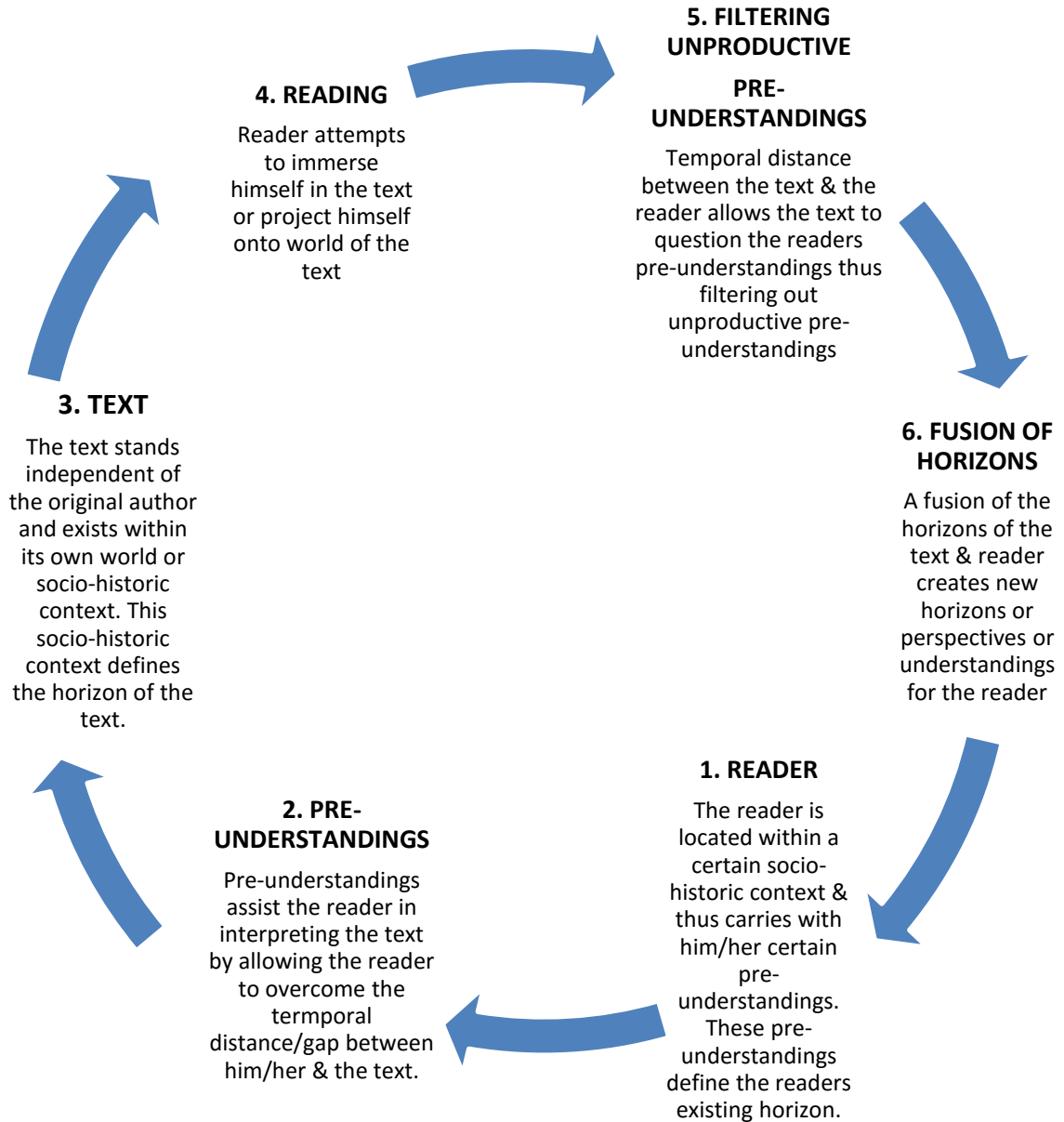
highlights the iterative nature of the interpretation process (Robinson & Kerr, 2015).

However, the hermeneutic circle should not be viewed as a vicious circle that will continue endlessly (Debesay et al., 2008). Rather each attempt at interpreting a text should provide a new understanding of that text. Through each cycle we acquire new understanding which are different from our pre-understandings thus opening up new horizons or new perspectives. For Gadamer (1975) the new understanding is not a better understanding but rather a different understanding that is acquired. According to hermeneutic philosophy there is no such thing as complete or final understanding and understandings can only be refined through a continuous process which leads to better understanding.

While interpretation within hermeneutics is never perceived as being final or complete, due to restrictions of time and resources, researchers cannot afford to continue endlessly refining their understanding and thus "... practical research must of necessity find a plausible endpoint" (Debesay et al., 2008, p. 59). Here the use of judgement is requirement on the part of the researcher. The researcher must assess whether one interpretation is more plausible than another. However, this exercise requires some yardstick against which we can evaluate. This yardstick in Gadamerian (1975) hermeneutics is tradition which is handed down to us and which we use to make sense of our reality. Tradition is not based on irrational grounds, is generally accepted by others and thus can act as an acceptable yardstick. However, tradition is created by society/humans and thus society/humans can change traditions. Thus tradition themselves are not in a state of stasis and over time changes.

For the purpose of this study the yardstick against which the researcher exercised judgement was the existing literature, the theoretical framework (as contained in chapters one to four) and the researchers experience in audit and assurance. Figure 5.2 provides a graphical depiction of how the above concepts come together in the hermeneutic circle.

Figure 5.2 The hermeneutic circle: Pre-understandings, authors intent and context of a text, dialogic interaction and fusion of horizons



5.3.3 Ricoeur's critical hermeneutics

The work of Ricoeur builds on those of Gadamer and Habermas. In doing so Ricoeur (1974, 1976, and 1981) introduces certain new concepts and modifications of his own. These are discussed below:

5.3.3.1 Explaining versus understanding

In romantic hermeneutics Dilthey associates the concept of explaining with the efforts of positivists and natural science, and the concept of understanding with anti-positivists social sciences (Gonzalez, 2006). This is because in human sciences we are concerned not with an object but rather human beings. Social science researchers cannot objectively analyse human beings but rather seek to understand them. Maintaining an objective distance is considered necessary in order to achieve the goal of explaining in natural sciences while removing this distance in an attempt to bring oneself closer to (or identifying with or belonging to) the other is necessary to achieve understanding of human beings.

However, Ricoeur disagrees with Dilthey arguing that such a dichotomous approach is useless and which he attempts to replace with a dialectic process (Gonzalez, 2006). Ricoeur argues that explanation and understanding are not two methods instead explanation is a method while understanding refers to comprehension (Jahnke, 2012). For Ricoeur comprehension can never occur without explanation and validity/objective analysis. Researchers should not focus purely on comprehension devoid of any reasoning or explanation. Instead researchers must use the de tour of explanation (and objective analysis) to reach their destination of understanding or comprehension. Thus there exists a dialectic tension between explaining and understanding.

Ricoeur argues that Heidegger fails to provide a solution on how an interpreter can distinguish between the truth and "popular opinions and surmises" (Gonzalez, 2006, p. 316). Ricoeur argues that there is a need for critical reflection in which the interpreter remains alert for ideologies and power structures supported by the language of the text. Heidegger according

to Ricoeur is focused on achieving understanding but without method or the rigour of method and thus appears to be more interested in the philosophy of sciences and not the methods of sciences (Gonzalez, 2006). Ricoeur views Heidegger's philosophy as promoting a continuous ascent towards the ontology of understanding being/existence without a corresponding descent towards the issue of epistemology as radical and troublesome. Rather there is a need for a dialectic check involving ontology and epistemology. "The ascent of understanding must always be complemented by the descent of explanation (Gonzalez, 2006, p. 317). In short Ricoeur proposes a fusion between Habermas's stress on the need for explaining in hermeneutics and Gadamer's argument in support of the need to understand in hermeneutics (Jahnke, 2012).

5.3.3.2 Distanciation versus appartenance

Similar to the dialectic tension between explaining and understanding Ricoeur also argues that there exists a dialectic tension between what he refers to as distanciation i.e. foreignness or alien and appartenance i.e. belonging or making one's own (Gonzalez, 2006). Ricoeur argues that we as human being are alone in our attempts to understand our purpose for existence or being in this world (Leonardo, 2003). This is an individual effort and is one in which we distance ourselves from others (i.e. distanciation). At the same time, we exist in this world with other human beings and thus we must attempt to interpret or understand others (i.e. appropriation). As discussed in Gadamerian hermeneutics we understand others as we share understanding of tradition, history, language, culture (Geanellos, 2000). By participating in the tradition we gain familiarity or appartenance. In doing so we attempt to bring ourselves closer to others (i.e. appartenance). Ricoeur argues there exists a dialectic between appartenance (i.e. near or familiar) and distanciation (i.e. far or alien).

Applying this dialectic to the interpretation of a text, Ricoeur's concept of distanciation results in the distancing of the text from its original author the

distancing of the text from its original audience and the distancing of the text from its context (Singsuriya, 2015). In order to understand this one must understand that for Ricoeur, interpretation that takes place during the reading of a text is different from interpretation that takes when two or more individuals are engaged in dialogue (Leonardo, 2003). The difference is that in the latter there is the opportunity for the individual listening to a speaker, to seek explanations for what was said. This assists the listener in understanding what the speaker is saying. However, no such opportunity exists when a reader is attempting to interpret a text. The reader does not have recourse to consulting the author of the text in order to seek to explanation for the author's intentions. The text is fixed and does not move or change unlike a conversation (Shklar, 2004).

However, for Ricoeur writing is superior to discourse as it overcomes the limitations of face-to-face dialogue (Gonzalez, 2006). Writing involves decontextualising discourse from its context i.e. the text is emancipated from the context of its creation and can then be read in different social, political, and historic etc. contexts (Geanellos, 2000). Additionally, this opens up the text to multiple interpretations by any number of readers (Geanellos, 2000). Researchers do not need to concern themselves with authorial intent i.e. understanding the original authors intended meaning. The aim then becomes appropriation of the texts meaning as opposed to the intended meaning of research participants (Palmer, 1969).

Subsequently, reading involves interpretation, an act which involves re-contextualising (also referred to as reconfiguring) the text in a different way (Gonzalez, 2006). This leads to belonging or "appartenance". In this way a dialectic is achieved and the two extremes of distanciation and appartenance are avoided.

5.3.3.3 Appropriating the meaning of a text

While it is not possible to transfer the lived experience of the original author (something which is inherently private) it is possible to transfer (appropriation)

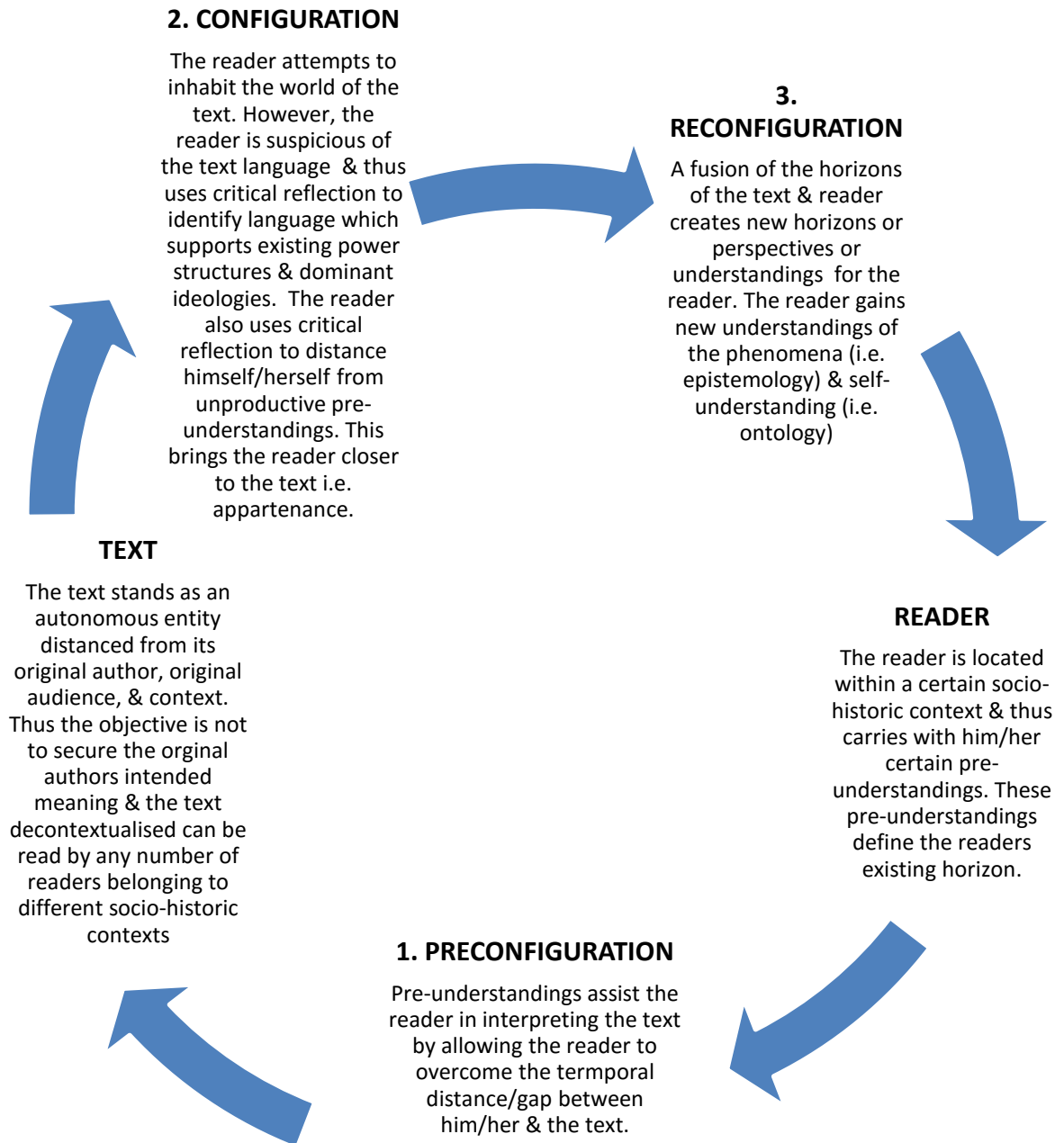
the meaning of the experience (Charalambous et al., 2008). Ricoeur describes appropriation/understanding as a three phase process involving prefiguration, configuration, and reconfiguration (Charalambous et al., 2008). Ricoeur uses the term configuration in order to highlight the dynamic nature of the interpretation process:

1. **Pre-configuration:** The reader approaches the text with a set of pre-understandings.
2. **Configuration:** Ricoeur's description of the hermeneutic circle involves the interpreter not projecting his beliefs or pre-understandings onto the text but rather allowing oneself to understand the world of the text (Leonardo, 2003) or allow the text to open up its hidden world/meaning (Jahnke, 2012) and through this process understanding oneself better (Leonardo, 2003). This requires distancing of the interpreter from his/her own unproductive pre-understandings. In order to do so researchers must critically reflect on how their pre-understandings are affecting their approach to collecting and analysing the data (Geanellos, 1998). Getting rid of one's unproductive pre-understandings allows the interpreter to receive (appartenance) as opposed to distancing oneself from the text (Jahnke, 2012).
3. **Reconfiguration:** finally, and through the process of interpretation, the reader will acquire meaning and understanding. This involves reconfiguration or appropriation in which the readers understanding or meaning of the text can go beyond what the author originally intended). Thus the two horizons co-exist (Geanellos, 2000). As a consequence, the horizon of the interpreter changes. This not only manifests itself in the form of gaining an understanding of the phenomena described with a text (i.e. epistemology) but also gaining a self-understanding i.e. understanding others through understanding self (i.e. ontology). Thus while Gadamer's circle and fusion of horizon is more inward centred. Ricoeur's spiral promotes both centring movement of reflection and a decentring motion of communication with others promoting potentially

via manifested and potentially rich interpretations (Jahnke, 2012). Ricoeur advocates the use of poetry and fiction to re-interpret and redescribe this world (Charalambous et al., 2008).

In this way Ricoeur recognises the relationship between epistemology (i.e. interpretation) and ontology (i.e. the interpreter) and Ricoeur's hermeneutic theory of interpretation achieves congruence between philosophy, methodology, and method (Geanellos, 2000). In summary Ricoeur develops an epistemology of interpretation. His focus is on the interpretation of text but which takes into account language. Thus while Heidegger focuses on being, Gadamer focuses on how beings understand, Ricoeur focuses on how text can be understood (Geanellos, 2000). Thus Ricoeur re-introduces the need for a method of interpretation i.e. a process or approach that can be used during interpretation. The use of Ricoeur's hermeneutic theory proves useful for interview based research (Geanellos, 2000) such as this one. Research interviews involve research participants communicating their lived experiences using language which is recorded in an interview, transcribed and then analysed/interpreted. As noted earlier individuals make sense of their experiences (and communicate this sense/meaning) through language. This experience is objectified in text form. Figure 5.3 provide a graphical depiction of the hermeneutic circle modified to include Ricoeur's concepts of critical reflection, distanciation and apparatenance and appropriation.

Figure 5.3 Hermeneutic circle modified to include Ricoeur's concepts



Section 5.3.3.3 concluded with a graphical depiction (Figure 3.1) of the hermeneutic circle modified to account for Ricoeur's hermeneutic theory of interpretation. The completion of each cycle/reading/dialogue results in the reader acquiring a new horizon of understanding. However, researchers will

need to engage in multiple readings/cycles in order to achieve more than just a superficial understanding of the text/phenomena (Singsuriya, 2015). While it is not possible to provide a set number of exactly how many readings will be required it is possible to break up the analysis of a text into three key stages as per Ricoeur's theory of interpretation (Singsuriya, 2015). These stages include:

1. Surface/naive interpretation: the initial reading/s of a text provide/s the reader with a superficial or naïve understanding of the phenomena (Geanellos, 2000). The first reading of any text is described in hermeneutic theory as being at best a guess of what the text means. Thus multiple readings are required in order to move beyond a mere surface interpretation of the text to a deeper understanding of the phenomena and the self. The reader attempts to delve deeper into the text identifying its parts, enlarging and deepening his/her understanding.
2. Structural analysis: this involves testing the initial understandings by subjecting them to validation tests (Geanellos, 2000). The interpreter conducts a structural analysis of the text. Such an effort is encouraged by Ricoeur who recommends that researchers take the long detour of explanation before they reach their destination of understanding. This can be done using a technique such as thematic analysis (Singsuriya, 2015).
3. Depth interpretation: this involves inhabiting the world of the text and rests on the concept of critical reflection in which the researcher attempts to distance himself/herself from their unproductive pre-understandings. For the purpose of this stage this study leverages the theoretical framework of institutional work (Lawrence & Suddaby, 2006).

Thus going through the hermeneutic circle (pre-configuration, configuration, and reconfiguration) multiple times takes the researcher gradually through

superficial interpretation to structural analysis to ultimately depth interpretation.

5.4 Research method

A research methodology is a broad strategy used to guide a research. Research methods, on the other hand, refers to the detailed tools and techniques used to collect and analyse data (Denzin & Lincoln, 2000; Creswell, 2014). The discussion now turns towards the detailed method used in this study. This section provides a detailed discussion of the research method used to collect and analyse the research data. The primary source of data used in this study comprises of semi-structured interviews. Consequently, this section discusses the process used to recruit interview participants, how the interviews were conducted, the use of the telephone and Skype in semi-structured interviewing and the analysis of the data collected.

5.4.1 Identifying interview participants

The interview participants (i.e. SRMs and SAPs) were intentionally selected based on their knowledge and experience of sustainability reporting and sustainability assurance (Silverman, 2010). The role of SRMs and SAPs (and their suitability for the research) was ascertained by the researcher during the initial correspondence with the manager during the recruitment stage. Such a sampling strategy is described as purposeful sampling (Patton, 2002) and is characteristic of interpretive research (Bryman, 2012). The sample of SRMs was restricted to those working in organisations based in Australia and New Zealand and who had experience in publishing an assured sustainability report. The term sustainability report covers both stand-alone sustainability reports and sustainability information published alongside other information in a single annual report. Only those organisations that had secured assurance over their reports and had done so in recent years (i.e. 2012, 2013, or 2014) were selected. The sample does however include organisations that may not have secured assurance over the entire contents of their sustainability report

(referred to as partial assurance). For example, some organisations may procure assurance over 3 sections out of 5 of their sustainability report. It was decided that this in itself was an interesting point worth further investigation and thus these organisations were investigated. Additionally, organisations were not discriminated on the basis of sustainability reporting standard used to prepare the sustainability. Thus some organisations have prepared their sustainability report using GRI G3 while others may have adopted GRI G4. Additionally, some organisations in the sample may have requested their SAPs to provide assurance over their application of the AA1000APS while others may have not. Similarly, the sample of SAPs includes assurance practitioners operating in the Australian and New Zealand sustainability assurance market during the years 2012, 2013 or 2014.

Within these two broad categories, a diverse range of organisations are found to exist. Sustainability reporters include large multinationals corporations (MNCs), small to medium sized enterprises (SMEs), listed entities, non-listed entities, private sector organisations, and public sector organisations. These organisations operate across a diverse range of sectors including banking and finance, mining and exploration, power generation, business consultancy and telecommunications. Further details of these organisations cannot be provided as the researcher has assured participants of anonymity. Similarly, the range of sustainability assurance providers includes both ASAPs (representing global accounting firms) and NASAPs (comprising of specialist sustainability consultancies, certification firms and engineering consultancies).

The objective behind selecting a diverse range of organisations (both reporters and assurance practitioners) was to secure diverse perspectives which would allow the researcher to gain a more comprehensive understanding of the phenomena of sustainability reporting and sustainability assurance to be understood better. For example, some organisations were mature and in the process of publishing their tenth sustainability report. In comparison other reporters were still struggling to move from biannual to

annual sustainability reporting. Interviewing SRMs based in both types of organisations allowed the researcher to understand the phenomena from the perspectives of experienced and inexperienced SRMs. Similarly, covering organisations based in Australia and New Zealand allowed the researcher to examine organisations at different stages of maturity. For example, the KPMG (2011, p.4) study states that organisations based in Australia are “leading the pack” (i.e. relatively mature) compared to organisations in New Zealand which are “starting from behind”.

In terms of assurance some organisations had secured assurance for a number of years and had experience with both ASAPs and NASAP. In comparison other reporters had received assurance for the first time. This allowed the researcher to compare differences in approach to sustainability assurance both from the perspectives of those receiving assurance (i.e. SRMs) and from the perspectives of different types of assurance providers (i.e. ASAPs and NASAPs). In short a diverse research sample focusing on SRMs and SAPs (i.e. purposeful sampling) was selected based on the aims of the research, the research questions and the nature of the phenomena being investigated (Lillis, 2008). The objective was to “... bring the accounting technique [i.e. practices of sustainability reporting and sustainability assurance] to the foreground of analysis, leaving the organisational dimension in the background” (Ahrens & Dent, 1998, p.3). Thus this approach was considered more suitable and thus given preference over conducting in-depth engagement with a single or handful organisations.

5.4.2 Recruiting interview participants

Three routes were used in combination to recruit SRMs and SAPs. The first involved accessing potential interview participants through the researcher’s supervisory panel (Bryman, 2012; O’Dwyer et al., 2011). This allowed the researcher to gain access to 2 ASAPs based in New Zealand. The second can best be described as snowball sampling (Patton, 2002) in which the researcher was introduced to new interviewees through existing study

participants. This gave access to 2 NASAPs (based in Australia), 2 ASAPs (1 based in New Zealand and the other based in Australia) and 2 SRMs (1 based in New Zealand and the other in Australia). The third route involved recruiting participants “directly” via a three step process described below:

Step one: An internet search revealed that the GRI website maintains a free database of sustainability reports (GRI, 2015). This database is maintained by the GRI in partnership with KPMG (a global Big Four accounting firm) and thus could be relied on to provide an accurate picture of reporters. The database maintains a record of both sustainability reports prepared according to the GRI guidelines and those that have been prepared using other local or international standard/s (or no standard). The database also indicates whether a sustainability report has been subject to external assurance and the name and type of SAP that provided assurance. Finally, the database provides a list of potential SAPs operating across the world. Thus this database was used by the researcher to identify reporting organisations and SAPs operating in Australia and New Zealand and which had publishing an assured sustainability reports or offering sustainability assurance services to this market during 2012, 2013 or 2014.

A second source, “Corporate Register” was also identified through the internet search. Corporate Register is a UK based organisation and states on its website that it is the largest online source of corporate responsibility reports in the world (Corporate Register, 2014). Thus a similar search of sustainability reporters was undertaken using the Corporate Register website. The result did not reveal any new reports and thus the results the GRI database was considered comprehensive.

Step two: Once the relevant organisations had been identified the researcher then had to identify the relevant manager (i.e. SRM and SAP) responsible for managing the sustainability reporting process or undertaking sustainability assurance. In some cases, the name and contact details of SRMs or SAPs was disclosed on the organisations website or in the sustainability report.

Often however this information was not available from these sources in which case it was necessary to contact the organisations' corporate office via telephone and/or email and explain the purpose of the call and request to speak to the relevant manager.

Step three: Contact with SRMs and SAPs was established through a combination of telephone and email communication. However, it was observed that telephone invitations provide a more effective approach to recruiting participants than the written invitations such as emails, letters or faxes (Stephens, 2007; Burke and Miller, 2001). Contacting potential participants via telephone allowed the researcher to undertake a pre-interview telephonic conversation⁴⁰ (Hermanowicz, 2002).

5.4.2.1 Pre-interview telephonic conversation

A pre-interview telephonic conversation allows researchers to achieve two objectives. First, it offers an opportunity for the researcher to “sell” the project. The researcher can immediately address any concerns and/or misunderstandings that the participant may have thus putting participants at ease (Irvine & Gaffikin, 2006). A lack of time, aims of the research, data confidentiality, and participant anonymity were identified as the major concerns of manager interviewees (Chapple, 1999; Nassar, et al., 2011). These were addressed by explaining to participants how the purpose of the research was not to find fault with their organisations practices but rather to understand/learn how they undertake a particular process. Managers were also informed that they did not need to answer questions they were not comfortable answering. Additionally, all participants were emailed two documents, namely a participant information sheet (outlining the participant rights, including data confidentiality and anonymity), and a participant consent form, to comply with standard research procedures (Chapple, 1999).

⁴⁰ The pre-interview telephonic conversation can take place when contact is first made with the participant (i.e. at the recruitment stage) or alternatively participants who have been invited to participate via email (whether they have accepted or not) can be encouraged to further discuss the study over the telephone (Hermanowicz, 2002).

Informing organisational managers of data confidentiality and participant anonymity was found to be particularly effective in overcoming individuals' reluctance to participate.

Second, the pre-interview telephonic conversation allows researchers to converse with participants in a friendly yet professional manner (Glogowska, et al., 2011). The aim is to pique participants' interest and build rapport prior to the interview. This can be relatively easy to achieve as the research topic (sustainability reporting and sustainability assurance) represents the managers' (SRMs and SAPs) day-to-day work. It was something that these managers were engaged in, facing challenges with and felt passionately about (Trier-Bieniek, 2012). Leveraging this interest, the researcher would state how he was interested in learning about "what was going on", "what you guys are doing", "you're pioneers in the field" and "I want to get your experiences and perspectives". Additionally, the researcher attempted to leverage the participant's sense of altruism (Cachia & Millward, 2011; Irvine & Gaffikin, 2006). Participants were informed on how their contribution was important to research conducted and how this research would benefit others (Chapple, 1999; Glogowska, et al., 2011). The researcher argued how "the academic community relies on the support of the business community to promote knowledge and learning". Consequently, at the conclusion of the interview participants often would ask and remark: "Was this helpful?", "Good!", "I'm glad I could help!" and "If you have any other questions feel free to flick me an email!" Finally, participants were also informed that the findings of their research would be shared with them. Thus participation in the research and sharing their knowledge would be beneficial for them (Irvine & Gaffikin, 2006). Many participants expressed interest in reading the findings of the research "I look forward to reading your findings".

However, the researcher found that the use of cold calling/telephone invitations requires considerable effort (Burke & Miller, 2001). A number of calls may have to be made before participants are willing to participate

(Chapple, 1999). Consequently, the researchers had to be extremely organised and will need to maintain a log of who was called and the result of that call (Burke & Miller, 2001).

Email communication

Alternatively, other participants were contacted through email. In this case participants were provided with information on the aims of the research, data confidentiality and participant anonymity, estimated time required, and a broad outline of the questions that would be asked. Thus, the email was acting as a substitute for the pre-interview telephone conversation. The email was brief and carefully worded to convey positivity, professionalism, and friendliness. Providing a broad overview of the aims of the research and a general outline of the questions allows participants to think about their answers and ultimately provides a richer set of data (Burke & Miller, 2001). The contact details of the researchers were also provided and interviewees could take comfort in the experience of the researchers supervisory panel. Often the researcher would exchange numerous emails with a participant prior to the interview. This also served to build rapport with interviewees (Deakin & Wakefield, 2014; Seitz, 2015). Consequently, the researcher had to continuously monitor emails in order to provide a quick reply to interviewees who have questions regarding the research or who wish to reschedule the interview.

Negotiating interview time

Interview times varied, with some participants willing and able to allocate more time than others (Burke & Miller, 2001). The researcher observed that it was necessary to negotiate the time allocated to the interview with managers. For examples, a manager communicated (via email) that she was scheduling 30 minutes for the interview. The interviewer replied "I was hoping for 1 hour but I can live with 45 minutes". The interviewee replied "let's go for 1 hour". Another manager explained that while organisations allow their employee's time to participate in academic research this would usually be limited 2 to 3

hours in a year. Furthermore, the interviewee remarked that they receive many requests to participate in academic research each year therefore they had limited time for the interview. While a busy manager may be able to give 30 minutes to the interview “now”, the same manager may be willing to allocate more than an hour in two months’ time when their workload is more manageable. Thus researchers need to be flexible when recruiting managers for interviews. Another strategy used by the researcher was to request reluctant participants to allocate “30 minutes or so” for the interview. Interviewees generally enjoy explaining their work during an interview and these interviews eventually often lasted 45-60 minutes.

5.4.3 Semi-structured interviews

Of these the interview has become established as a pillar in interpretive research (Cooper & Schindler, 2008; Hermanowicz, 2002; Qu & Dumay, 2011) and is the preferred mode of data collection for research which is aimed at understanding the views, perspectives and experiences of individuals (Rowley, 2012). However, interviews vary significantly in their structure (Bryman, 2001; Rubin & Rubin, 2006). At one extreme is the structured interview in which the interviewer exercises a relatively high control over the interview conversation while at (Rowley, 2012). At the opposite end of the continuum are unstructured interviews in which there is a relatively low level of control over the interview conversation (Rowley, 2012). Within these two extremes falls the semi-structured interview; also with significant variation (Rowley, 2012). This involves interviewer asks interviewees multiple ‘main’ questions focusing on one or a multiple of closely related themes or topics (Fontana & Frey, 2005; Rowley, 2012). The questions are open-end and ordered according to the flow of the conversation (Bryman, 2012). These main questions are then supported by a number of probes and prompts designed to dig deeper and extract rich and more in-depth data.

The semi-structured interview is a popular data collection tool in interpretive research (Alvesson & Deetz, 2000) and drives its popularity from its ability to

provide the researcher with a flexible data collection tool “capable of disclosing important and often hidden facets of human and organisational behaviour” (Qu & Dumay, 2011, p. 246). Semi-structured interviews have been used by researchers in the field of sustainability reporting (Adams, 2002; Adams & Frost, 2008; Adams & McNicholas, 2007; Ball, 2005; Ball, 2007; Ball & Craig, 2010; Bellringer et al., 2011; Farneti & Guthrie, 2009; Greco, et al., 2015) and sustainability assurance (Gillet, 2012; O'Dwyer, 2011; O'Dwyer et al., 2011). This data collection instrument is encouraged as it allows the researcher to explore the complexities of the phenomena being investigated (Smith et al., 2011).

5.4.3.1 Interview style

The semi-structured interview facilitates a conversational interview style in which the pace and ordering of questions can be modified according to the flow of the interview conversation (Kvale & Brinkmann, 2008; Silverman, 2013). This allows interviewees to develop their own responses based on how they think and using their own language. This allows the researcher to understand the phenomena through the eyes of the interviewee. The aim is to have a “great conversation” involving a natural free flowing conversation, as opposed to a superficial encounter (Hermanowicz, 2002). The researcher attempted to sound friendly and relaxed but at the same time giving the impression of a professional and serious academic researcher (Burke & Miller, 2001; Glogowska, et al., 2011). Interview questions were read out in a conversational tone avoiding awkward pauses (Burke & Miller, 2001).

5.4.3.2 The interview guide

Semi-structured interviews follow an interview guide which contains a set of broad themes that need to be addressed in the interview (Qu & Dumay, 2011). A well thought out interview guide helps to build rapport with interviewees who feel comfortable opening up to the researcher (Braun & Clarke, 2013; Hermanowicz, 2002). Two separate interview guides for each sub group (i.e. SRMs and SAPs) were developed (Gubrium & Holstein, 2003).

The interview guide for SRMs focused on (Appendix 1):

1. How is the sustainability report prepared? SRMs were asked to reflect on their previous years reporting cycle and explain the various stages of the reporting process (including the stages in which they interacted with the SAPs).
2. What is the impact of the sustainability assurance engagement? SRMs were asked to share their experiences and perspectives on the impacts arising from sustainability assurance.

The interview guide for SAPs focused on (Appendix 2):

1. How do you conduct the sustainability assurance engagement? SAPs were asked to discuss the various stages of the assurance engagement (including standards used and the scope of engagements).
2. What is the impact of the sustainability assurance engagement? SAPs were asked to share their experiences and views on the impact of the sustainability assurance engagement on reporting organisations.

These main questions were supported by a series of probes and prompts (discussed below). The conversational style meant that the interview guide was used in a flexible manner (Silverman, 2013). Departures from the guide are inevitable and encouraged (Bryman, 2012). The interviewer has the freedom to change the flow of questions and to field new questions in pursuit of new sub-topics that are identified during the conversation (Flick, von Kardorff, & Steinke, 2004). The idea is to carefully listen to the interviewee and adjust the interview guide according to the conversation as opposed to rigidly adhering to the guide (Mealer & Jones, 2014; Trier-Bieniek, 2012). The aim was to execute a natural free flowing conversation which is loosely guided by the interview guide (Hermanowicz, 2002). Consequently, this study organised the interview conversation into stages/themes with one stage/theme naturally leading/flowing into another (Hermanowicz, 2002;

Kvale & Brinkmann, 2008). The individual questions were then sequenced to take the interviewee from one stage/theme into the next.

Starting off the interview

The following approach was used to start off the interview with both SRMs and SAPs:

- Hello/hi! How are you?
- Let me put you on speaker!
- Let me start off by saying, thank you again, for taking time out of your busy schedule to participate in this study!
- We in the academic community rely on the support of the business community to learn and find out what's going on! Your participation is greatly appreciated!
- So if you're ready can we start?

This approach offers an effective way to break the ice and kick start the conversation (Hermanowicz, 2002). The researcher expresses gratitude to interviewees and combines formal and informal words (and tone of voice) to communicate in a polite and respectful manner the researcher interest in hearing what the interviewee has to say.

The first question asked was kept simple and easy to answer (Hermanowicz, 2002). This approach was adopted with both SRMs and SAPs:

- “So if we can start off with a bit about yourself, your background and role in the organisation, and we'll take it from there”?

This main question was supported by the following sub-questions/probes and prompts for SRMs:

- “How many sustainability reports has your organisations published?”

- “What sustainability reporting standard was used in preparing the sustainability report?”
- “What is the difference between GRI G3 and GRI G4?”
- “When did you start to receive sustainability assurance?”
- “Who (ASAP or NASAP) undertakes your sustainability assurance?”
- “What sustainability assurance standards do they use?”
- “What is the difference between AA1000AS and ISAE3000?”

Using simple personal questions encourage interviewees to talk about themselves (e.g. their background and work/role) and is an effective technique in building rapport as well as gaining important background data (Cachia & Millward, 2011; Kvale & Brinkmann, 2008; Mealer & Jones, 2014).

The conversation then moved to the main question of the research. For SRMs this was:

- “Can you walk me through the process you use in preparing a sustainability report? Take me through the various stages from the start till the end, including when you’re engaging with the sustainability assurance providers?”

For SAPs this was:

- “How do you undertake the sustainability assurance engagement? What are the stages in the sustainability assurance process?” Can you walk me through the various stages from the start till the end?”

Here the researcher observed that while some interviewees provided a very detailed description of the entire process others would need to be probed in order to get more detailed information (Burke & Miller, 2001). Researchers should use the initial stages of the interview to familiarise interviewee with the depth of answers required through the judicious use of probes (Cachia &

Millward, 2011). Thus the main question was supported by sub-questions/probes and prompts such as:

- “When does your sustainability reporting process start?”
- “Do you have a kick off meeting and if so can you tell me about that meeting and who attends that meeting and what is discussed?”
- “When do you bring on the SAPs?”
- “Do you write the sustainability report or do people within the organisation write it and send it to you for review and editing?”
- “What was the purpose of the SAPs site visit?”
- “Were there management interviews?”
- “Was there a close out meeting with the assurance providers?”
- “Did the assurance providers present their findings to the board of directors?”

Following on from this researcher’s next question to both SRMs and SAPs was:

- “What in your opinion is the impact of the sustainability assurance engagement?”

The question was kept broad to allow the interviewee to explore their own perspectives on how the sustainability assurance engagement impacted their organisation (Bryman, 2012). Furthermore, the sequencing of the questions is designed to ensure that this question/stage of the interview was only discussed after the interviewee had described their process. This was a stage of the interview in which interviewees experienced more difficulties. Under such circumstances, the researcher should politely persist (Hermanowicz, 2002). This can be done using probes as well as rephrasing questions, often using different voice tones. Persistence is also a way of showing your interest. In this study the probes used at this stage include:

- “What changes did you experience as a result of the sustainability assurance engagement? Big or small, formal or informal?”
- “Does the sustainability assurance engagement assist in raising the profile of sustainability reporting?”
- “What was the impact of the sustainability assurance engagement on the information system?”
- “What was the impact of the sustainability assurance engagement on your materiality assessment?”
- “What was the impact of the sustainability assurance engagement on your materiality assessment?”
- “What was the impact of the sustainability assurance engagement on your sustainability report?”
- “What was the impact of the sustainability assurance engagement on your sustainability strategy and broader corporate strategy?”
- “What recommendations did your assurance providers give you?”
- “What recommendations did you implement?”
- “Which recommendations did you not implement?”
- “Why did you not implement those recommendations?”
- “Can you provide an example?” This was an especially effective probe and was used often. Examples help to focus the answers of interviewees and provide excellent extracts to include during the write up stage of the research.

Ending the interview

The interview was concluded in the following manner:

- “Well I’ve run out of questions to ask! Is there anything else, any point that you feel is important, that I may have missed that you think should be included in the research?”
- “Thank you, this was really helpful! I’ve got some good points here!”

This allowed the researcher to end the interview on a positive note with the interviewee (Hermanowicz, 2002). These “clean up question” allow participants to raise issues that are important to them and may have been missed (Kvale & Brinkmann, 2008). Thus clean up questions can trigger useful unanticipated data.

At the conclusion of each interview, the researcher sought to reflect on the interview conversation (Hermanowicz, 2002). The aim was to recall key issues and identify further areas to probe either in follow up questions (that were emailed and/or discussed over the telephone at a subsequent date) and/or to ask other participants in future interviews. The interviewer needs to reconsider the order of questions for future interviews. The interviewer should also identify better ways of asking questions including tone of voice, use of formal and informal language, and the pace of the interview.

The interviews were recorded on a digital audio recorder. A smart phone used as a secondary recording device and acted as a failsafe if the audio recorder malfunctioned. At the end of each interview the recording was immediately saved onto a computer. The audio files on the recorder and mobile phone were immediately deleted as these can be lost or stolen. Backups of the digital audio files were created in case the computer crashes. The computer and/or files should be password protected in order to ensure that the data remains confidential (Mealer & Jones, 2014). Furthermore, an excel file summarising the details of each interview e.g. date, start and end time, duration, names, comments, interview mode, location (if face-to-face), follow up queries etc. was created. This file was updated at the conclusion of each interview.

5.4.3.3 Summary of interviewees

A total of 50 interviews were conducted between February 2014 and August 2014. 35 of the interviews were SRMs and 15 comprised of SAPs (including ASAPs and NASAPs). The 50 interviewees comprised of 41 participants based in Australia and nine in New Zealand. The interviews were conducted

using a combination of interview modes. Thus 43 interviews were conducted over the telephone, one was conducted using Skype audio⁴¹ and six were conducted on a face-to-face basis. Out of the 50 interviews conducted, 48 were undertaken on a one-to-one basis. Of the remaining two, in one interview (i.e. SRM13) the SRM's colleague requested to participate in the interview as it provided an opportunity to the manager to learn more about the organisations sustainability reporting process. The participation of this manager in the interview was minimal and therefore the interview was treated as a one-to-one interview. In a second interview (i.e. SRM28) three managers (belonging to the same organisation) were interviewed in a single group interview. These managers stated that there was a time constraint and therefore it was not possible to interview them separately. The managers comprised of an SRM, the SRMs line manager and a content provider responsible for providing some of the data and information to the SRM for inclusion in the sustainability report. An analysis of the interview transcripts revealed that the vast majority of the interview questions were answered by the SRM alone. The process of interviewing was concluded when a level of "theoretical saturation" was achieved (Bryman, 2012). This refers to a situation in which collecting new data does not provide the researcher with new theoretical insights or new dimensions to identified themes.

The SRMs interviews varied between 29 and 99 minutes with an average time of 60 minutes. The 35 SMRs worked in 30 organisations. 25 of these 30 organisations were based in Australia and the remaining five in New Zealand. Three SRM interviews were conducted on a face-to-face basis, one using Skype audio and the remaining 31 using telephone. Table 5.2 provides a summary of SRM interviews.

⁴¹ The term Skype audio refers to the use of the communication software "Skype" that allows internet users to communicate via audio and/or visual modes. In this case Skype was used for a audio only interview thus making this effectively a telephone interview.

Table 5.2 Summary of SRM interviews

Organsi- ation	SRM ref code	Designation	Loca- tion	Interview mode	Inter-view length (min)
1	SRM1	Sustainability coordinator	AU	Telephone	68
2	SRM2	Consultant	AU	Skype	32
3	SRM3	Senior manager - Government relations & corporate responsibility	NZ	Telephone	66
	SRM4	Senior manager - corporate sustainability and financial inclusion	AU	Telephone	72
4	SRM5	Sustainability Analyst	AU	Telephone	49
	SRM6	Communications consultant	AU	Telephone	68
5	SRM7	Head of sustainability & foundation	NZ	FtoF	62
6	SRM8	Manager sustainability strategy	AU	Telephone	62
7	SRM9	Director sustainability	AU	Telephone	63
8	SRM10	Environmental stewardship lead, strategic planning	AU	Telephone	57
	SRM11	Corporate communications & engagement advisor	AU	Telephone	47
9	SRM12	Sustainability manager	AU	Telephone	43
10	SRM13	Carbon and sustainability	AU	Telephone	49
11	SRM14	Chief Operating Officer	AU	Telephone	37
12	SRM15	Manager sustainability	AU	Telephone	53
13	SRM16	Sustainability specialist	AU	Telephone	70
14	SRM17	Manager sustainable development	AU	Telephone	47
15	SRM18	Sustainability Analyst	AU	Telephone	81
16	SRM19	Sustainability manager	AU	Telephone	29
17	SRM20	Public affairs manager	NZ	FtoF	88
18	SRM21	Corporate communications	NZ	Telephone	57
	SRM22	Head of people & culture operations	NZ	Telephone	37
	SRM23	Advisor corporate communications	NZ	Telephone	49
19	SRM24	Environment manager	NZ	FtoF	102
20	SRM25	General council & company officer	AU	Telephone	54
21	SRM26	Sustainability and community partnerships manager	AU	Telephone	78
22	SRM27	Implementations specialist: External engagement	NZ	Telephone	53
23	SRM28	Sustainability Coordinator	AU	Telephone	60
		Sustainability communications consultant			
24	SRM29	Director sustainability Sustainability advisor - reporting & Chief sustainability officer	AU	Telephone	41
25	SRM30	Corporate responsibility performance	AU	Telephone	47
26	SRM31	Sustainability consultant	AU	Telephone	60
27	SRM32	Group manager environment	AU	Telephone	99
28	SRM33	Manager corporate affairs	AU	Telephone	53
29	SRM34	National manager - safety and environment & sustainability manager	AU	Telephone	80
30	SRM35	Group communications and sustainability manager	AU	Telephone	90

A total of 15 SAPs were interviewed. The duration of these interviews varied between 48 to 97 minutes with an average time of 63 minutes. Of these 3 interviews were conducted on a face-to-face basis while 12 were conducted over the telephone. The 15 assurance practitioners worked in nine different organisations, six based in Australia and three in New Zealand. Of these five were NASAPs and four were ASAPs (i.e. organisations). All interviews were conducted on a one-to-one basis. Table 5.3 below provides a summary of the interviews conducted.

Table 5.3 Summary of SAP interviews

Organisation	ASAP/NASAP	Designation	Location	Interview	Interview
1	NASAP1	General	AU	Telephone	69
	NASAP2	Senior	AU	Telephone	66
	NASAP3	Principal -	AU	Telephone	57
2	NASAP3	Manager	AU	Telephone	48
	NASAP4	Corporate community investment director	AU	Telephone	59
3	ASAP1	National head of climate change and sustainability	NZ	Telephone	70
4	NASAP6	Associate	AU	Telephone	87
	NASAP7	Head of	AU	Telephone	70
5	NASAP8	Principal	NZ	FtoF	63
6	ASAP2	Senior	NZ	FtoF	97
	ASAP3	Partner – audit	NZ	FtoF	55
7	NASAP9	COO &	AU	Telephone	54
	NASAP10	Senior	AU	Telephone	56
8	ASAP4	Associate director - climate change & sustainability services	AU	Telephone	62
9	ASAP5	Climate change and sustainability services	AU	Telephone	60

Further details of interviewees cannot be provided as participants were assured of their anonymity. The following section reviews the literature

comparing telephone (and Skype) against the traditional face-to-face mode in semi-structured interviews.

5.4.3.4 The use of the telephone & Skype

Semi-structured interviews are traditionally conducted on a face-to-face basis (Novick, 2008; Qu & Dumay, 2011). This 'natural encounter' is often seen as necessary for the interviewer to build and maintain rapport with interviewees to enable the gathering of rich in-depth data (Gillham, 2005; Hermanowicz, 2002; Shuy, 2003). During face-to-face interviews, interviewees' body language and physical environment can also add to researchers' understanding (Bryman, 2001; Fontana & Frey, 2005; Gillham, 2005; Sweet, 2002).

A telephone interview in contrast is defined as a strategy for obtaining data which allows interpersonal communication without a face-to-face meeting (Carr & Worth, 2001, p 512). The idea of using the telephone, with its lack of visual contact is shunned by traditionalists as an inferior data collection instrument that is not suitable for use in in-depth interviews (Gillham, 2005; Hermanowicz, 2002). However, researchers who have evaluated and compared the telephone against the face-to-face interview mode do not provide empirical evidence to support these arguments.

For example, in a study aimed at understanding the experiences of individuals visiting family members in jail, Sturges and Hanrahan (2004) compared data acquired through 21 semi-structured face-to-face interviews with 22 telephone ones. The study found no difference in the number, the nature, or the depth of responses. The researchers experienced no difficulty in building rapport with telephone interviewees and conclude that the telephone and face-to-face interviews provide data of comparable quantity and quality. Similarly, Deakin and Wakefield (2014) in their study share their experience of conducting Skype and face-to-face interviews. They argue that they faced no difficulty in building rapport with their study participants and that the level of rapport achieved was comparable to their face-to-face interviews.

As Tucker and Parker (2014), find that researchers often avoid telephone and Skype interviewing because they are unfamiliar with the technology. These researchers accept that if they used Skype more frequently they may develop a familiarity and comfort with the technology.

These findings are supported by numerous other studies (Burke & Miller, 2001; Cachia & Millward, 2011; Carr & Worth, 2001; Chapple, 1999; Glogowska, Young, & Lockyer, 2011; Frey, 1983; Holt, 2010; Irvine et al., 2012; Novick, 2008; Mealer & Jones, 2014; Opdenakker, 2006; Seitz, 2015; Stephens, 2007; Sturges & Hanrahan, 2004; Trier-Bieniek, 2012; Tucker & Parker, 2014; Vogl, 2013). Indeed, this study would not have been possible if the telephonic interview was not an option. Challenges of time and cost in travelling to many different business sites can be prohibitive (Sturges & Hanrahan, 2004; Stephens, 2007) and managing these with other work commitments may preclude multiple trips to conduct interviews, and international travel can be costly and complicated. Thus proponents of the telephone argue that traditionalists present an unsubstantiated bias (Novick, 2008) against the telephone which offers the interpretive researcher with a versatile tool for data collection with tremendous potential (Carr & Worth, 2001).

Initially interview participants were offered the option of either a telephone or Skype interview. The majority of participants however preferred the telephone over Skype. Furthermore, the experience of using Skype “audio” was not encouraging⁴². Despite both the interviewer and interviewee being based in developed countries (New Zealand and Australia) with access to reliable internet connections, the quality of the Skype call/internet connection fluctuated during the interview. Although this did not cause a disconnection or impact the communication process the interviewer concluded that given the unreliable nature of this communication tool, this interview mode should not be used.

⁴² The term Skype audio is used to refer to a Skype call in which the video option is switched off.

5.4.4 Data analysis: thematic analysis

The data analysis stage follows the principles of philosophical and critical hermeneutics as discussed in section 5.3. The analysis followed the three phases of surface interpretation, structural analysis, and depth interpretation (Singsuriya, 2015). Each stage adopted multiple runs of the hermeneutic circle (Figure 5.3 in section 5.3.3.3) with the researcher going through the stages of pre-configuration, configuration, and reconfiguration (Charalambous et al., 2008).

However, before the researcher could undertake a reading of the text it was first necessary to transcribe the audio interviews and prepare transcripts which could be then read and analysed. The job of transcribing the interviews was undertaken by researcher himself (Bryman, 2012). Although this was an intensive and time consuming effort, it played a key role in bringing the researcher closer to or familiarising himself with the data.

It is important to note that transcription is in itself an interpretive process (Kvale, 1996). In converting audio data into textual form the researcher must consider how the transcription will be undertaken i.e. what to transcribe and what to leave out (Braun and Clarke, 2013). For example, one approach is to transcribe the complete interview verbatim. Another approach is to transcribe only relevant extracts from the interview i.e. a summary of important/relevant sections of the interview. Additionally, the researcher must consider if pauses, expressions of emotion etc. will also be included in the transcription. The approach adopted depends on the research question, objectives and methodology as well as the resources available to the researcher (Braun & Clarke, 2013).

In this study interviews were transcribed by the researcher verbatim (Miles, Huberman, & Saldana, 2014). This helped bring the researcher closer to the data. Furthermore, verbatim transcripts allow the researcher to go back and read the transcript in order to understand the context in which the statement was made during the interview. However, pauses and expressions of emotion

were excluded. This information was considered less important as the research aims were not about examining issues of a personally sensitive nature in which pauses and expressions of emotion would be considered useful data.

However, verbatim transcription is a time consuming process and researchers need to allocate sufficient time this exercise (Braun & Clarke, 2013). Thus in this study the researcher would commence transcription as soon as the interview was concluded. This encouraged the researcher to reflect on the interview and improve the quality of subsequent interviews. Additionally, immediately starting transcription assisted the researcher in familiarising himself with the data. Finally, in order to ensure that transcription was accurate the researcher checked the transcription against the audio recording.

5.4.1 Superficial analysis

Once the interviews have been transcribed these transcripts were read and re-read in order to get a sense of what is happening and to develop a deeper understanding of the phenomena under investigations (Creswell, 2014). Reading and re-reading allowed the researcher to inhabit the world of the text and to appropriate the meaning of the experiences of SRMs and SAPs. The researcher attempted to enter into a dialogue with the text in an attempt to delve deeper into the meaning of the text and understanding of the phenomena.

The researcher attempted read and thus engage in dialogue with the text. This reading involved the researcher immersing himself in the world of the text. However, each interview transcript was unique as it was prepared by a different research participant (i.e. SRM or SAP). Participants working in different organisations, facing different circumstances, and approaching their work (i.e. preparing a sustainability report or performing sustainability assurance services) in different ways and thus were experiencing the phenomena of sustainability reporting and sustainability assurance differently.

Thus it was necessary to read and understand each text as a different and unique understanding of the phenomena.

The researcher's pre-understandings (discussed section 5.3) were based on his readings of the existing literature on sustainability reporting and sustainability assurance, the theoretical framework of institutional work (Lawrence & Suddaby, 2006) and his own personal experiences as a financial auditor (i.e. pre-configuration). In hermeneutics these pre-understandings are critical in overcoming the temporal gap/distance between the researcher and the text (i.e. interview transcripts). Thus when reading the text, the researcher adopted a critically reflexive approach as recommended by Ricoeur. The aim is to remain alert for both un-productive preunderstandings (arising from the existing literature and personal experiences of the researcher) and language which supports existing power structures and dominant ideologies.

However, and as noted in section 5.3, the initial reading/s of a text provide/s the reader with a superficial or naïve understanding of the phenomena (Singsuriya, 2015). The first reading is at best a guess of what the text means. Thus multiple readings are required in order to move beyond a mere surface interpretation of the text to a deeper understanding of the phenomena and the self. The reader attempts to delve deeper into the text identifying its parts enlarging and deepening his/her understanding.

5.4.2 Structural analysis phase

Thus following the initial transcription and reading and reading the researcher progressed to the structural analysis phase (Singsuriya, 2015) of Ricoeurs hermeneutic theory. This stage focused on analysing the individual parts of the text. However, hermeneutics is flexible and does not stress on the need to use any one particular method for data analysis (2002). A range of techniques are available to facilitate data analysis including content analysis, thematic analysis and grounded theory (Miles et al., 2014). This study relies on thematic analysis as the primary technique for analysing the data. This

technique is compatible with the principles of hermeneutics (Koch, 1999; Rennie, 2012; Singsuriya, 2015). The use of thematic analysis has been noted in other studies in the field of sustainability reporting and sustainability assurance (Jones & Solomon, 2010) and is widely used in interpretive research (Bryman, 2012).

The aim of thematic analysis is to identify patterns of meanings within data (Braun & Clarke, 2006; Miles et al., 2014). Thematic Analysis is an inherently inductive approach to the analysis of data in which the researcher identifies and groups the data into a set of topics or themes which themselves are grouped in a higher or primary set of themes (Creswell, 2014). The inductive nature of the inquiry results in the gradual emergence of a set of themes which can be used to answer the research question (Flick et al., 2004). These themes comprise the individual parts that together describe the phenomenon under investigation. This study was loosely guided by the six stages outlined by Braun and Clarke (2013). A summary description of these stages is provided in Table 5.4.

Table 5.4 Stages in thematic analysis

Stage	Description of stage	Explanation
1	Familiarise yourself with the data	Familiarise yourself with the data/text by reading and re-reading Done through transcribing and reading the data.
2	Generate initial codes	Code words or short sentences.
3	Search for themes	Group codes into themes and subthemes.
4	Reviewing themes	Review themes going back to the research objectives, literature, and theoretical framework.
5	Defining and naming themes	An ongoing process of refining the specifics of each theme.
6	Produce the report	Use quotes from the text during the write-up stage.

Source: (Braun & Clarke, Using thematic analysis in psychology, 2006)

Coding involves assigning a name/label, often in the form of a word or short sentences that captures the essence of the piece of data that it represents (Strauss & Corbin, 1998). The process of coding data is an interpretive act as different researchers will undertake the process in different ways (Miles et al.,

2014). There are generally two types of coding strategies (Creswell, 2014). The first involves developing codes based on the literature i.e. a deductive coding strategy. The researcher uses this pre-determined set/list of codes when analysing the interview transcripts. These codes may be supplemented with new codes that are identified from the transcripts and that have not been anticipated at the start of the study. An alternative more traditional approach is to allow codes to emerge from the data (Strauss & Corbin, 1998). This approach was adopted in the current study. The approach is more inductive than the previous and involves the researcher reading and reflecting (decoding) assigning codes (coding) to sentences and paragraphs within the transcripts (Miles et al., 2014).

During the coding stage the researcher made use of the data analysis software “Atlas ti 7” was used to facilitate the coding of interview transcripts (Miles et al., 2014). The software supports researchers during the process of code creation, editing code names, maintaining a code database, retrieving codes from the database, collapsing multiple codes into a single code, tracing codes to transcripts, and finally grouping codes into categories/themes and sub-themes for analysis (Appendix 3 & 4). However, while the software greatly enhances efficiency by assisting in coding and data management the researcher must still labour through the entire process.

However, some features of the software were avoided. For example, Atlas ti offers users with a feature in which codes are generated by the software automatically using the first few words in the passage (sentence/s or paragraph/s) highlighted by researcher for coding purposes. While this may reduce the time taken to create codes, the names allocated are often meaningless. Importantly, the researcher distances himself from the analysis process which affects the quality of the research (Hardy & Bryman, 2009). Consequently, the coding was undertaken manually as this allowed the researcher to get closer to the data/text and also allocate codes names that made sense within the context of the study.

After the data had been coded the researcher attempted to develop themes (Braun & Clarke, 2013). This is done by categorising the codes i.e. grouping codes into categorising. A theme captures something important about the data in relation to the research question (Braun & Clarke, 2013). These are referred to as “families” in the Atlas ti software. These families reflect the themes and sub-themes explored in the interview (Braun & Clarke, 2013). Family names/labels were developed based on the issue being discussed in the interview (Miles et al., 2014). These issues related to the themes/topics that were discussed during the interview.

Braun and Clarke, (2013) recommend that researchers review their themes to ensure that they are still valid. Thus themes may need to be removed, integrated/merged, or renamed. This requires tracing the themes and sub-themes back to the research question, research objectives, the literature review, and the theoretical framework. This is a two and fro process in which themes gradually emerge and sync. By grouping the codes/data into themes the researcher is able interpret or draw meaning out of what is happening (Bryman, 2012).

5.4.3 Depth interpretation

Once the coding was complete the researcher took a step back to read and think about what was going on and how it could be written up. The researcher attempted to adopt critically reflexive approach and distance himself from his unproductive pre-understandings. Subsequently, began entered the write up stage of the research. This conforms to the depth interpretation phase of Ricoeur’s hermeneutic theory. The process involves re-configuring the meaning of the text and in doing so going beyond the intended meaning of the original author.

Here the researcher experimented with a number of different approaches before honing in on the most appropriate. During this stage it was observed the researcher had to return to the families/themes to refine the codes, themes, and subthemes (Braun & Clarke, 2013). Again the software Atlas ti

facilitated this process allowing the researcher to create new families/themes, change the names of existing families/themes, and move codes from one family/theme to another.

During the write up stage the researcher attempted to select vivid and compelling extracts that relate back to the original research question (Braun & Clarke, 2013). The themes were analysed in light of the literature review and the theoretical framework guiding the study (Bryman, 2012). The aim was to weave together these themes using the interpretive methodology guiding the research. However, it is important to note that in interpretive research such as this one, the process of data collection, analysis, and writing often occur side-by-side as the researcher goes back and forth from the data to writing (Silverman, 2013). Furthermore, each reading or each hermeneutic cycle opens up new horizons for the reader, challenging existing pre-understandings and forcing the researcher to review the research findings.

5.5 Trustworthiness

It is important for interpretive researchers to strike a "... balance between the creative, and perhaps even aesthetic, aspects of research and the need to establish (or to provide the means for establishing) a sufficient level of trust and confidence in research findings" (Modell & Humphrey, 2008). Thus interpretive researchers need to ensure that their work meets the requirements of validity, reliability and objectivity. However, terms such as trustworthiness, authenticity and credibility are more popularly used in interpretive research (Creswell, 2014; Maxwell, 1992).

However, before these are discussed, it must be noted that in hermeneutic philosophy one cannot claim that their interpretation is complete, final or fully realised (Geanellos, 1998). Rather interpretation is perceived as a never ending process with each successive attempt at interpreting a given text leading to new and additional insights or understanding. Additionally, there is no such concept as a best or most optimal interpretation of a text or the

existence of one meaning to which all can agree. Texts are characterised by multiplicity (i.e. layers of meaning) and plurality (i.e. contain multiple meanings) thus leading each interpreter, each with their own uniquely different pre-understandings, to draw different yet equally valid meanings from the same text (Geanellos, 1998; Taylor, 1971). For example, Schleiermacher, Wojcik, and Haas, (1978) point out that a word has synonyms which while similar in meaning also contain within themselves multiple other meanings. In this way the interpretation of different individuals from a single text can never be the same.

As Gadamer states, understanding is only required when there is an absence of understanding. When undertaking interpretation for the purpose of seeking understanding, one must be willing to expose oneself to the possibility of misunderstanding (Leonardo, 2003, p. 332). Misunderstanding is a natural part of the interpretation process. "A reading that does not risk misunderstanding is not a hermeneutical reading at all" (Leonardo, 2003, p. 333). The only way to avoid the risk of misunderstanding is not to read the text.

For example, Lincoln and Guba (1985), state that the trustworthiness of an interpretive study can be evaluated by establishing credibility, transferability, dependability, and confirmability. The meaning of these terms and how they can be used to evaluate the quality of a research is set out in Table 5.5.

Table 5.5 Evaluating qualitative research

Criteria in quantitative research	Criteria in qualitative research	Description	Strategies used to achieve criteria
Internal validity	Credibility	Ensuring that there is “truth” in the findings.	Prolonged engagement Persistent observation Triangulation Peer debriefing Negative case analysis Referential adequacy Member checks
Reliability	Dependability	Ensuring that the findings are consistent and could be repeated.	External audit Audit trail
Objectivity	Confirmability	Ensuring that the findings are not affected by the researcher’s bias i.e. the researcher acted in good faith.	External audit Audit trail Triangulation Reflexivity
External validity	Transferability	Ensuring that the findings can be applied to other contexts.	Thick descriptions

Source: Lincoln and Guba (1985)

The term thick rich description was first coined by Ryle, (1949) and later used by Geertz (1973). This refers to describing the phenomena in detail in order to allow the reader the opportunity to assess for themselves if the findings of the study can be transferred to their particular circumstances (Ahrens & Dent, 1998; Bryman, 2012; Lincoln & Guba, 1985; Lukka & Modell, 2010). This study has attempted to achieve this by providing a detailed description of the institutional work (Lawrence & Suddaby, 2006) of SRMs and SAPs. Furthermore, extracts from transcripts further enrich the findings and assist the reader in understanding the phenomena.

While providing sufficient excerpts from the text allows the reader to evaluate the researcher’s interpretations, disagreements on interpretation between the reader and the researcher does mean that the researcher has drawn an incorrect interpretation (Geanellos, 1998). This is because each individual interpreter is unique and influenced by their pre-understandings which yield

different interpretations. Differences in interpretation are allowed and there is no need for interpretive agreement. Thus different understandings of a phenomenon are acceptable in hermeneutic research (Shklar, 2004). Instead interpretive diversity is encouraged as this, in a dialogic approach, promotes better understanding of the phenomena, while interpretive agreement in their quest for uniformity can stifle improvements in understanding. This philosophical view is in line with Gadamer who believes that interpretation is an ongoing process that never comes to a conclusion.

Prolonged engagement requires spending sufficient time in the field in order to better understand the phenomenon under investigation (Lincoln and Guba, 1985). This involves interviewing a range of social actors and also developing rapport with interviews in order to encourage them to provide rich in-depth accounts of their experiences. This study attempted to engage with a large number of organisations, based in Australia and New Zealand that had published an assured sustainability report. Similarly, this study secures the perspectives of both ASAPs and NASAPs. Additionally, NASAPs covered include both local specialist sustainability consultancies and larger global certification providers. This provides a rich diverse set of data for analysis.

In terms of rapport the researcher used rapport building strategies used include the pre-interview telephonic conversation (at the recruitment stage) and a conversational style (during the interview itself). Additionally, by ensuring participant anonymity and data confidentiality interview participants were keen to participate in the study and share their insights. The success of the researcher in building rapport can be evaluated in the fact that the participants introduced the researcher to potential other recruits i.e. snowball sampling (section 5.4.2). Reflexivity was achieved by reflecting on each stage of the research process (Lincoln & Guba, 1985) and is characteristic of Ricoeur's hermeneutic theory of interpretation.

Finally, the researcher sought to maintain an audit trail i.e. ensuring that a complete record is maintained of all stages of the research process (Bryman,

2012; Lincoln & Guba, 1985; Roulston, 2010). This allows peers to review the research undertaken in order to evaluate quality. Furthermore, careful data management i.e. a systematic process of managing data collection, storage and retrieval (Hardy & Bryman, 2009) not only facilitates working with large volumes of data (avoiding potential challenges) but also facilitates transparency in analysis providing an audit trail (Hardy & Bryman, 2009). By maintaining a well-organised data management system, a researcher can efficiently and effectively move back and forth between data analysis and write up (Hardy & Bryman, 2009). This in turn improves the quality of ongoing data collection.

5.6 Ethical issues

First, the researcher gained approval to conduct interviews through the Waikato University Ethics Committee (Appendix 5). Second, (as discussed in 5.4.3) each participant was provided with a participant information sheet which outlined the rights of the participants (Appendix 6). The participant information sheet stated that all data collected during the course of the research would be kept confidential and that the names of the participants and the organisations that they worked for would be kept anonymous. Research participants were requested to read this information sheet prior to the commencement of the interview. Participants were also requested to sign consent form that provided documentary evidence of their willingness to participate in the research (Appendix 7).

5.7 Summary

This chapter explored the research methodology used to guide this investigation and the detail research method used to collect and analyse the research data. Given that this study seeks to understand the experiences of SRMs and SAPs with sustainability reporting and sustainably assurance this investigation is guided by an interpretive research paradigm. Accordingly, the study uses hermeneutic theory to interpret and understand the research data. More specifically the hermeneutics of Gadamer and Ricoeur are applied in combination. Hermeneutic theory encourages researchers to read and re-read the text/data in an attempt to open the world of the text and immerse themselves in this world. The objective is to bring the reader closer to the text and appropriate meaning of the text and an understanding of the phenomena it describes.

The following three chapters present the findings from this study.

Chapter 6

RQ1 Understanding how the accountants and non-accountants compete in the market for sustainability assurance services

6.1 Introduction

This chapter is the first of three that discuss the findings from this study. This chapter addresses the first research question; “what forms of institutional work do accounting and non-accounting sustainability assurance practitioners undertake as they compete against each other in the sustainability assurance market and how do these forms of institutional work influence the institutionalisation of sustainability assurance?” This research question focuses primarily on the supply-side of the sustainability assurance market. The aim is to understand what forms of institutional work (Lawrence & Suddaby, 2006) ASAPs and NASAPs undertake, why these practitioners adopt different forms of institutional work, and how these different forms of institutional work affect the institutionalisation of sustainability assurance (i.e. the scope and objectives of sustainability assurance engagements).

This chapter is structured into four sections. Following the introduction, section 6.2 examines the institutional work undertaken by ASAPs as they compete against NASAPs and how these efforts influence the institutionalisation sustainability assurance. Section 6.3 examines the institutional work undertaken by NASAPs as they compete against ASAPs and how these efforts influence the institutionalisation of sustainability assurance. Section 6.4 then closes the chapter with a summary of the findings.

6.2 ASAPs approach to sustainability assurance

This section explores the institutional work (Lawrence & Suddaby, 2006) by ASAPs. The section first explores why ASAPs prefer to use ISAE3000 when conducting sustainability assurance engagements. The section then examines how this preference for ISAE3000 and financial statements audit methodologies influences the forms of institutional work undertaken by ASAPs when competing against NASAPs in the market for sustainability assurance work. Finally, the section examines how the institutional efforts of ASAPs are intended to influence the institutionalisation of sustainability assurance based on their preferred ISAE3000 and financial audit methodologies.

6.2.1 Why ASAPs prefer ISAE3000

ASAPs prefer to use ISAE3000 and financial audit methodologies when undertaking sustainability assurance engagements. While O'Dwyer (2011) argues that ASAPs are open and willing to experiment with new assurance standards and that a wholesale adoption of financial audit methodologies has not taken place, this study finds that ASAPs have very little manoeuvrability in this area. ASAPs are neither in a position to experiment with assurance standards and methodologies nor is it in their best interest to do so. ASAPs prefer to adopt ISAE3000 and financial audit methodologies when performing sustainability assurance engagements. The following ASAP quote highlights:

“No we definitely ... we must always assure against ASAE3000 being a financial services auditor. So the Big Four will definitely assure against that” (ASAP5).

These findings are in line with existing studies which find that ISAE3000 is the preferred assurance standard for ASAPs when performing sustainability assurance engagements (Deegan et al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson,

2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011)⁴³. This study builds on the literature by identifying three reasons for this preference. First, ASAPs obligated as part of their membership and license with professional accounting bodies to conduct assurance using standards approved by their regulators. The threat of cancelation of license or suspension of membership acts as a powerful deterrent against ASAPs adopting other new assurance standards and/or assurance methodologies in conducting sustainability assurance. As the following ASAP quote shows:

“We are governed by ISAC and ISAC issues the assurance standard that we provide assurance under and that at the moment is ISAE3000 ...” (ASAP1).

Second, ISAE3000 has been developed by the accounting profession and is therefore well recognised amongst ASAPs. The suit of standards of which it is a part of, carries with it a high degree of familiarity and internal support as they have been used extensively in financial audits. This comfort makes the adoption of ISAE3000 preferable for ASAPs in comparison to new assurance standards such as AA1000AS. Importantly, ISAE3000 does not provide SAPs with detailed guidance on how to conduct sustainability assurance engagements. SAPs that use ISAE3000 must apply it within the context of the complete suite of assurance standards or ISAs (financial auditing standards) issued by the IAASB. The following NASAP quote explains:

“ISAE3000, it just refers to other accounting standards that you can use in terms of deciding if you know the assurers independent or deciding on the materiality level, deciding on the sample size ... ISAE3000 basically follows the whole accounting auditing methodology” (NASAP10).

⁴³ As noted in chapter three, these studies have relied on a content analysis of published sustainability assurance statements to assess SAPs preference towards assurance standards. The exceptions however include Gilllet (2012), O'Dwyer et al. (2011) and Park and Brorson (2005). Studies by Dillard (2011) and Smith et al., (2011) are theoretical papers. These scholars also find that ASAPs lean more towards ISAE3000.

In comparison the adoption of any new standard developed from outside the accounting profession requires considerable effort in convincing internal stakeholders such as quality control and legal counsel (O'Dwyer et al., 2011). For example, the quality control functions of ASAPs often wish to avoid variations and prefer consistency in the approach to assurance. The ASAPs legal counsel would be concerned with issues such as professional indemnity insurance etc. that may arise when using new and creative sustainability assurance standards. The following quotes from NASAPs highlight this:

“... makes sense for larger accounting firms when they want consistency in approach, ... to have a bit more prescriptive approach that has less room for interpretation than AA1000” (NASAP9).

“... it's more a risk related thing ... they really really really struggle with new standards ... because they have a lot of risk mitigation policies and procedures. It is a lot easier to start with a standard that they are familiar with and has developed in their own house” (NASAP10).

Third, ASAPs often have in place detailed methodologies that they have developed for financial audits. These methodologies have been developed based on ISAs/financial auditing standards and have been moulded to facilitate the assurance of sustainability reports. ASAPs represent large global firms (the Big Four) and the methodologies used have been developed by a global head office and are applicable to member firms within the global network. Departure from these global methodologies would impact the ASAPs membership status to these global networks. As the following ASAP quotes show:

“So we have what's called a global audit methodology ..., so there's a truncated version or a more succinct version on sustainability audit, so that describes what we must follow, that prescribes what we must do, what steps we must tick off ... so it's very prescribed methodology

around assurance that we must follow and that every stage we have a number of levels of quality checks ...” (ASAP5).

“Yeah, so we have a methodology called (X) which leverages our financial statement audit manual, so a lot of the stuff choosing samples and identifying key risks and if you take systems or substantive approach all driven from our financial statement methodology and it’s been adapted probably over the last 10 years, ... to consider the consider specifics of sustainability like a different focus on materiality for instances and some of the complications and the differences in that” (ASAP4).

Thus for ASAPs there is very little room for adopting innovative and new assurance standards or methodologies. Consequently, when ASAPs enter the market for sustainability assurance and when they compete against NASAPs, the institutional work they undertake is aimed at promoting an ISAE3000 based approach to sustainability assurance.

6.2.2 Institutional work undertaken by ASAPs

ASAPs undertake three forms of institutional work including mimicry, advocacy, and disassociating moral foundations when competing against NASAPs.

6.2.2.1 Mimicry: Sustainability assurance as an extension of financial audits

This study finds ASAPs engaging in “mimicry” (Lawrence & Suddaby, 2006) in order to compete against NASAPs and promote their preferred approach to sustainability assurance. What this means is that ASAPs compete by highlighting the similarities as opposed to emphasising the differences between sustainability assurance and traditional financial audits. ASAPs in their sustainability assurance engagements focus on verifying data and information contained within the sustainability report. The preference of accountants towards verifying data and information contained with the sustainability report has been highlighted in the extant literature (Deegan et

al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011).

This assurance approach is also in line with the requirements of ISAE3000 which defines assurance as “an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information” (IAASB, 2013, p.7). Thus while ISAE3000 may distinguish “financial audits and reviews” from “other” assurance engagements the methodology that it recommends for “other” engagements are for all intents and purposes the same as that used in traditional audit engagements with the primary focus of verifying data and information. As one ASAP explains:

“Well in my experience at (ASAP) I would say that the steps that we go through are consistent across the two [sustainability assurance engagements and financial audits] ...” (ASAP5).

This study builds on the existing literature by explaining why ASAPs undertake mimicry when attempting to institutionalise sustainability assurance. This form of institutional work serves three objectives for ASAPs. First, it allows ASAPs to enter the market and offer sustainability assurance services without breaching the restrictions placed on them by various powerful internal and external stakeholder groups e.g. regulators, member firms, quality control department, and legal department. Mimicry allows ASAPs to leverage existing financial audit methodologies which they are comfortable with. These are slightly moulded to allow application to sustainability assurance engagements.

Second, presenting the sustainability assurance engagement as the same as a financial audit allows the SAP to leverage senior managers and board members familiarity with accounting firms and their financial audit

methodologies. Senior management know what to expect from the assurance process and understand what is required/involved. The relationship between assurer and assuree are well established/institutionalised. In comparison NASAPs come from a different background, have different ideological interests and approach sustainability assurance using different standards and methodologies.

ISAE3000 in comparison to AA1000AS carries more weight amongst organisations senior management and the board of directors (herein referred to as simply senior managers or senior management). NASAPs agree with this observation and explain that an organisations management understand the language of accounting better than they do that of sustainability. The following SAP and SRM quotes highlight:

“... ISAE3000 is more well known within the finance circle it means that its more well accepted within the executive level circle as well because the executive level is people are usually more finance savvy ... than they are social and environment savvy. ... if the sustainability agenda within an organisation is being driven you know by executives, well ISAE3000 will have more ... credibility for them ...” (NASAP10).

“It was that possibly that large corporate are more comfortable having one of the Big Four accounting firms on the assurance on any document their disclosure document” (SRM35).

Senior management are more comfortable with accounting standards and financial audit methodologies which they have experience with. In comparison NASAPs and AA1000AS uses terms such as sustainability, inclusiveness, materiality, and responsiveness, stakeholder engagement and sustainability reporting which to them appear as abstract concepts and with which they are less confident.

Additionally, in some organisations management will take a more active interest in the sustainability reporting process than in others. In this case the

preference to follow ISAE3000 and financial audit methodologies will be greater. A number of organisations in this study preferred to publish a single annual report containing financial and non-financial information. In such cases the publication of the annual report was a project closely monitored by senior management and is often managed by the chief financial officer, an accountant by profession, who is more likely to lean more towards assurance standards and methodologies that he/she has training and experience with. Since ASAPs have more experience and knowledge of ISAE3000 and the suite of accounting standards to which it belongs, the selection of an ASAP becomes the natural choice.

Third, ASAPs have considerable experience and knowledge in financial audits and have built up a reputation of being experts in the field. This perception of accountant's expertise in audit and assurance has been noted by existing studies (Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000). If sustainability assurance engagements, for all intents and purposes, were perceived to be the same as a financial audit, then ASAPs could use their social capital (Battilana et al., 2009; Coleman, 1988) as experts in audit and assurance services, to gain a competitive advantage over NASAPs (Elliott, 1998). Thus it is in the best interests of ASAPs to emphasise the similarities as opposed to the differences between sustainability assurance engagements and financial audits.

6.2.2.2 Advocacy: Using a single assurance provider

ASAPs advocate (Lawrence & Suddaby, 2006) the use of a single assurance provider to cover the reporting organisations financial audit and sustainability assurance needs. ASAPs argue that reporters will benefit as the assurance process will become more efficient and effective. Efficiency is claimed to be achieved through a reduction in time and resources required to undertake sustainability assurance. These findings are supported by the Jones and Solomon (2010) study in which it was noted that SRMs perceived that having one assurance provider would prove beneficial in terms of reduced cost and

time as it would be easier to co-ordinate rather than the difficulties of having to coordinate two separate assurance practitioners. These arguments are supported by Walker and Hay (2013) who in their study find that the provision of non-audit services results in a reduction in the time taken to issue audit reports. For example, data and information (including evidence) collected for the purpose of the financial audits may also be used (or may provide some evidence) by the SAP for the purpose of the sustainability assurance engagement. This study finds that ASAPs are making similar claims to reporters. The following ASAP quotes explain:

“... the benefit of us doing the sustainability review and the financial statement audit at the same time is that there is a lot of stuff that interlinks, so there is some efficiency to be gained to doing the process together ... we could almost dove tail in terms of requesting information from people because in the financial statement audit they think you're only doing the financial you know you're only going to talk to the accountants, it's a lot broader than that. We end up speaking to I suppose a lot of people across the organisation. So and that's why I think it would cover an awful lot of these points ...” (ASAP2).

“[example] ... in terms of coal burnt ... from the financial statement audit, we would have experts that would assess the coal piles, so basically the inventory on hand at the beginning and end of the period and we might use that within our proof to identify the tonnage of coal burnt ...” (ASAP2).

Effectiveness is claimed to be achieved from using the financial auditor who has a better understanding of the organisations business operations. One assurer reviews both financial and non-financial information/issues facing the organisation and thus has a better understanding of the issues facing the reporter. This improves the assurance process including the recommendations that the SAP provides at the conclusion of the assurance process. The following ASAP quotes highlight:

“... having your external auditor and the sustainability auditor being the same is hugely beneficial just purely because they know the business better ... they’ve got more in depth knowledge ...” (ASAP3).

“... often there might not be direct linkages with the financial statements audit but the people that we’re speaking to during the financial statement would be people we need to speak to do the sustainability review, so what we try and do rather than having to go back a second time and go back and speak to those people again we try and dove tail them together, so if I’m asking for a bit of information about HR for example and health and safety issues and were doing it from a perspective of auditing payroll I might ask for that information at the same time and try and basically kill two birds stones” (ASAP2).

However, this study finds that the use of a single assurance provider has not translated into a reduction in assurance fees/costs for some reporters. These have remained largely the same and thus efficiency benefits may be more in the form of reduced time taken to perform sustainability assurance, as noted by Walker and Hay (2013), and lower inconvenience than more tangible financial benefits. As one SRM notes:

“I think it’s fairly comparable. I don’t think we saved a huge amount by switching if anything to be honest but I think what we did gain was some greater efficiencies in the process. Well I think just in terms of time it just seems to be a streamlined process just because you know the same people were aware of all the kind of gas emissions all the footprint all the financial stuff it just made it a bit easier in terms of time tabling some of the processes that needed to be completed and often just the fact that they had a lot of knowledge across the business” (SRM8).

Despite this the approach appears to be yielding success as senior managers and board members are demanding a single assurance provider for both

financial audits and sustainability assurance engagements. This preference towards recruiting a single assurance provider to undertake both the financial audit and the sustainability assurance work has also been noted by Gillet (2012). The following SRM explains:

“... certainly there was a strong push right from our board level to stream line it so yeah ... so for assurance we want to use the one company really ... Essentially to streamline our financial and non-financial assurance process ... so for assurance we want to use the one company really” (SRM8).

Should a reporting organisation decide on a policy of using one assurance provider for both financial audits and sustainability assurance, this would ultimately be an ASAP as NASAPs lack the authority/license to conduct a financial audit and sign off on the financial statements. NASAPs are aware of this:

“... the likes of (ASAP1) and (ASAP2) have ... an advantage in terms of they can be a sole provider of reporter’s assurance work so we don’t do financial audits we’re not qualified ... that’s where we can often struggle ... because they’ve already got (ASAP X) doing their annual report, lets tag on sustainability report assurance ...” (NASAP8).

In a world that is gravitating towards integrated reporting the use of a single assurance practitioner for both financial and non-financial information is gaining support, a point that has also been noted by Simnett (2012). The following SRM quote shows:

“... (ASAP) do our financial audit ... and in a world that’s moving towards integrated reporting we saw some benefits in having the same assurance providers in our financial and non-financial assurance work” (SRM26).

As a result, ASAPs are actively encouraging organisations to adopt integrated reporting by participating in the IIRC (international integrated reporting council) pilot integrated reporting program. Assurance over an integrated report would require an ASAP as NASAPs lack the license to audit financial statements (or the financial statements component of an integrated report). As the following SRM quote shows:

“Yes they do, so they encouraged us to get involved in the international integrated reporting council pilot program to further our reporting ... so we've just participated in the past 3 years in that program” (SRM17).

Despite these efforts, some organisations have chosen to keep their financial statements auditors and SAPs separate. SRMs cite the need to maintain the independence of their auditors. Such concerns provide a powerful counter argument against the use of the financial auditors as a SAP in a post Enron-Arthur Anderson world. The following SRM quote explains:

“So the company that we choose to conduct our financial assurance, we don't want to compromise their independence to do a whole range of other work, so if we have (ASAP X) conducting our financial assurance we would probably prefer to have an alternate conduct the non-financial assurance” (SRM34).

These findings are in line with the arguments of academics (such as Boiral & Gendron, 2011; O'Dwyer & Owen, 2005) who point out that corporate scandals show that auditor independence is simply a myth propagated by the accounting profession.

6.2.2.3 Disassociating moral foundations: Criticisms of NASAPS and AA1000AS

ASAPs in addition to promoting themselves and their ISAE3000 based approach to sustainability are also engaged in efforts to disrupt the institutional work of NASAPs. The following discussion examines the

institutional work, comprising of discursive strategies (Battilana et al., 2009), undertaken by ASAPs to disassociate the moral foundations of NASAPs as legitimate (Suchman, 1995) SAPs and AA1000AS as a legitimate (Suchman, 1995) sustainability assurance standard while simultaneously offering themselves and their AA1000AS approach to sustainability assurance as the solution.

Criticisms of NASAPs

ASAPs argue that the sustainability assurance field is populated with suppliers that lack the skills and competencies to perform an effective sustainability assurance engagement. They argue that these practitioners claim to provide assurance whilst this is not the case. ASAPs not only present NASAPs as lacking the professional expertise but argue that NASAPs do not know what assurance is and yet are performing sustainability assurance engagements. The view that NASAPs are unaware of what assurance is and what it involves has been noted by Gray (2000). As one ASAPs states:

“... the trouble with sustainability is that there is no regulation around it. So unlike financial audits which must be done in accordance with ISA standards and you must have a certificate to complete a financial audit there's no such requirement for sustainability or non-financial assurance. So you don't have the same rigor around the assurance process and ... you get people ... who think they are able to provide assurance where what they are really providing is not assurance and particularly you get organisations that aren't specialist and therefore the client gets neither a very good assurance output or that doesn't help with advancing their reporting in the way that a specialist should be able to help” (ASAP1).

Thus ASAPs present themselves to be in a better position to know what assurance is and how it should be undertaken while simultaneously repositioning NASAPs to the role of sustainability consultant. Importantly, ASAPs continue to project an image of rigour, despite corporate scandals and

collapses, and argue that NASAPs lack this rigour when they undertake sustainability assurance.

Criticisms of AA1000AS

ASAPs attempt to undermine the legitimacy of AA1000AS as an assurance standard in a number of ways. Some ASAPs adopt subtler approaches stating that they have never heard of AA1000AS while others are more open arguing that AA1000AS is not even an assurance standard. One argument that is especially popular amongst ASAPs is that AA1000AS is not a robust assurance standard that has been developed using a robust “protocol”. Thus sustainability assurance engagements conducted by NASAPs using AA1000AS will suffer from a lack of rigour. As the following ASAP quote explains:

“AA1000 is not a standard. It’s not a standard that’s been developed in accordance with a robust protocol. Maybe a series of ... it may be a set of principles that a client will use to help them assess whether or not they are sustainable or not if you like and we may use AA1000 as a criteria which is a component of an assurance engagement when we are performing our assurance engagement. So AA1000 is not an assurance standard that we follow. It’s a sustainability yeah sustainability guidelines or principles if you like and that’s the distinction” (ASAP1).

The rhetoric (Battilana et al., 2009; Mills, 1940; Oaks et al., 1998; Suddaby & Greenwood, 2005; Suddaby et al., 2015) of being more robust and or having rigour is used by ASAPs to promote themselves and their preferred ISAE3000 approach to sustainability assurance. However, these efforts have had mixed results amongst reporters. Thus while some organisations have opted to recruit ASAPs perceiving them to be more rigorous in their assurance than NASAPs, other organisations have feared that their systems and processes are not mature enough to withstand the rigours of ASAPs financial audit methodologies and have recruited a NASAP instead. These SRMs express

concern that their non-financial data cannot stand up to the same level of rigorous assessment as that performed by auditors in a financial audit. The following SRM quotes provide examples of the differences in perception towards SAP type:

“... you’ve got an assurance process for the financial part, do you get the same person to assure the sustainability section using the same financial assurance model, that’s scary because the data just isn’t as rigorous as the financial data” (SRM6).

“... one of the things I really loved about working with [NASAP X] it has really been a pragmatic kind of audit process. Like I think if we were getting [ASAP Y] we’d be getting a whole other layer of pain. So [NASAP X] approach is really suited our quite pragmatic approach to these kind of things they don’t audit it to necessary particularly high standards but their easier to work with ...” (SRM7).

“... look the other differences is the its very onerous and don’t see value in it personally because we’re trying to ... basically we see the sustainability report as a communications document not as an accounting document in really basic terms. So that was the basic rational for doing that” (SRM33).

“... there was also some internal pressure to lift the level of assurance over our non-financial disclosure to a similar audit approach as the financial statement audit ... I think that there was an acknowledgement that the interviews and the field work that [NASAP X] was doing to reach those assurance conclusions was not particularly rigorous and in some cases I think there was a surprise by management that lack if you like of an audit approach to that assurance process and so it felt more a little bit more in the words with one of the senior managers that I worked with at (organisation) it was a little bit more of a casual fire side chat to validate if you like what the (organisation) was doing in its

corporate sustainability program whereas the switch to one of the Big Four accounting firms reflected a much higher degree of rigor around the assurance process than I think people felt was there under [NASAP X]" (SRM4).

Thus the perception of accountant's rigour in financial audit, while argued by some to be nothing more than a myth (e.g. Boiral & Gendron, 2011; O'Dwyer & Owen, 2005), still exists and continues to influence organisations decisions on who to recruit for their sustainability assurance work. However, the rhetoric of greater rigour may not necessarily be attributed to the lack of technical competence of NASAPs as commonly perceived in the literature (Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000) and as ASAPs would like to highlight. As discussed in section 6.2.2, ISAE3000 follows a financial audit methodology and focuses primarily on data verification. In comparison AA1000AS focuses first on assuring the reporters sustainability performance through AccountAbility's principles and then on assuring the sustainability report (AccountAbility, 2008a). As a result, NASAPs focus less on verifying the contents of the sustainability and more on assuring the organisations sustainability performance. While this represents a unique and different approach, it is also a different approach to what senior managers and board members are familiar with through their experience of financial audits. Given that many organisations secure sustainability assurance in order to provide internal comfort over the information being published (Darnall et al., 2009; O'Dwyer, 2011; Park & Brorson, 2005; Sawani et al., 2010) the novel approach of NASAPs may be incorrectly perceived as less rigorous.

Consequently, ASAPs argue that using the AA1000AS as an assurance methodology is ill advised and reporters should request their SAPs to use ISAE3000. Since ASAPs have a long history of using ISAE3000 and are more experienced and qualified in its requirements (see Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000), including the complete suite of standards

of which it forms a part of, the recruitment of an ASAP becomes the preferred choice for reporters.

Using AA1000APS as subject matter criteria

The above discussion has highlighted how ASAPs prefer to adopt ISAE3000 and financial audit methodologies when performing sustainability assurance services. This raises the question of why studies evaluating assurance statements have found that in some cases ASAPs do make reference to both IAASB and AccountAbility standards, a point noted in the extant literature (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007).

The reasons for this is that while AA1000AS is a sustainability assurance standard, AA1000APS is a standard that serves as a subject matter criterion i.e. a standard against which the subject matter of assurance can be compared against when formulating an assurance opinion (AccountAbility, 2009). When taking over from a sustainability assurance engagement previously performed by a NASAP, ASAPs will often encounter SRMs that are partial to AA1000AS and AA1000APS having experienced these standards with NASAPs. In order to satisfy the requirements of SRMs, ASAPs will offer to undertake the engagement substituting ISAE3000 in place of AA1000AS as the assurance standard and using AA1000APS as the subject matter criteria. Consequently, the ASAP will continue to provide assurance over the reporter's sustainability report and the application of the AccountAbility principles of inclusivity, materiality and responsiveness. As one ASAP notes:

“... so we use it as a criteria. Absolutely just like we use GRI as a criteria right so but in terms of a standard against we provide assurance or that governs our assurance engagement ISAE3000 is the predominant standard” (ASAP1).

In this way ASAPs attempt to re-position the AccountAbility standards to the category of subject matter criteria instead of an assurance standard. Doing

this allows the ASAP to satisfy their internal and external requirements, which dictate assurance using ISAE3000, whilst also satisfying the requirements of SRMs that have developed a familiarity with and preference for AccountAbility standards and guidelines.

6.3 NASAPs approach to sustainability assurance

This section explores the institutional work (Lawrence & Suddaby, 2006) undertaken by NASAPs. The section first explores why NASAPs prefer to use AA1000AS when conducting sustainability assurance engagements. The section then examines how this preference influences the forms of institutional work (Lawrence & Suddaby, 2006) undertaken by NASAPs when competing against ASAPs in the market for sustainability assurance work. Finally, the section examines how the institutional efforts of ASAPs are intended to influence the institutionalisation of sustainability assurance based on their preferred AA1000AS approach to sustainability assurance.

6.3.1 Why NASAPs prefer AA1000AS

While ASAPs have preferred ISAE3000, NASAPs have gravitated more towards AA1000AS. This is in line with previous studies which state that NASAPs prefer to use AA1000AS when performing sustainability assurance engagements (e.g. Deegan et al., 2006a, 2006b; Dillard, 2011; Gilllet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011). This study builds on the literature by identifying three reasons for this preference. First, some NASAPs (especially sustainability consultancies) state that they are registered with AccountAbility to provide assurance using AA1000AS. As the following NASAP quote shows:

“So we've got registration with them for number offices including our Australian office to be able to assure in accordance with their sustainability AA1000” (NASAP1).

Securing registration and acquiring licensing to use a globally recognised sustainability assurance standard provides NASAPs the cognitive legitimacy (Suchman, 1995) to act as assurance providers in the same way accountants claim to hold legitimacy through their experience as financial auditors. However, unlike ASAPs, NASAPs are not restricted by this registration to conducting sustainability assurance using only AA1000AS. NASAPs appear relatively more flexible than ASAPs in their approach to sustainability assurance and this has been noted by academics such as Dillard (2011). NASAPs are willing to adopt only AA1000AS or only ISAE3000 or a combination of both or no standard i.e. relying only on internally generated assurance methodologies. They stress more on the need to select the sustainability assurance standards and methodologies to suite the unique requirements of each sustainability reporter. As the following NASAP quote shows:

“... Like seriously there’s no kind of preferred or recommended assurance standard like ISAE3000 and AA1000 you know we think their available or we can have our own approach we offer as well” (NASAP1).

Second, NASAPs perceive AA1000AS as originating from within the world of sustainability. Existing studies (CorporateRegister.com Limited, 2008; IAASB, 2013; Manetti & Becatti, 2009; O'Dwyer & Owen, 2007; Perego & Kolk, 2012; Simnett et al., 2009; Smith et al., 2011) have noted that AA1000AS is a specialist sustainability assurance standard whereas ISAE3000 is a generic standard developed by the accounting world for a broad range of assurance engagements. Furthermore, Accountability through their standard appears to emphasise assurance over sustainability performance first (through their sustainability principles) and assurance of the sustainability report as secondary priority (AccountAbility, 2008a). Similarly, and as noted by O'Dwyer (2011), NASAPs view their own role as one that involves driving sustainability within the reporting organisation. NASAPs are less interested in

simply verifying reliability of the data and information contained within the sustainability report. Thus NASAPs share a common ideology with AccountAbility and believe that AA1000AS offers them a more effective tool for supporting their aims than ISAE3000. The following NASAP quotes will highlight:

“... the one (element) that most interests us in the AA1000 is that principles piece ...” (NASAP9).

“ISAE standard is just a ... methodology for verifying information ... the AA1000 forces you to provide a conclusion on how the organisation has incorporated sustainability into its normal business practices. ... I find it to be more holistic” (NASAP7).

“... it’s a very strategic piece, if you think of assurance as more of a strategic piece then a very data intensive piece then AA1000 is probably a bit more appropriate” (NASAP6).

Third, NASAPs perceive AA1000AS to be inherently more flexible than ISAE3000. This flexibility is believed to be an advantage as it allows the SAP to tailor the assurance approach according to the circumstances of the assurance engagement. NASAPs argue that this flexibility is critical when assuring something like sustainability which is inherently soft and qualitative in nature in comparison to hard quantitative data and information commonly found in a set of historic financial information. As one NASAP notes:

“... they like to use AA1000 because it leaves a lot of flexibility. It leaves a lot of space for subjectivity and it is easier to tackle the soft side of sustainability data with such standards as AA1000 than it is with ISAE3000 ... The AA1000 leaves a lot more space to the assurance practitioner to develop their own methodologies” (NASAP10).

Thus, while NASAPs appear more flexible and willing to experiment with innovative and new sustainability assurance standards (as noted also by Dillard, 2011) and assurance methodologies their preferred assurance standard is AA1000AS. Consequently, when NASAPs enter the sustainability assurance market and compete against ASAPs, the institutional work (Lawrence & Suddaby, 2006) they undertake is aimed at promoting an AA1000AS based approach to sustainability assurance.

6.3.2 Institutional work undertaken by NASAPs

NASAPs undertake three forms of institutional work including advocacy, educating, constructing normative associations, and disassociating moral foundations when competing against ASAPs. These are discussed below:

6.3.2.1 Advocacy: Leveraging SRMs comfort with AA1000AS & NASAPs

While ISAE3000 carries more weight with senior executives, AA1000AS holds greater weight amongst SRMs. Consequently, NASAPs undertake advocacy work (Lawrence & Suddaby, 2006) by appealing to SRMs to support their AA1000AS based approach to sustainability assurance. These findings contrast with those of Jones and Solomon (2010) in which SRMs viewed sustainability assurance as a logical extension of the financial audit and thus the domain of ASAPs. In contrast this study observes that the primary drive for recruiting ASAPs and using a single assurance provider comes more from senior management than SRMs who tend to occupy the positions of mid-tier and lower managerial levels. SRMs however, are more partial towards the adoption of AccountAbility's standards. The following quote from an SRM highlights the differences in preference for SAP types between SRMs on the one hand and senior managers and board members on the other:

“I would probably kind of lean towards going more with [NASAP X] or [NASAP Y] purely because I see them as being more legitimate sustainability practitioners than [ASAP X]. But that's my kind of personal opinion, I think the business would generally prefer to go with

a company like [ASAP Z] ... Because of their kind of accounting grounding ... And also just because it's just [ASAP Z]" (SRM35).

This study identifies two reasons for SRMs preference for AA1000AS. First, SRMs have a better understanding of sustainability than senior managers and board members. For them sustainability and sustainability reporting is their bread and butter and many perform the role of sustainability experts in the organisation. Thus SRMs are more familiar with and comfortable using AA1000AS and the sustainability jargon that it uses. The following NASAP quote explains:

As one NASAP notes: "... with people on the ground, like sustainability managers, ... do understand the concepts of corporate social responsibility because they live and they breath it every day. ... I think AA1000 has a greater ... credibility there with those people" (NASAP10).

Second, some SRMs view ISAE3000 as inappropriate for sustainability assurance engagements. They perceive ISAE3000 published by IAASB as an accounting standard originating from the accounting world designed for audits of financial statements. In comparison, AA1000AS is perceived as a specialist sustainability standard designed specifically for the assurance of sustainability reports. The following quotes from SRMs will highlight:

"Yes the [ISAE3000]. So that was basically not seen to be relevant from our perspective because "a" we're not a public listed company and "b" it's a very much using accounting principles and we see sustainability reporting being more focused on the non-financial requirements as opposed to the financial requirements ..." (SRM33).

"AA1000 is a little bit more around general sustainability intent content and scope and clarity. It was a lot more qualitative in its focus and I guess ... I leaned more towards to that standard then the more prescriptive auditing standard" (SRM31).

Additionally, NASAPs are viewed as experts in the field of auditing, NASAPs are often perceived by SRMs as being specialists in the field of sustainability. The perceived expertise of NASAPs in the field of sustainability has been noted in the extant literature (Gray, 2000; Gillet, 2012; Manetti & Toccafondi, 2012; Wallage, 2000). NASAPs argue that they have a better understanding of sustainability at a global and national level as well as a better understanding of issues of concern to local stakeholders. SRMs believe that they can leverage on this expertise during the course of the sustainability assurance process. As one SRM states:

“... that’s why I tend to lean towards the assurers that are like (NASAP) and so on who I think know issues technically better than the Big Four accounting firms who are the more financially focused” (SRM31).

In this way NASAPs attempt to mobilise SRMs to support themselves and their AA1000AS based approach to sustainability assurance.

6.3.2.2 Educating: Educating and guiding SRMs

Given the uniqueness of the AA1000AS approach to sustainability assurance this study finds that NASAPs must educate (Lawrence & Suddaby, 2006) SRMs in order to facilitate the adoption of their AA1000AS based approach to sustainability assurance. NASAPs transfer knowledge in areas such as stakeholder engagement, materiality assessment, how to manage material issues etc. This is done throughout the course of the sustainability assurance engagement.

“... how to do a materiality process, how to do a stakeholder engagement process, how to respond to challenges within the organisation” (NASAP10).

The aim of this educating work is to assist SRMs in embedding and routinising (Lawrence & Suddaby, 2006) AccountAbility’s foundation principles of inclusivity, materiality, and responsiveness. However, it is important to note that ASAPs also undertake educating work (Lawrence &

Suddaby, 2006). ASAPs promoting an ISAE3000 based approach to sustainability assurance will aim to educate and guide (Lawrence & Suddaby, 2006) SRMs on how to develop a robust information system that can support the rigorous of external independent assurance. In comparison, NASAPs promoting a AA1000AS based approach to sustainability assurance look to educate and guide (Lawrence & Suddaby, 2006) SRMs both on how to implement AccountAbility principles of inclusivity, materiality and responsiveness and additionally developing information systems that support verifiable sustainability reports.

6.3.2.3 Constructing normative associations: Positioning sustainability assurance to drive sustainability

As noted in section 6.3.1, NASAPs argue that they, unlike ASAPs, are not interested in the mere attestation of sustainability reports. This goal of NASAPs has been noted by O'Dwyer (2011). Using AA1000AS, NASAPs are positioning the sustainability assurance engagement as a vehicle that aims to promote sustainability or embed sustainability within an organisation. The assurance of sustainability information disclosed by an organisation is presented as a secondary objective that comes later. As one NASAP explains:

“Right from the get go we’ve been ... using assurance as a tool to try and achieve some sort of shift in the sustainability performances ... I think most assurors ... focus is to ensure credible information in the report ... but ... assurance is a much more powerful mechanism. ... a potential lever to enhance their sustainability ...” (NASAP9).

“... I guess there’s no point in undertaking assurance if you’re just checking are things right or wrong. You have to be able to give improvements to systems and processes and to the way things work at each of the assurees clients work places” (NASAP7).

“I introduce myself as the sustainability consultant from a sustainability consultancy whose working on the CR report” (NASAP8).

This is in line with AccountAbility's agenda of using the sustainability assurance engagements as a tool designed to promote sustainability within organisations. As discussed in the literature review AA1000AS divides sustainability assurance engagements into two categories (AccountAbility, 2008a). Type 1 engagements focus on assessing an organisation's adherence to the AA1000APS foundation principles of inclusivity, materiality and responsiveness. The verification of data and information disclosed within the sustainability report is beyond the scope of a type 1 sustainability assurance engagement. Type 2 engagements are broader in scope and involve the SAP evaluating both the application of the foundation principles as well as assuring the reliability of the contents of the sustainability report (AccountAbility, 2008a). As the following quotes from an SRM and a NASAP highlight:

"... the report itself that's actually assured under AA1000 and as part of that it assures not only the ... environmental and social data within the report but also it assures us against the principles of materiality inclusivity and responsiveness" (SRM28).

"It's more data that it focuses on whereas the AA1000 probably data and more strategically focused" (NASAP6).

Existing studies (Gray, 2000; Gillet, 2012; Wallage, 2000) have highlighted how NASAPs have expertise in sustainability and thus an edge over ASAPs. Thus if the sustainability assurance engagement was positioned more as a vehicle designed to drive sustainability within an organisation then NASAPs could use their social capital (Battilana et al., 2009; Coleman, 1988) as sustainability experts would be able to secure a competitive advantage over ASAPs as the more qualified SAP. The following NASAP quote highlights:

"... we're coming for environmental and social audit perspective I'm not saying that the guys from the Big Four are just accountants but certainly within the (NASAP) the assessors are coming from a more

technical environmental management and social responsibility perspective ...” (NASAP1).

These findings provide an explanation as to why sustainability assurance statements published by NASAPs are more likely to contain recommendations than those published by ASAPs and why these recommendations tend to be more strategic in nature i.e. dealing with inclusivity, materiality, and responsiveness (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O’Dwyer & Owen, 2005; O’Dwyer & Owen, 2007). The aim of NASAPs has always been to promote/embed sustainability within the reporting organisation.

6.3.2.4 Disassociating moral foundations: Criticisms of ASAPs and ISAE3000

NASAPs in addition to promoting themselves and their AA1000AS based approach to sustainability are also engaged in efforts to disrupt the institutional work of ASAPs. The following discussion examines the institutional work, comprising of discursive strategies (Battilana et al., 2009), undertaken by NASAPs to disassociate the moral foundations of ASAPs as legitimate (Suchman, 1995) SAPs and ISAE3000 as a legitimate (Suchman, 1995) sustainability assurance standard while simultaneously offering themselves and their AA1000AS approach to sustainability assurance as the solution.

ASAPs have an economic perspective

More than just a lack of subject matter expertise, NASAPs argue that ASAP, trained in accounting and finance, do not have the ability to understand issues from a sustainability perspective. NASAPs attempt to associate ASAPs with the corporate world driven by economic motives. As one NASAP points out:

“... in the end when you have a financial firm getting most of the work they will drive the work financially and the other areas start to lose ... if I am a financial player in the world I will drive everything through the

lens or perspective of finance not ... not social not environment ... it's a capitalism world ...” (NASAP3).

Thus in order to assess organisations progress in embedding sustainability as claimed in their sustainability report, the preference should be to select a NASAPs as they are experts in the field of sustainability. The relative expertise of NASAPs/scientists over ASAPs/accountants in the field of sustainability has been noted by academics (Gray, 2000; Gillet, 2012; Wallage, 2000). The following comment from an SRM highlights the disagreements they may have with ASAPs over issues which are material and should be focused on during the assurance engagement

“Look I don't mean to bag the Big Four because I think now they are things have definitely come up to speed with sustainability issues pretty well but I just felt a little bit that sometimes their assurance process they'll be going down the rabbit whole chasing a certain number because they said that they'd chase a certain number in their initial go to work whereas it may not turn out to be a particularly material number or a particularly material issue that they're chasing but because they have very rigid auditing protocols they have to the tick box on things that were just tricky and normally to produce that and big things weren't that important whereas I felt like a more technical organisation had that sort of that ability to discern what was more material from sustainability perspective” (SRM31).

It is important to note that organisations motivations for undertaking sustainability reporting and sustainability assurance vary. Some organisations argue that they are already best practice having published an assured sustainability report. These organisations argue that they do not need to do anything more. In comparison other organisations are aiming to be leaders in the field of sustainability and sustainability reporting. These organisations are looking to drive sustainability within their operations. In order to do so they

leverage a number of tools, one of which is the sustainability assurance engagement.

ISAE3000 is inappropriate

NASAPs present three arguments in support of using AA1000AS. First, and as noted in section 6.3.1, NASAPs point out that the flexibility afforded to SAPs by AA1000AS (and which is lacking in ISAE3000) is necessary in tackling the softer side of sustainability. Second, NASAPs point out that ISAE3000 is a generic standard (CorporateRegister.com Limited, 2008; IAASB, 2013; Manetti & Becatti, 2009; Simnett et al., 2009; Smith et al., 2011) developed for a broad range of assurance engagements i.e. other than an audit of historic financial statements. The standard fails to provide detailed guidance over issues such as sustainability, sustainability reporting, materiality assessment and stakeholder engagement. The standard relies on the accounting definition of materiality developed for financial audits and which is unsuitable for sustainability reporting and assurance. In comparison AA1000AS (and AA1000APS) provide more detailed guidance useful for both reporters and SAPs. To an extent ASAPs agree with these arguments. The following quotes will highlight:

“... AA1000 that tells you exactly how to do a materiality process, how to do a stakeholder engagement process, how to respond to challenges within the organisation. So that’s the broader aspect ...” (NASAP10).

“AA1000 is a useful set of principles and criteria around ... materiality, inclusivity, stakeholder responsiveness ...” (ASAP1).

“AA1000 I think its strength is in its criteria around stakeholder engagement ...” (ASAP4).

Third, NASAPs argue that while AA1000AS provides the SAP with limited guidance over how to conduct the sustainability assurance engagement this does not mean that these details cannot be addressed by the SAP using

internally developed assurance methodologies or by using other assurance standards such as ISAE3000 in combination with AA1000AS. These findings explain why studies examining sustainability assurance statements (see Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012) have found that SAPs in these statements will often make reference to more than one sustainability assurance standard (i.e. the use of standards in combination).

Verification only engagements

NASAP argue that there is a difference between assurance and verification. They claim that “verification” simply involves verifying the contents of a sustainability report. NASAPs argue that verification style engagements, as performed by ASAPs, can be undertaken using internally developed assurance methodologies and there is no need to use an internationally recognised sustainability assurance standard such as ISAE3000 or even AA1000AS for that matter. As the following quotes will highlight:

“... it could be that it's just data validation that's required. Which we wouldn't go as far as providing assurance for that. It would be what we call verification of data points” (NASAP1).

“I only probably most of the times used AA1000. ... Except for verification but then you don't really need to use a standard for verification” (NASAP10).

Thus NASAPs question the need to use ISAE3000 as advocated (Lawrence & Suddaby, 2006) by ASAPs and rhetoric of rigour surrounding it. NASAPs, especially certification firms, argue that they also have rigorous methodologies that have been developed at a central global head office drawing on their many years of experience auditing environmental management systems. In this way these NASAPs create legitimacy for themselves and present a cheaper and perhaps less onerous sustainability assurance option which appeals to SRMs that are reluctant to engaging

ASAPs and their ISAE3000 based approach to sustainability assurance which is perceived as too onerous.

Summary of ISAE3000 vs. AA1000AS

In summary, this study identifies three main differences between AA1000AS and ISAE3000. The first is that ISAE3000 focuses on data and information verification using primarily financial audit methodologies (as discussed in 6.2.1). In comparison AA1000AS Type 2 sustainability assurance engagements involve assurance over both an organisations application of AccountAbility principles and the claims/contents of the sustainability report (as discussed in 6.3.1).

Second, ISAE3000 provides the SAP with a detailed methodology (drawing on the entire suite of ISAs) to support the testing of the sustainability report information (including underlying data and information generation systems). In comparison AA1000AS is less detailed and relies on the SAP either developing their own methodologies or leveraging those offered by other assurance standards such as the ISA's. The following NASAP quote explains:

“... the difference is that we test the data more rigorously [with ISAE3000]. In AA1000 we do test the data but we test it mostly on the key material issues because principle assessment is a big part of that. So we don't spend too much time looking at a great massive set of data. We just look at the key ones. Whereas in [ISAE3000] we don't do principles [inclusivity, materiality and responsiveness] assessment but we look at a much bigger range of data and we definitely get into much more detail” (NASAP6).

Consequently, in some assurance engagements a combination of AA1000AS and ISAE3000 is being used by SAPs. These findings explain why studies have observed SAPs using both standards in combination (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007). Thus this study finds support for

O'Dwyer and Owen, (2007) statement that standards do not compete directly with each other and are more complementary rather than substitutes. As the following SRM quote shows:

“We've had our principles assured to AA1000 and I guess some of our data sets and last year for the first time we had our energy and carbon emissions data assured to the ASAE3000 standard. Which we understand that provides actually a lot more rigor to the audit process. So we felt that it was a data set that we wanted a more rigorous audit process” (SRM19).

The third major difference between ISAE3000 and AA1000AS is that while ISAE3000 allows the SAP the flexibility to apply the scope the sustainability assurance engagement to cover only certain sections of the sustainability report (i.e. partial assurance) this is not possible using AA1000AS. The AccountAbility standard requires practitioners to provide assurance over the entire sustainability report. This explains why studies have found sustainability assurance statements issued by NASAPs as more likely to include assurance over the entire sustainability report (Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012). As one NASAP notes:

“... the scope of the two standards varies. So the AA1000 is actually only applicable to a sustainability report, a whole sustainability report and it requires you to apply a judgment on what are the key issues to be looked at but the whole report needs to be concluded on in its entirety. However, the ISAE standard allows the client organisation the assure organisation to provide a defined scope. So even though they might report using, they might publish a very large sustainability report, they can scope the assurance in to just say looking at energy waste and water for example and the assurance provider would provide a statement on just those areas of the report” (NASAP7).

Thus AA1000AS engagements do not allow organisations to remove sections of the sustainability report from the scope of the engagement. Thus in the event of a dispute/disagreement between the SAP and management over an item of disclosure the disagreement cannot be resolved by removing the item from the scope of the engagement as is the case with ISAE3000.

Additionally, AA1000AS assurance engagements will tend to be broader in scope than those undertaken using ISAE3000 as the practitioner must provide assurance over AccountAbility's principles as well as offering assurance over the entire sustainability report and its content. As a result, the cost of AA1000AS engagements is higher than engagements using ISAE3000 only. Consequently, one of the reasons for changing an existing NASAP is simply cost. The following NASAP and SRM quotes explain:

“... and it certainly depends on the outcomes they want, the budget that they have as well. AA1000 tends to be again, has to be more holistic and more expensive. So if you just want assurance for a couple of indicators then of course that's going to be less work. So yeah maybe cheaper” (NASAP7).

“The reason why they may change this year is that the lead assesor that has done the assurance for the last 5 years has actually left [NASAP X] and [NASAP Y] has come into Australia for the first time so it's a good opportunity to achieve that and “a” get a substantial price reduction and “b” get a new perspective” (SRM6).

The consequences of this are that organisations are searching for cheaper (and potentially safer) alternative offered by ASAPs. To reduce costs further this organisation can choose to secure only partial assurance i.e. assurance over only certain sections of the sustainability report. Importantly, an ISAE3000 driven sustainability assurance engagement will be preferably performed using an ASAP given their experience with this standard.

The response from NASAPs to these challenges in the market is varied. Some NASAPs have begun to offer sustainability assurance using ISAE3000 (either alone or in combination with AA1000AS). The aim is to match ASAPs in fee and sustainability assurance standard used. Other NASAPs have chosen to remain true to their ideological backgrounds and refused to undertake engagements that are ISAE3000 only. These NASAPs complain of the commoditisation of the sustainability assurance market and have withdrawn from offering this service. An interesting solution to this challenge is provided by some NASAPs and is discussed below. Table 6.1 provides a comparative summary of the forms of institutional work undertaken by ASAPs and NASAPs.

Table 6.1 Comparison of institutional efforts of ASAPs and NASAPs

Forms of institutional work	ASAPs	NASAPs
Mimicry	Highlight similarities between financial audits and sustainability assurance engagements	
Constructing normative associations		Sustainability assurance as a vehicle to embed sustainability
Educating	Educating SRMs on developing information systems to support sustainability reporting	Educating SRMs on Accountability's sustainability principles of inclusivity. Materiality, and responsiveness as well as educating SRMs on information systems to support sustainability reporting
Advocacy	Leveraging executives comfort with ISAE3000 One assurance provider for both financial and non-financial information	Leveraging SRMs comfort with AA1000AS
Disassociating moral foundations	Criticisms of NASAPs	ASAPs only have an economic perspective
	Criticisms of AA1000AS	ISAE3000 not developed specifically for sustainability assurance engagements
	Re-positioning AA1000APS as a subject matter criteria	Verification does not require ISAE3000

6.4 Summary

Sustainability assurance is a new form of engagement and the market is still evolving. At this evolutionary stage ASAPs and NASAPs are found competing against each other in the market for sustainability assurance work. This competition was analysed using Lawrence and Suddaby (2006) typology of forms of institutional work. The institutional work undertaken by SAPs is influenced by the SAPs preferred sustainability assurance standard.

Thus ASAPs prefer to adopt ISAE3000 and financial audit methodologies when conducting sustainability assurance engagements. This is due to three reasons to explain this preference. First, ASAPs are required to undertake audit and assurance services using standards which are approved by regulators and professional accounting bodies. Second, ISAE3000 is an accounting standard and enjoys high recognition amongst ASAPs who have experience using this standard. Furthermore, an ISAE3000 based assurance methodology is well supported by internal stakeholders such as quality control and legal counsel who are less comfortable using new and creative sustainability assurance standards such as AA1000AS. Third, ASAPs are often members of a global network which requires member firms to adopt approved audit methodologies usually based on financial audits.

As a result, when ASAPs compete against NASAPs in the sustainability assurance market, they undertake mimicry work (Lawrence & Suddaby, 2006) aimed at highlighting the similarities between sustainability assurance engagements and financial audits and focus primarily on verifying the accuracy of data and information within the sustainability report. Adopting an ISAE3000 based approach to sustainability assurance allows ASAPs to satisfy the requirements of their internal and external stakeholders. This approach also allows ASAPs to leverage senior managers and board members comfort and familiarity with financial audit engagements. Furthermore, by promoting the sustainability assurance engagement as an extension of a financial audit ASAPs can leverage their social capital

(Battilana et al., 2009) as experts in audit and assurance can gain a competitive advantage over NASAPs.

ASAPs are engaged in advocacy work (Lawrence & Suddaby, 2006) designed to encourage the use of a single assurance provider for both financial audit and sustainability assurance services. ASAPs argue that such an approach is more efficient and more effect. Furthermore, ASAPs encourage the adoption of integrated reporting and point out to reporters that in a world moving towards integrated reporting the use of single assurance practitioner is becoming more likely. If organisations were to use one assurance provider for both their financial audit and sustainability assurance needs, then this would ultimately be an ASAP as NASAPs cannot undertake financial audits. While these efforts are yielding success there are some reporters that have chosen not to use a single assurer as this may compromise the independence of their financial auditors.

Along with their institutional efforts aimed at promoting an ISAE3000 based approach to sustainability assurance, ASAPs are also engaged in efforts directed at disassociating the moral foundations (Lawrence & Suddaby, 2006) of NASAPs as legitimate (Suchman, 1995) SAPs and AA1000AS as a legitimate (Suchman, 1995) sustainability assurance standard. ASAPs deploy discursive strategies (Battilana et al., 2009) arguing that NASAPs lack an understanding of assurance and that AA1000AS is not an assurance standard or is not as robust an assurance standard as compared to ISAE3000.

In comparison, NASAPs, while more flexible in their choice of sustainability assurance standard, prefer to use AA1000AS when performing sustainability assurance services. This is due to three reasons. First, some NASAPs have acquired licensing from AccountAbility to undertake sustainability assurance using AA1000AS. This provides NASAPs with the kind legitimacy (Suchman, 1995) enjoyed by ASAPs as financial auditors. Second, NASAPs and AccountAbility share a common ideology in that they both wish to use

sustainability assurance as a vehicle to drive sustainability within the organisation. Thus NASAPs prefer AA1000AS which they believe supports this goal. Third, NASAPs believe that AA1000AS is a more suitable standard than ISAE3000 as it allows SAPs a degree of flexibility critical when assuring something like sustainability which is inherently qualitative in nature.

As a result, when NASAPs compete against ASAPs the institutional work (Lawrence & Suddaby, 2006) they undertake is aimed at promoting an AA1000AS based approach to sustainability assurance. NASAPs find that AA1000AS holds greater weight amongst SRMs who understand the language of sustainability better than senior managers and board members and who are less partial to ISAE3000 which they view as an accounting standard designed for financial audits. Furthermore, SRMs prefer recruiting NASAPs who they perceive as sustainability experts and whose insights they can benefit from during the course of the sustainability assurance process.

The uniqueness of the AA1000AS approach requires NASAPs to undertake educating work (Lawrence & Suddaby, 2006) in order to guide SRMs on AccountAbility's foundation principles of inclusivity, materiality, and responsiveness. However, ASAPs also undertake educating work (Lawrence & Suddaby, 2006) however the focus of ASAPs educating efforts is guiding SRMs on systems and processes which support verifiable sustainability reports. In comparison, NASAPs educating efforts (Lawrence & Suddaby, 2006) are directed at guiding SRMs on systems and processes designed to support AccountAbility's principles of inclusivity, materiality and responsiveness in addition to providing guidance on underlying information systems.

Thus NASAPs through AA1000AS work towards changing the normative associations (Lawrence & Suddaby, 2006) underlying sustainability assurance from an engagement that aims to provide assurance over sustainability report content to an engagement that aims to provide assurance over sustainability performance. This conceptualisation of sustainability

assurance is in line with AccountAbility's agenda of using the sustainability assurance engagements as a tool designed to promote sustainability within the organisation and not merely as a tool to promote the credibility of sustainability disclosure. If the sustainability assurance engagement was perceived more as a vehicle designed to drive sustainability within an organisation then NASAPs could leverage their social capital (Battilana et al., 2009) as sustainability experts (as also noted by Gray, 2000; Gillet, 2012; Wallage, 2000) and would be able to secure a competitive advantage over ASAPs as the more qualified SAP. These findings also provide explanations as to studies (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007) have found that sustainability assurance statement issued by NASAPs are more likely to contain recommendations and why these recommendations tend to be more strategic in nature (i.e. dealing with inclusivity, materiality, and responsiveness) than those issued by ASAPs.

Finally, along with efforts directed at promoting a AA1000AS approach to sustainability assurance, NASAPs are also engaging in institutional efforts (Lawrence & Suddaby, 2006) designed to disassociate the moral foundations (Lawrence & Suddaby, 2006) of ASAPs as legitimate (Suchman, 1995) SAPs and ISAE3000 (Suchman, 1995) as a legitimate (Suchman, 1995) sustainability assurance standard.

Chapter 7

RQ2 Examining the institutional work of sustainability reporting managers

7.1 Introduction

This chapter is the second of three that present the findings from this study. The chapter addresses the second research question; “what forms of institutional work do sustainability reporting managers undertake in their efforts to institutionalise sustainability reporting?” This research question focuses on the phenomenon of sustainability reporting. The aim is to understand the forms of institutional work (Lawrence & Suddaby, 2006) SRMs undertake, the specific mechanisms they use to affect this institutional work and the challenges they face which impact their ability to carry out this institutional work effectively.

The chapter is structured into four sections. Following the introduction, section 7.2 examines the forms of institutional work (Lawrence & Suddaby, 2006) undertaken by SRMs. The section also examines the challenges SRMs face in performing their role and institutionalising sustainability reporting. Section 7.3 then explores the specific mechanisms leveraged by SRMs to affect this institutional work. The section also explores how SRMs undertake a materiality assessment including stakeholders engagement and explores possible reasons why reporters fail to disclose material issues i.e. publish balanced sustainability reports. Finally, section 7.4 closes the chapter with a summary of the research findings.

7.2 Institutional work undertaken by SRMs

SRMs play a key role in institutionalising sustainability reporting at an organisational level. In order to perform this role and to institutionalise sustainability reporting, SRMs undertake a range of institutional work including educating, advocating and changing normative associations (Lawrence & Suddaby, 2006). These institutional efforts are discussed below:

7.2.1 Educating and guiding internal stakeholders

Managers in organisations new to sustainability reporting will often have a limited understanding of; what sustainability is (often associated with being green); sustainability reporting; sustainability reporting standards; and the requirements of sustainability assurance. The lack of organisational manager's experience with sustainability reporting has been identified in earlier studies as a key challenge for organisations starting out on their sustainability reporting journey (see Adams & McNicholas, 2007; Ball, 2007; Belal & Cooper, 2011; Williams, 2015). The following SAP and SRM quotes illustrate:

“For the senior management it's more of a Oh it's a good trend, the world is talking about sustainability, let's do it. We don't know very well what it is but let's start, and then they start ...” (NASAP3).

“... some people think it's just about trees and forests and green stuff ... so we'll go and talk to them about what the important issues are that they're managing” (SRM21).

As a result, there is a need to educate and guide organisational managers. This study finds that it is often the organisations SRM who must educate (Lawrence & Suddaby, 2006) internal stakeholders in order to equip them with the skills necessary to support sustainability reporting. The educating role of SRMs will also arise in mature reporters as internal stakeholders will need to be updated on developments in the field of sustainability reporting and how these developments apply to the reporting entity. The following quotes explain:

“I was responsible for following up with each of these content owners and making sure that one they understood what they needed to provide and two they were providing the information ...” (SRM23).

“So my guidance to them is always about the content that we need and how it needs to, overall how the document, the content needs to read, to meet the GRI requirements, to meet the framework ...” (SRM16).

However, many SRMs are new to sustainability reporting and thus do not understand sustainability, sustainability reporting, the requirements of standards such as the GRI guidelines, and sustainability assurance. These findings are supported by earlier research (Adams & McNicholas, 2007; Ball, 2007; Belal & Cooper, 2011; Williams, 2015) which identifies the lack of training and educating in sustainability reporting as a key challenge for SRMs. However, unlike Adams and McNicholas, (2007) who found that none of the managers on the sustainability reporting team had any experience with preparing a sustainability report, this study finds that some SRMs were experienced and confident having prepared multiple sustainability reports while others were starting out on their sustainability reporting journey. In line with Bellringer et al., (2011), inexperienced SRMs need to first learn the requirements of sustainability reporting standards such as the GRI. However, and as Farneti and Guthrie (2009) note, educating SRMs takes time and inexperienced SRMs will encounter difficulty with implementing the requirements of standards during their initial reporting years. The following SRM quote provides an example of how the lack of experience of the SRM team affected their ability to publish an assured sustainability reporting that fulfilled the requirements of GRI G4:

“So we knew very little about it. So it was a case of us going first and working out actually what do those look like and how do you go about preparing it, what information do we have, right through to managing the process and collecting data writing managing the design firms and lay it out and sign off with stakeholders, photography so a whole

gambit really and for us it was quite a significant ... So it was a big a learning curve and I think that the trap we fell into was trying to report on too much and as we got deeper and deeper into the Global Reporting Index processes and indicators and things we kind of realised that we might have bitten off too much in terms of the amount of stuff that we were trying to cover and we were also worked directly with we were the main interface with the people who were doing assurance. So in the end we released a report that had a range of sustainability indicators but that was not GRI certified because we had not met all the requirements that GRI G4 was looking at” (SRM21).

As the following SRM quote explains, many cases SRMs will learn through trial and error on how to prepare a sustainability report:

“I just worked with the team that were developing the report really the coms team and the people who were actually pulling it together to work with it and my different peers yes, so it was a little bit each year that we got a little bit more knowledge but we certainly did a bit more knowledge but we certainly didn’t do any formal training, it was literally just working through the process so and if you came across something and you didn’t know what it was go and find somebody who had the answer yeah we didn’t have any formal training about writing or compiling a sustainability report we just went through the process” (SRM22).

In some cases, this “hands on learning” is supplemented with knowledge gained from attending sustainability reporting seminars and workshops, guidance from sustainability consultants, sustainability standards and guidelines, and guidance from the SAP (the role of the SAP is discussed in chapter 8). In some situations, the SRM will be taking over from an outgoing SRM/manager. In this case a process will be in place and perhaps some guidance from their predecessor, and documentation explaining the stages of the reporting process available for them to review. Thus this study agrees

with Ball (2007), who comments that SRMs must first develop ecological literacy in order to carry out their role (and institutional work) effectively. The following SRM quotes illustrate:

“... because we have done seminar and courses on the GRI and the G3 we're in touch with people that offer that kind of training in New Zealand but I think you do need to have independent consultants or advice of some sort whether it is formal assurance or it's just a consultancy helping you ...” (SRM20).

“Oh well it was really for educating the company ... and so [consultant A] role was really to bring the business up to speed about what a sustainability report was and why you would do it and what sort of information and [consultant A] helped do our first materiality assessment and stuff” (SRM15).

Additionally, the organisational position of SRMs varies. As noted by existing studies (Adams, 2002; Adams & Frost, 2006; Farneti & Guthrie, 2009) some organisations may either create a new position while others will prefer to allocate the role to an existing manager. If the position is allocated to an existing manager this will often be the environmental manager or corporate communications manager. Building on the extant literature this study finds that some organisations prefer to outsource the role of SRM to a third party sustainability reporting specialist. Additionally, smaller organisations and tick the box reporters will prefer to allocate the role to an existing manager. Smaller organisations are constrained by a lack of resources whereas tick the box reporters, despite having resources, aim to minimise the cost of their sustainability reporting. The following SRM quotes highlight:

“... there's no dedicated resource that just looks at sustainability you know, who runs, who is involved in that, there's a broader role across coms [i.e. corporate communications] ...” (SRM21).

“... we being a relatively small company that doesn't have a dedicated sustainability team, if you go to for example our operations in Australia or many other countries there's a team of people who will on environmental stuff or sustainability stuff so there's more available resources to pull a report together” (SRM24).

“... quite different to how all companies do it nowadays where it seems to be outsourced to consultants ... back then we ran it as an in house project ...” (SRM31).

Where the role is allocated to an existing manager, these part-time SRMs appear overburdened and find it difficult to balance their existing responsibilities with the responsibility for collecting data and drafting the sustainability report. The under resourcing of sustainability reporting functions has also been noted by Bellringer et al., (2011) as a key issue affecting sustainability reporting at an organisational level. The following SRM quotes illustrate:

“... there's just some areas I'm not going to get and some areas I'm not going to engage with because I can't afford to there's so much other stuff that needs to be done ...” (SRM7).

“... a huge project trying to pull this report together in limited time, so for none of us is the report a full time job, it's part of a number of other tasks ...” (SRM23).

In short, SRMs must perform the role of the organisations sustainability reporting expert by educating and guiding inexperienced organisational managers on sustainability and sustainability reporting. However, their ability SRMs to perform their role and to institutionalise sustainability reporting is affected by first their own lack of experience with sustainability reporting and second by the under-resourced nature of many sustainability reporting functions.

7.2.2 Championing sustainability reporting

SRMs need to perform the role of sustainability reporting champion, advocating (Lawrence & Suddaby, 2006) sustainability reporting and encouraging greater participation and commitment from organisational managers in the sustainability reporting process. The recruitment of organisational managers tasked with championing the introduction of new institutional practices has been noted by Sharma et al. (2014). However, this is a challenging task and the difficulties of getting organisational managers to allocate time to sustainability reporting have been noted by Bellringer et al., (2011). This study finds that organisational managers will often send through data and information without ensuring that this data and information is reliable (i.e. can be supported by evidence necessary for sustainability assurance). Additionally, SRMs will struggle to secure time and resources from the board for addressing weaknesses and improving the sustainability reporting process. The following SRM quote explains:

“So it’s very difficult I think for us to make the case to something we should invest significant resource or time in so from the point of view from of the work I have to do as the sustainability head it needs to be done but it’s kinda lower down the priority list” (SRM7).

This is attributed to two potential reasons. First, the study finds that reporters fall somewhere on a continuum ranging from tick the box reporters at one end, to organisations adopting sustainability reporting as part of coordinated effort to embed sustainability within the organisation at the other. The following two quotes describe organisations at opposite ends of this continuum:

“... you know I think given that there aren’t huge numbers of people doing anything we can tick the box and say that we have one. It means that we don’t feel particularly compelled to try and be best practice in an international sense ... what we have done in the past is kinda move quite quickly collect data use similar format to last year fill in, fill in the detail kinda of thing and if you looked at our corporate responsibility

reports over the last few years you'll see that their all fairly similar, ... and yeah there's not a lot of novelty in the approach, ...what we're trying to do is really get something which is, we can write, get audited and then get published" (SRM7).

"... some companies really look to use the report to improve the way sustainability is being managed within the organisation. So really there is a whole array of organisations ..." (NASAP10).

Tick the box reporters will often view sustainability reporting as a peripheral non-core activity. Sustainability reporting is a low priority activity in tick the box reporters and the aim of these organisations is to publish a report at the minimum possible time and cost. The following NASAP quote explains:

"... a lot of the times as I've said before some of this data and some of the aspects we're looking at are kind of peripheral to core business and it could possible not be as highly prioritised as other business generating activities within the company" (NASAP1).

The difference between the opposite ends of the continuum is often due to the presence of a powerful officer, often the Chief Executive Officer (CEO) or the Managing Director (MD), who supports sustainability and generates board support for the allocation of organisational resources to the publication of an assured sustainability report. Consequently, with a change in the CEO the importance given to sustainability reporting by senior management and the board will also change. The following SRM and SAP quotes illustrate:

"... we have an event the night before the AGM to launch the sustainability report, its mainly an internal event for people from all of our divisions and the board members and our MD will talk about why it's important and thank everyone" (SRM26).

"... the focus on sustainability marginally comes from the CEO. So if you have a change in the CEO you might one day you might be a

company which is very focused on sustainability but you have a change in CEO who's not perhaps who is focused on cost cutting that culture can change very quickly" (ASAP5).

These findings support those of Campbell (2000) who notes that changes in Marks & Spencer's board chair had an impact on the company's sustainability reporting practices. Thus while some CEOs are supportive of sustainability reporting others are less so (Accenture/United Nations Global Compact, 2013).

Second, sustainability reporting suffers from low external readership. This is a point that has also been noted by Greco et al. (2015). The low levels of external readership coupled with the voluntary nature of the exercise forces senior managers and board members to question the wisdom in allocating precious time and resources to the publication of an assured sustainability report. The following SRM quotes illustrate:

"... I don't think we've had a single email or phone call about it" (SRM20).

"A report is only useful if people are actually reading and utilising it and if people are not doing that I think we're losing the whole purpose "a" of conducting reports or preparing them and "b" you know following from that the need to assure them in the first place" (SRM33).

Consequently, SRMs are tasked with a challenging job in which they must advocate (Lawrence & Suddaby, 2006) a practice which organisational stakeholders neither fully understand nor do they fully appreciate the importance of publishing a sustainability report.

7.2.3 GRI G4 and materiality driven sustainability reporting

The institutional work undertaken by SRMs occurs within the backdrop of the new GRI G4 guidelines launched in 2013 (GRI, 2013). As a result, many

SRMs are currently in the process of transitioning from G3 or G3.1 to G4. The following SRM quote explains:

“... it changes to GRI 4 next year. Yeah well if we’re gonna continue to report to GRI I think we have to” (SRM1).

SRMs reporting under the older variants (i.e. G3 and G3.1) equated disclosure over a greater number of GRI indicators as best practice in sustainability reporting. In comparison G4 encourages more focused reporting covering only relevant material issues (GRI, 2013). The new guidelines place a greater emphasis on the materiality assessment as a key stage in the sustainability reporting process. As noted within the extant literature (GRI, 2013; Moneva et al., 2006) the aim of the new guidelines is to ensure that organisations provide sufficient coverage over issues material to the organisation and its stakeholders. This study provides insights as organisations make the transition to the new guidelines. The results of the materiality assessment are used to identify a list of material issues or themes/topics and relevant GRI indicators that should to be addressed in the sustainability report. The following SRM quotes highlight the difference between the G4 and older variants:

“... you used to encourage reporting on everything, so the more you report the better, whereas the G4 focus would be to just report on what is really material to your organisation but report it well” (SRM23).

“G4 is a lot more selective and you concentrate on those indicators which are material to your business which stakeholders are interested in ...” (SRM24).

The new GRI G4 guidelines have been positively received by SRMs, many of whom face low external readership in sustainability reports and declining senior management and board support for sustainability reporting. G4 allows SRMs to report less without facing moral legitimacy (Suchman, 1995) challenges from external stakeholders who may question why certain types of

data and information are no longer on within the sustainability reported. SRMs can defend their position by arguing that their reports still comply with the requirements of international sustainability reporting guidelines. Simultaneously, by reducing the size of sustainability reports SRMs are able to reduce their reporting costs. In this way G4 allows SRMs to create pragmatic legitimacy (Suchman, 1995) amongst senior management and the board (i.e. the process is more efficient/cheaper). The following quotes provide examples of how SRMs driven by low external readership are cutting down their costs to publish a simpler leaner sustainability reports:

“... this year we're kind of reducing our report, we've found that it's been far too much effort for the benefit and its becoming more of a house keeping sort of issue, ... it's not really a differentiating factor, it's more of a tick the box thing and it's been quite costly as well because we've done a big printed report ... so this year we won't be printing the report and we will be reducing its scope in line with you know the G4 ...” (SRM15).

“Also before last year we did a bit of analysis of feedback and we quickly learnt that not many people actually look at our report. So that was another reason for trim down the resourcing of it doesn't have to be a huge production really. A lot of people look on the web. So last year we didn't use the writer. We wrote it in house. The publication is actually just a word document. So it's got images and things in it but it's not like a full blown publication but you can download it from the web. Then we use some graphics around making the data a bit simpler” (SRM12).

Thus with the introduction of G4, SRMs are changing the normative associations (Lawrence & Suddaby, 2006) underlying their sustainability reporting from “bigger is better” to “focused” materiality driven sustainability reporting targeting only relevant material issues.

7.3 Mechanisms used by SRMs

This section examines six mechanisms used by SRMs to affect the institutional work discussed in section 7.2 above:

7.3.1 Engaging with internal stakeholders

SRMs will engage with organisational managers in order to champion (Lawrence & Suddaby, 2006) sustainability reporting and to educate (Lawrence & Suddaby, 2006) managers on the skills required to support the sustainability reporting process. SRMs attempt to explain; why the organisation is undertaking sustainability reporting; why it is important; what they are trying to achieve; how it will be done; what they need from the managers; and why their participation is important. This engagement is undertaken through a range of mechanisms including one-to-one meetings, group meetings (with presentations from SRMs and/or consultants) and workshops. SRMs will make presentations and circulate reports and documents on sustainability reporting. The following quotes provide examples of how engagement is used by SRMs when carrying out educating and advocacy work:

“I’ve presented to the exec a little while ago and I sort of said how I pitched it to them was corporate responsibility is kinda about here and now you know. It’s about kinda doing the right thing. Sustainability is more of forward looking, kinda of aspect to it. So corporate responsibility is about what are the issues now and making sure that we attend to those, sustainability is kinda of more forward looking and probably has a little bit more of a environmental bend. So it definitely isn’t entirely environmental. So we need to have a conversation with them about how it looks different ...” (SRM7).

“... the steps that I’m going through for that is give an initial presentation that I’ll give to our leadership team just on why it’s important, what we’re doing, our approach” (SRM21)

“... so once we had identified those people [content owners], which is how we got up to about 35, we contacted them each individually and had a one on one meeting, so that’s where we talked about with them what we were trying to achieve ...” (SRM23).

This guidance will be tailored to the requirements of internal stakeholders. Thus while senior managers and board members will be educated on sustainability and sustainability reporting generally, content owners (i.e. internal stakeholders responsible for contributing data and information/content for sustainability reporting) will be provided with more specific guidance relating to each stage of the sustainability reporting process. For example, at the start of the sustainability reporting process SRMs will provide content owners with a sustainability reporting information pack. This will provide guidance on deadlines, the sustainability reporting plan, guidance on standards (or changes in the standard), stages in the reporting process and the need to maintain evidence to support assurance. During the data collection stage, SRMs will explain to content owners what type of data and information they need to provide and what format this data should take in order to support the requirements of the GRI guidelines. They will also provide guidance on the type of evidence content owners will need to maintain in order to satisfy the requirements of the sustainability assurance process. Some SRMs may also provide content owners with templates and/or tables facilitating report content drafting.

“... we go through the pilot template for each of those areas so that they know what content they need to fill out, which indicators they have to keep in mind ...” (SRM1).

“It’s a usually a word document yeah. ... the sort of the templates if you like or the draft report will include things like ... you know these targets for this and we need some commentary on the performance and how do we go and some of the basically issues were came up and these were issues that we managed with stakeholders or they these issues

came up among our stakeholders and then here is how this is the response we took to manage those stakeholders and our relationships with them and these are some of the points” (SRM3).

“... we’re sent tables. This is the draft table please fill in these gaps ...” (SRM3).

Additionally, engaging with organisational managers allows SRMs to deploy discursive strategies to achieve their institutional work (Battilana et al., 2009; Mills, 1940; Oaks et al., 1998; Suddaby & Greenwood, 2005; Suddaby et al., 2015). SRMs note that when engaging with internal stakeholders it is better to avoid using the term sustainability and related jargon such as materiality assessment and stakeholder engagement. These terms and concepts are perceived as alien by managers who are then reluctant to participate in the sustainability reporting process either because they do not understand these issues and/or because they do not perceive these issues as falling within their area of responsibility. The following quotes from SRMs explain:

“... we’re going to talk to them in the context of more what are the important issues that you manage in your day to day business rather than start using sustainability language because ... they won’t talk to you, they talk to you about based on what they think what sustainability is ...” (SRM21).

As the following SRM quote shows, SRMs prefer to use terms such as risks, fines, and prosecution which organisational managers are familiar and comfortable with:

“... we won’t even talk about the environment we’ll talk about risk why we disposing of hazardous substances chemicals or whatever in this way I’ll know that they won’t even talk about the environment because it’s too vague for some people if they did a workshop or whatever I’ll say if you put that down the storm water drain we’re going to get fined you could get end up you know a criminal not a criminal but a

prosecuted, it's going to affect our brand our sales or whatever and that's much more and people understand that and go oh yeah ok" (SRM24).

The aim is to overcome organisational manager's resistance to the new institutional practice of sustainability reporting by presenting it as something managers are familiar and comfortable with. Thus using discursive strategies SRMs undertake mimicry work (Lawrence & Suddaby, 2006) in an effort to overcome manager's resistance to participate in a practice which is often initially viewed as the responsibility of some non-core peripheral sustainability reporting function.

7.3.2 Decentralised approach to sustainability reporting

Existing studies have found considerable variation in the detailed responsibilities of SRMs (Adams & Frost, 2006; Adams & McNicholas, 2007; Farneti & Guthrie, 2009). Furthermore, Adams (2002) notes that some organisations adopt a more participative approach to sustainability reporting than others. This study builds on the extant literature by providing an explanation for how the responsibilities of SRMs affect the degree of participation by internal stakeholders in the sustainability reporting process. The study uses the terms centralised and decentralised to distinguish between two different approaches to managing the sustainability reporting process.

Thus in some organisations SRMs run a relatively centralised approach to sustainability reporting while in other organisations SRMs run a relatively decentralised participative process. A centralised approach is characterised by little participation from organisational and where SRMs have responsibility for undertaking the bulk of the work including; engaging with stakeholders and identifying relevant issues/topics of material importance for inclusion

within the sustainability report⁴⁴; collecting and analysing data and information; drafting the various sections of the sustainability report for review and approval; and providing the SAP with data and evidence to support the sustainability assurance process. The following quotes provide examples:

“... we write the report centrally here in at our head office and yeah so we get case studies, we get data, we get information from the business groups and consolidate that ...” (SRM5).

“I guess the sustainability reporting side of things is it’s been going on for a while but not many people have been exposed to its generally been the one sustainability person collecting all this data and maybe talking individually or what not and not necessarily giving a lot of background to what they’re doing” (NASAP8).

In comparison a decentralised approach is characterised by higher participation from organisational and where SRMs responsibilities are minimal and limited to that of a coordinator and facilitator. The following SRM quotes explain:

“... then we sit down with everyone across the business in early June and say right this is basically where we are looking to go with the report this year, these are the parts of the report that you have ownership of, this is the content we need from you, the data we need from you, and then they go away for the month of June and they pull together all of that data to the best of their abilities ...” (SRM28).

“... so our role in the corporate responsibility team is just to oversee the process, we don’t own any of the information or any of the data that goes into any of our reports. So we really just act as a facilitator I suppose between the assurance provider and the owner of that information. So (ASAP X) will physically go to them and ensure that

⁴⁴ The list of material issues will in most organisations be reviewed and approved by senior management and the board.

they've got all the right systems and checks and balances in place to make sure that any information that their providing that goes into the report is reliable and complete etc. so that's really what our role is" (SRM30).

In a decentralised approach the various content owners will come together at the start of the sustainability reporting process to discuss material issues/topics for inclusion in the sustainability report. Subsequently, these content owners will collect and analyse data, write up their sections of the sustainability report and send them off to the SRM for editing (ensure consistency in writing style) and collation into a draft sustainability report which is then reviewed and approved by senior management and the board. Additionally, content owners will have to engage with the SAP directly and provide data and evidence to support assurance. The benefits of a decentralised approach are that it reduces the burden on under resourced SRMs and encourages greater participation and ownership in the sustainability reporting process amongst content owners. SRMs believe that this will impact not only the quality of the content provided but also encourages a greater awareness and understanding of sustainability within the organisation:

"... the project last year was so resource heavy on our coms team which is a very small team so this year we're giving a bit more ownership to the actual content owners ... so that's why giving the content owners more ownership of their sections is going to be very valuable. I think it's going to be more important for them to be looking at these topics in detail rather than just flipping something off to us and going on to the next work stream" (SRM23).

Thus a decentralised approach, by delegating responsibility for sustainability reporting to internal stakeholders, encourages greater ownership and interest in sustainability reporting. In this way a decentralised approach both

facilitates and is an indication of deeper embedding/institutionalisation (Lawrence & Suddaby, 2006) of sustainability reporting.

A centralised approach is typically operated in two types of organisations. The first are organisations that are new to the sustainability reporting process and content owners require greater assistance/guidance and encouragement with sustainability reporting. Thus SRMs must first educate content owners before a decentralised approach can be implemented. The following two quotes from SRMs provide examples:

“... in previous years I would write the sections and then ask some people to contribute towards others, whereas in the most recent I have tried to undertake a different method where ... and I actually ask them to write the sections. I gave them some guidance’s on what kind of things to expect ... so I talked them through what needs to be done, what they should include ...” (SRM18).

“... going forward we won’t be telling them what indicators we’ve selected for the area, it will be having that sort of discussion about what they see is the best one or the one they think it would be better to report on” (SRM23).

Some reporters retain the basic structure of their sustainability report allowing content owners to develop familiarity with their sections which they then simply update and send to the SRM for collating into a draft sustainability report. The following quote provides an example:

“... and a lot of it is usually refreshing the same tables and data that we used in previous years ...” (SRM22).

The second are organisations that, despite their experience/maturity with sustainability reporting, perceive the sustainability reporting process as a non-core peripheral activity managed by a department/function not integrated

within the organisation i.e. tick the box reporters⁴⁵. The following quote provide an example:

“... for the past 2 years I have been the author of [organisation X] corporate responsibility report so and I am the person who has owned the relationship with the auditor of the report so I guess I’m the person who’s kinda got the primary responsibility for that ... I’m the person who has most of the engagement and the way we do our report here isn’t a particularly deeply engaging process so I go and get the information we write, we review it and then we publish it’s not something we’ve got a big team across the business and the finance team involved in it things like that we kinda of tend to do it off the side” (SRM7).

The study finds that as organisations transition from a centralised to a decentralised sustainability reporting process, the work load/responsibilities of SRMs decrease and the role becomes limited to that of a coordinator and facilitator (as described above). As a result, if the organisation had established an SRM team or department this will be closed down or scaled down to a single manager. If there was a single SRM to begin with then the role may go from a full time year round responsibility to something that is done only three to four months in a year on a part time basis only. In some cases, once the sustainability reporting process is mature the SRMs position is permanently dissolved. The following experience of one SRM highlights:

“... the company until the middle of last year or early last year we had a sustainability team and at one stage there were 2 or 3 people in that team. And then the year before last and early last year it was down to 1. And that person was a sustainability reporting expert. ... So she was really the lead person within the company working with [ASAP Y] on

⁴⁵ However, it must be noted that some content/sections of the sustainability report may require collating data and information from multiple departments or operations thus necessitating the use of a centralised approach to sustainability reporting process.

assurance and gathering internally gathered data and information from different business heads and then she was like managing the process, the GRI framework process, and then managing relationship with [ASAP Y] and then collating and gathering data. So she pretty much had a full time job from, it would have been sort of March through to August working on that work. But then the rest of the time she didn't do work on that she did other things. So anyway her role was disestablished early last year and the reporting data capture part of her role was given to another analyst, business analyst who works in my corporate affairs team" (SRM20).

Each business function/department is delegated responsibility for preparing (i.e. collecting and analysing data and drafting of content) their section of the sustainability report and the final write up (or reviewing the quality of the draft) is the responsibility of the corporate communications function (a more permanent position found in most organisations).

7.3.3 The use of sustainability KPIs

SRMs are introducing key performance indicators (KPIs) designed to measure the sustainability performance for each department, division or operation within their organisation. These findings are in line with earlier research by Adams and Frost, (2008). Often these sustainability KPIs are linked to a broader set of sustainability objectives and sustainability strategy. Performance against sustainability KPIs is monitored on a monthly or quarterly basis and internal reporting of performance on these KPIs is sent to senior managers and the board of directors for review and use in planning and decision making. The organisations sustainability objectives, strategy and performance are subsequently reported on in the sustainability report.

This study findings that the introduction of sustainability KPIs generates assists in generating interest in the sustainability reporting process which is then more closely followed by senior managers and board members who are motivated to perform against these targets. The following quote explains:

“... we report it externally, but then we also have five year indicators that get turned into annual targets and with the view that different business units are responsible for different ones and then hopefully we achieve them and then we are tracking towards the five-year goal so yeah it’s like a management tool really, like a KPI ...” (SRM1).

As the following ASAP quote shows, one step further is the linking of these KPIs to the remuneration and rewards of senior managers and board members:

“I think if the CEO is taking the responsibility and saying this is my report I’m responsible for the performance that drives better reporting through the business. I think there is still a key missing link between remuneration and sustainability performance. ... the remuneration of directors or management is often linked to KPIs ... the once exception being safety often there is a safety KPIs is on most people’s bonus somewhere and most of the directors are remunerated on that but other metrics aren’t usually in there so diversity or carbon are not usually in there the metrics of the operations guys. I think that’s a significant disconnect in achieving outcomes” (ASAP4).

However, SAPs argue that linking sustainability KPIs with remuneration would serve to raise the level of interest in the sustainability reporting process. However, SAPs comment that in their experience few if any organisations have taken this extra step.

7.3.4 Establishing supervisory groups & committees

Larger more mature reporters are establishing management supervisory/steering groups and sub board committees to monitor and guide sustainability reporting. These structures provide examples of enabling work (Lawrence & Suddaby, 2006) in which roles and structures are created to carry out institutional routines and thus support the institutionalisation of sustainability reporting. These structures are typically more common in larger

organisations. Additionally, these structures are also found in organisations that prepare a single annual report containing financial and non-financial information. The production of the annual report is a project that is closely followed by senior management and the board and these structures will typically already be in place before the organisation decides to undertake sustainability reporting. However, with the integration of sustainability reporting within the annual report, sustainability issues come under the radar of these senior management and board members who then discuss them through the more formal platform of the annual report. The following SRM quotes provide examples:

“... the whole reporting process when it actually comes to the annual review is guided by an annual review steering committee which is a cross departmental stakeholder group. So we have representatives that are very senior level from finance, strategy people, legal, risk corporate affairs. So it's really everyone who has some involvement in the production of the annual review has a seat on that steering committee and it really does guide what the final report actually looks like and what goes into it. So that group provides the governance over the report ...” (SRM30).

“... so we had a steering group committee, steering group of the annual report that included the CFO, the GM of finance, the head of law our legal our general counsel, me, head of strategy ... they put a group of people around the table including some outside consultants” (SRM20).

The role and degree of participation/involvement of these management groups in the sustainability reporting process varies. However, in most organisations the management group will review (or in some cases establish) the sustainability reporting plan and objectives, discuss relevant material issues/topics for inclusion within the sustainability report, and review and approve the draft sustainability report. In some organisations these supervisory groups will be overseen by sub-board sustainability committees

responsible for overseeing sustainability including sustainability reporting within the organisation. These committees will receive the sustainability reporting plan, results of the materiality assessment and draft copies of the sustainability report for review and approval. The committee will also receive the SAPs assurance statement and monitor progress made by senior management towards addressing issues highlighted in the SAPs management report (discussed in more detail in chapter 8). The following SRM quotes provides examples:

“... we have a group ... called the sustainability working group. They are made up of representatives from various parts of the business. ... and basically we sit down drawing together all the sources of information that make up our material issues” (SRM1).

“... and then there is a senior management team that gives guidance and oversees that they’re happy with the content” (SRM16).

“... we call a sustainability project control group which is chaired by the CEO. And then that project control group or PCG, provides information of material issues to a board committee. So there’s a sustainability committee of the board ... the sustainability project control group has the executives of [organisation X]” (SRM34).

The introduction of these structures is a gradual process. As the following SRM quote shows, the establishment of these structures may not occur immediately and SRMs will struggle to convince senior managers and board members of the need for their participation and commitment in the sustainability reporting process. As one SRM notes:

“I have the view that we need to integrate it much better, we need various internal mechanisms and steering groups and so on to just to make it a little bit more planned and a little bit more methodical, strategic all those sort of ideas to make sure its pulled, it’s much more

integrated into our operations, so that's what where we're moving towards ..." (SRM24).

However, the establishing supervisory groups and sub board committees is not based on the recommendations of SRMs. In many organisations these structures allow senior managers and board members to monitor and control the organisations sustainability reporting. The following quotes provide examples of how senior managers and board members will review the reporting plans in order to ensure that they are comfortable with the issues that will receive disclosure:

"... and then there is a senior management team that gives guidance and oversees that they're happy with the content" (SRM16).

"... we then prepare a board paper for our board to see our intentions for the annual report for the year and highlight if there are any risks or anything like that in the process so the board are aware of it" (SRM11).

Thus the establishment of supervisory groups and sustainability committees provides an indication of greater management participation in the sustainability reporting process and the deeper embedding and routinisation (Lawrence & Suddaby, 2006) of sustainability reporting within the organisations operations.

7.3.5 Frequent internal sustainability reporting

SRMs are encouraging their organisations to engage in more frequent sustainability reporting. SRMs in organisations undertaking biannual sustainability report are working towards getting their sustainability report published on an annual basis. SRMs working in organisations that undertake the exercise on an annual basis are encouraging that the exercise be undertaken on a quarterly or even monthly basis. Monthly or quarterly internal sustainability reports are then used by management to support management planning and decision making. The following SRM and SAP quotes explain:

“... the other key thing about our sustainability report which is probably different companies certainly international is that we do it every 2 years rather than annually. Which was a decision taken at the outset to try and manage the time involved in producing a report because it's quite a onerous and it takes people out of their normal day to day activity, the difficulty and this is what I come back to, is that then something which is picked up and dropped picked up and dropped rather than being integrated, so every two years we kind of we kind of build up to delivering it again whereas although if you did it annually I think we would have a little bit more momentum through the year” (SRM24).

“... if you have a reporting process that only works once a year it's not usually a very robust and it often has lots of manual input, manual review, often goes through excel spreadsheet” (ASAP4).

The objective is to change the normative associations underlying (Lawrence & Suddaby, 2006) sustainability reporting from a one off year end exercise that is taken up and then forgotten until the next financial year end, to one that is occurring year round and is used to drive management planning and decision making. These findings are supported by the extant literature (Adams & Frost, 2008; Massa et al., 2015). As one SRM notes, frequent internal sustainability reporting provides managers with regular feedback on their sustainability performance thus encouraging them to use the information to manage performance:

“... so internally to get the buy in you really need to go back into performance because the report comes out once a year and by the time people get that feedback it's too late, so I guess it was about pulling back the report production and focusing on the key things that are important for our performance” (SRM12).

Additionally, SRMs express concern that given the voluntary nature of the exercise, coupled with the low external interest in sustainability reporting, the

only way to institutionalise the practice is to transform the document from an external communications tool to one that drives value addition as a management tool. As the following SRM quotes explain:

“... for me improvement means the document becoming one that is more usable something that our business can use. ... something which is much more focused on delivering value for the business and so how does our sales guys use it and I see the need for that because irrespective of the fact that we’re not necessarily best practice we’re a hell of a lot better than our chief competitors who doesn’t do anything in this space. So for us how do we use this as a way of differentiation for corporate and government customers so those are things which we are driving at ... a document which is kinda of more useable ...” (SRM7).

“... as we go into this realm of annual reports becoming more about transparency documents and less about having a marketing document more about being a kind of a report on strategy and how do we execute upon that” (SRM27).

These efforts are aimed at embedding and routinising (Lawrence & Suddaby, 2006) of sustainability reporting within the organisation.

7.3.6 Establishing materiality assessment processes

To support the transition to materiality driven sustainability reporting, SRMs are positioning the materiality assessment as the first and most important stage in the reporting process. However, there is limited research examining how organisations undertake a materiality assessment for the purpose of sustainability reporting (Unerman & Zapettini, 2014). The results of the materiality assessment are used to select relevant material issues/topics and GRI indicators that will be addressed within the sustainability report. In this way the materiality assessment shapes the structure and content of the sustainability reports. The following SRM quotes indicate:

“... so I guess the first thing we do is undertake a materiality assessment ...” (SRM35).

“... pull out what the key focus areas are and the key material issues for this year and then we structure a basic reporting frame around that ...” (SRM28).

“So what we do as part of the reporting process is go through a materiality assessment. ... and through that assessment we’re highlighting which areas and which indicators are more important ...” (SRM13)

In a centralised sustainability reporting process, the SRM will be responsible for undertaking the materiality assessment. The results of the assessment will be provided to senior management and the board for review and approval. In comparison, in a decentralised process, the responsibility of identifying material issues is delegated to operational managers. As a result, SRMs will run materiality assessment meetings or workshops with participants comprising of functional representatives. These meetings encourage preparation, participation and ownership amongst internal stakeholders in the process. Over time these meeting become embedded and routinised (Lawrence & Suddaby, 2006) and occur more frequently (i.e. from annual to a monthly basis) and in a more formalised way. The meeting participants are given titles such as sustainability work groups and gradually these groups begin to form a permanent part of the organisational structure. The following SRM quotes provide examples of the contrasting approaches in which a materiality assessment is undertaken. The first quote provides an example of a relatively centralised approach while the latter two provide examples of a more decentralised participative approach to conducting the materiality assessment:

“So it’s conducted by myself internally and it’s a proposal which is then forwarded through to our management team for endorsement and that’s usually conducted in the first 6 months each year” (SRM34).

“... well for our materiality assessment we have a work shop, this year’s went for 4 hours where we mapped out to find out who our stakeholders were and mapped them out in terms of their influence and interest in us. ..., so all the managers across the business and then we came up with an assessment and then we have another one with the executives ...” (SRM17).

“I guess it starts quite a few months before the end of the financial year. ... we have a group within the business it’s called the sustainability working group. They are made up of representatives from various parts of the business. ... and basically we sit down drawing together all the sources of information that make up our material issues. ... the external survey, internal survey all sorts of information sources ...” (SRM1).

A key component of the materiality assessment is stakeholder engagement (especially engaging with external stakeholders). SRMs will undertake this engagement using a combination of leveraging existing and establishing new stakeholder engagement channels. Examples of existing stakeholder engagement channels include customer’s surveys, employee’s surveys, and discussion/feedback forums on the organisations website and social media sites e.g. Facebook twitter etc. The use of stakeholder surveys, social media, forums on the organisations website and stakeholder councils has been noted in the extant literature (Adams, 2002; Adams & Frost, 2006; Belal & Owen, 2007; O’Connor & Spangenberg, 2008; Owen et al., 2001).

For example, SRMs may request survey owners (i.e. marketing, HR and procurement managers) to include additional questions and/or modify existing questions within their survey to accommodate the requirements of

sustainability reporting. Alternatively, new surveys can be introduced and new topics added to the organisations website and/or social media sites. Larger organisations are also experimenting with stakeholder councils comprising of representatives of external stakeholders that meet on a regular basis to discuss what they perceive to be material issues for organisation. The following quotes provide examples of the different stakeholder engagement channels used by organisations:

“... first we decided how we were going to identify the themes of interest to our stakeholders, we have a methodology in place which included doing a survey of investors and included getting data from our sales teams, we’d talk to our clients which included reviewing the conversations that happened to find out the issues that are important issues for our investors ...” (SRM25).

“... we’re going to establish a stakeholder council which is going to be a group of people that are about a dozen strong across all of our external stakeholders. ... that we want to meet quarterly and we want to talk to them about what the important issues are ...” (SRM21).

“... we have quite formal processes in place for engaging with different stakeholder groups like our business partners, our employees, our customers and our retailers and we do have social media obviously policies, so our broader customers can talk to us through Facebook and Twitter and whatever and we’re also as a company fairly actively engaged in industry bodies so the Australian Information Industry Association and also some green group and industry forums” (SRM15).

The study finds that the assessment process will result in the identification of, in some cases hundreds of issues. These issues are then plotted onto what is referred to by SRMs as a materiality matrix. The materiality matrix is used to prioritise/rank issues and essentially acts as a filter to remove high

priority/materiality issues from those which are of a low priority/materiality. The following SRM quote illustrates:

“... and so we kind of combine all of those inputs develop a matrix which we call a materiality matrix so that’s the first step ... in doing the materiality assessment yeah I could come up with literally hundreds of little mentions of things and so I then try and present it together so that we can have a matrix ... So once the materiality matrix is put together you know there is generally kind of I don’t know 15 or 20 issues on the table but within those issues there’s lots of little kind of things that we could talk about, so you know when we talk about environmental impacts of [organisation Y] that’s quite a broad grouping and there’s many issues that we could talk about inside that but the main ones are [A environment issue] and [B environment issue]” (SRM35).

The study finds that the materiality assessment process and the results thereof are compiled in a report form and submitted to senior management and the board for review and approval. Over time these reports are prepared on a more frequently basis (from annual to quarterly or monthly basis) and gradually become routinised and embedded (Lawrence & Suddaby, 2006) in organisational practices. The following SRM quote explains:

“... Those issues are sent in a formal paper and goes to our executive team. And you know basically they sign off on ok these are the things we’re going to discuss in this year’s annual report” (SRM1).

The study finds that SRMs are integrating the materiality assessment process with existing more central organisational processes. For example, the materiality assessment draws on the information contained within the risk register but at the same time the results of the materiality assessment are used to inform the organisations risk assessment processes. The following quote provides an example:

“so we’re now starting to actually looking at the materiality process and the risk assessment process and seeing how one might inform and check the other ...” (SRM19).

Furthermore, the study finds that results of the materiality assessment are being used in the development of the sustainability strategy and are reviewed by senior managers and the board when setting the overall strategic direction for the organisation. The following SRM quotes provide examples:

“... for me what sets our sustainability strategy comes out very much kind of materiality review and what we are talking to stakeholders and seeing what’s important to them talking to the risk part of the business what are the risks we are facing how can the sustainability strategy help to manage those risks ...” (SRM8).

“... so our board is getting together ... and they’re reviewing our strategic plan and our materiality assessment will feed into that strategic planning process ...” (SRM17).

“... and doing that will equally refine the sustainability strategy. So it’s not just about reporting anymore it’s now about OK we’re going to use the stakeholder engagement and materiality process to actually refine our sustainability strategy ...” (SRM6).

“... before the reports we use the result of the materiality assessment in our business planning process, so once the materiality report is written up it goes back to our general management team and executive management team and they use the results of the materiality assessment to help them write their business plan. So for issues that are highly significant to the business and highly significant to our stakeholders they’re expected to incorporate those issues into their strategic planning and so then once the business plan is written ... I go through and check that material topics have been kind of embedded in the business plan. So yeah so that’s kind of what the materiality was

previously done kind of and finished around may and we pushed it back so start it earlier so that we could incorporate it into the business plan” (SRM35).

In this way the materiality assessment acts as a useful management tool and serves to create pragmatic legitimacy (Suchman, 1995) for the sustainability reporting process amongst senior management and the board. These efforts support the deeper embedding and routinising (Lawrence & Suddaby, 2006) of sustainability reporting within the organisation.

7.3.6.1 Formal versus informal materiality assessments

The study finds considerable variation in how organisations undertake a materiality assessment in sustainability reporting. While some organisations will engage directly with external stakeholder’s others will rely primarily on existing secondary data sources and management insights to identify relevant material issues. The terms “formal materiality assessment” and “informal materiality assessment” are often used by SRMs and SAPs to distinguish between the two approaches respectively. These findings are supported by Williams (2015). This study finds that direct engagement with external stakeholders may be undertaken by the organisation itself or by outsourcing the assignment. Some organisations associate a formal materiality assessment with recruiting the services of an external consultant (e.g. market research firm or a specialist sustainability consultancy) to undertake either the entire materiality assessment or simply the stakeholder engagement component. The following SRM quotes explain:

“Yeah well when I say like informally it’s more of an internal thing you know from looking at our risk registers from talking to our customer council, external stakeholders, we have a climate change council. So from talking to our existing stakeholders and understanding you know what their issues are. When I say a formal one to conduct that we have an external consultant who interviews external and internal stakeholders conducts a survey and ranks the issues. So it’s a much

more of a formal process in that it was independently done. It wasn't just sort of us thinking we know what the issues are actually formally went out to people and asked them" (SRM8).

"... it's looking at existing data sources to find out what the issues are. When you do formal stuff, it's when you actually formally engage usually a third party to sample your external stakeholders and find out what their interested in terms of sustainability. Now how do you do that in terms of do you present them with a list and get them to prioritise it or do you just have a general chat and let them think about it is really up to the third party provider. So it's like a market research exercise really" (SRM6).

"... so you can do it informally by looking at your existing data sources ..." (SRM6).

"... and we did get some other consultants in also to do a more comprehensive materiality assessment ..." (SRM15).

The study finds that reporters will often prefer to simply undertake an informal materiality assessment. This preference is more common amongst smaller organisations and organisations encountering economic challenges. These organisations will argue that they do not have the resources to undertake a formal materiality assessment. Additionally, SRMs based in tick the box reporters will experience low senior management and board support for sustainability reporting and thus find it difficult to secure resources for conducting a formal materiality assessment. The following SRM quote provide an examples:

"... we don't have a lot of money to spend on things like materiality so we really just did an internal analysis ... the challenges our business is going through obviously you know financially we don't have a lot of money to spend on things like materiality so we really just did an internal analysis ..." (SRM35).

Many SRMs argue that they know who their stakeholders are and that they are well aware of the issues which are material for the organisation and its stakeholders. While this confidence may be justifiable for experienced reporters the same cannot be said of reporters beginning their sustainability journey or organisations experiencing changes within their internal and external environments. The following quotes provide examples:

“... we’re quite confident of our materiality analysis and there are many consultants that would love to have a commission from us to conduct a new materiality analysis. But we know that they would come up with exactly the same answer. We’re sure that they would come up with the same answer” (SRM34).

“... it’s like saying well do I need to engage a bunch of people to tell me the sun is hot when I know the sun is hot” (SRM14).

As a result, SRMs based in organisations operating in relatively stable environments (i.e. experienced little external or internal change) argue that an informal annual review of material issues is sufficient. If the review highlights the need for a formal comprehensive assessment, then one will be undertaken. The following quotes illustrate:

“... so we haven’t, there’s nothing we’ve come across that we’re not already in touch with” (SRM15).

“Essentially, you know, it’s our view that we operate in a mature industry, in a mature economy, the, we haven’t seen any evidence to suggest that there’s going to be, that we would expect significant change to those material aspects” (SRM34).

Finally, some SRMs argue that a formal stakeholder engagement is not mandatory rather simply encouraged. The following SRM quote provides an example:

“No you don’t have to and that’s one of the reasons we didn’t do it” (SRM14).

As a result, the decision to undertake a formal materiality assessment is an internal management one and management will take this decision when it sees it necessary to do so.

7.3.6.2 The reliability of a formal materiality assessment

The study finds that, while a formal materiality assessment is preferred over an informal one, the reliability of a formal materiality assessment will depend on the quality of the data collected. For example, the number of stakeholder interviews conducted or the response rate to a survey has implications for the reliability of the assessment. The following quote provides the experience of an SRM based in a multinational organisation with an online survey:

“... so it’s not obviously perfect and you know you can’t force people to participate ... this year we got 54 responses which is from our stakeholders ...” (SRM35).

Furthermore, reporters may choose to survey only certain stakeholder groups and thus the results may not provide a representative sample of stakeholders. As the following SRM notes the selection of stakeholder groups for interview is far from a simple exercise:

“... you need to get a representative sample of what the issues are in the different countries. Now how do you do that in terms of do you base it on where most of your sales is or do you base it on where your strategy is saying you should get ahead in the emerging markets, you should probably do both ...” (SRM6).

The prioritisation of issues in the materiality matrix is a subjective exercise with considerable variations in how it is undertaken. Finally, the study notes that some reporters will often undertake a formal materiality assessment once

and subsequently rely on it for preparing sustainability reports for coming years.

“I think it [formal materiality assessment] was 3 years ago ...” (SRM34)

“I don’t think it needs to be done annually but it’s definitely worthwhile to do it every few years but it was done in the business, we have formal kind of structures for engaging with stakeholders our climate change council our customer council but if you’re a business and you didn’t have those mechanisms set up I think you would need to do it more often because how else are engaging with stakeholders” (SRM8).

Given these issues there is a need for organisations to establish a clear policy on materiality assessment. Organisations should also describe the materiality assessment process they adopt within their sustainability reports. As argued by Unerman and Zappettini, (2014) this would allow stakeholders to evaluate the quality of the materiality assessment and if the sustainability report addresses material issues. However, this study finds that few if any organisations have developed a formal policy on this area. The following quote illustrates:

“There’s no strict policy on that, it would be done if the assessment, if the assessment really showed up that there was a need to do that, we haven’t struck that point” (SRM34).

These findings build on O’Connor and Spangenberg (2008) who argue that stakeholder engagement is a complex process and challenging process.

7.3.6.3 Reasons for not disclosing all material issues

While the materiality assessment has reduced the size of sustainability reports and provided senior management and the board management a useful tool to facilitate decision making and planning, the introduction of a materiality assessment, has had a lesser impact in promoting balanced sustainability reporting as senior managers and board members remain

reluctant to disclosing material bad news as argued by researchers (Bouten et al., 2011; Deegan & Rankin, 1996). The study finds that during the review process material “bad news” get filtered through as senior managers remain reluctant to disclosing bad news. The following SRM quotes illustrate:

“... the problem is sometimes they send me, the people in the divisions, sending me the text, some of them sit in the marketing department or the corporate affairs department. So its self-promoting language and I mean I think that the sustainability report should be a warts and all view. I have to say after its been through review, by a million different people, most of the warts end up getting removed” (SRM26).

“... these annual reports can often be full of you know spin. Very optimistic statements you know puffery about how good you are at certain things and then just conveniently leaving out the balance to that” (SRM20).

As the following quote shows, SRMs believe that while sustainability reports should contain a balanced portrayal of the organisations performance this is difficult to achieve given managements indisposition to disclosing bad news:

“I think the piece around kind of holding up the mirror and saying hey how are we and what are the impacts we’re having on the world is much less part of the way their accustomed to thinking. So I think there's that as part of it” (SRM7).

However, this study finds that in addition to management’s continued resistance to disclosing material bad news, this study finds nine potential reasons that potentially explain why an organisation may fail to provide disclosure (or adequate disclosure) over a material issue.

First, inexperienced reporters (section 7.4) do not fully understand what sustainability is and tend to relate the concept to being “green”. As a result, inexperienced SRMs will inadvertently limit the scope of their sustainability

reports to environmental issues and consequently fail to disclose on a number of material issues because of their lack of experience with sustainability reporting. The following SAP quote provides an example:

“... with [organisation X] we knew there are a number of risks ... the risk area didn't provide the complete list of risks to the sustainability team. They thought that it was only relevant to give them the climate change related risks because in their views that's what the sustainability risks were but obviously our definition of sustainability is much broader than just environmental. So we had the complete risks register and so we were aware that there were some quite significant risks more broadly related to research ethics or health and safety ... So we made them aware that they were obviously were missing some quite critical risks ...” (ASAP5).

Second, as discussed in section 7.3.6.1, an organisations ability to identify material issues will depend upon the robustness of the underlying materiality assessment process. An informal assessment performed by inexperienced SRMs will fail to identify key issues material to the organisations and its stakeholders. Furthermore, and as discussed in 7.3.6.2, even a formal materiality assessment is a flawed process and suffers from certain inherent limitations which may affect the reliability of the results.

Third, as discussed in section 7.2.2, tight sustainability reporting budgets and low/declining senior management and board support for sustainability reporting places pressure on SRMs to adopt an efficient approach to sustainability reporting. In this situation the cost of introducing systems to collect and analyse data and information on a material issue may discourage the organisation from reporting on that issue. As the analysis in section 3 has shown, this will commonly occur in small organisation and tick the box reporters.

Fourth, a reporting organisation may need to request data and information from a third party e.g. a sub-contractor or an affiliate. However, this third party may not be engaged in sustainability reporting or may not have systems in place to provide adequate data that meets the requirements of rigorous external assurance.

Fifth, in complex group structures it can be difficult to identify who is responsible for reporting on the sustainability performance of a specific organisation. The following SRM quote provides an example of how one organisation, despite pressure from their SAP, chose not to disclose a material issue (their investment in an affiliate entity) as they believed that the responsibility to report on sustainability lay with the parent company who had a controlling interest:

“In the [location A], we own [X%] of [organisational B], we don’t operate it, its operated its owned, 51% is owned by [organisation C] from Australia, they operate it, because they’re an oil and gas expert, we’re not, we don’t have any staff there, we don’t have anybody sitting in this office who’s called the [B manager], who’s got [B] in their title, we are simply a [X%] shareholder of that ... and we take [X%] of the [product C] and [product D] ... that we sell and we earn revenue from it but ... So [ASAP Y], the assesor would go well you should include more about [organisation B] from a sustainability point of view in your report health and safety metrics, environmental impact, economic impact, blah blah blah and we go well we’re not the operator, we just, we take the products, we sell them to our customers and we use it ... but we’re not operating and, and, if anyone should be disclosing those kind of environmental sustainability impacts at, at [organisation B] it should be [organisation C] as the 51% shareholder” (SRM20).

Sixth, reporting organisation may not have “sufficient appropriate” evidence to support assurance over the material issue. By including the issue within the sustainability report organisations may jeopardising their ability to secure a

clean assurance statement. Thus the material issue may be temporarily kept out of the sustainability report until systems are mature and provide evidence to support assurance (discussed in more detail in chapter 8).

“... we haven't so far asked them to look at the water and waste data because our process for capturing waste data is not as effective as it could be. It's more around numbers of less than total volumes than the actual amount of waste. We're trying to get to the point where we have sufficient rigor around our waste and water data before we start reporting it because once we start reporting that data we will want that assured as well and it's not in a fit state to do that at the moment, just because the whole focus of the business has been on getting the energy and greenhouse data ...” (SRM32).

Seventh, reporters are hesitant to provide a balanced report (report on material bad news) when their competitors are not doing so. Publishing a balanced report would place the reporter at a competitive disadvantage in comparison to rivals.

“... understand that we need to report some of the "what's" as well as some of the benefits of some of our good actions but I don't think they're totally committed to that. It's usually me that leads that process. Yeah their fairly resistant to actually reporting challenges ... were we've tried and failed yeah. And obviously there's sensitivity about anything that our competitors can use against us. So I would say we really haven't overcome that even though we've been doing the report for this many years and we have put some information in there about you know where we haven't done as well as we would like and it's never had any repercussions” (SRM15).

Eighth, SRMs argue that the lack of external interest in the sustainability report means that external stakeholders do not exert pressure on the organisation to disclose on material issues.

“... it’s difficult because we don’t have a lot of pressure on us from outside the company apart from (ASAP X), we don’t have a lot of pressure on us to disclose more, we don’t have stakeholders sending letters or ringing up going you know Dear Mr. (X) why haven’t you disclosed your impact on waterways and how much water you took out of such and such river ...” (SRM20).

Finally, the study finds that the use of media coverage (as used Adams, 2004; Adams & Kausirikun, 2000; Boiral, 2013; Neu et al., 1998) is problematic. The following two examples provide contrasting perspectives on the use of media as a tool to assess the level of balance within sustainability reports.

Example 1: The SRM argues that not every issue that receives media coverage (articles in a newspaper) or hits on the internet (a viral video) constitutes a material issue worth discussion in the sustainability report:

“... realistically I think it’s useful but not definitive I think the whole idea of relying on what gets rating and what gets you know news stories is not necessarily describing everything that’s most material because not everything gets reported publicly ...” (SRM18).

Example 2: The SRM states that since certain issues have received media coverage they would require addressing in the sustainability report:

“... we then propose, prepare a board paper for our board to see our intentions for the annual report for the year and highlight if there are any risks or anything like that in the process so the board are aware of it. Risks in terms of if there is any information particularly financial information or any information that can be viewed in a negative light by the media. Yeah so in terms of spin on anything or risk we’ve had a disappointment or anything like that last year, we had a first financial loss in the history of the business, so that was something that was reported quite widely and obviously we’ve prepared key messages

around that because they knew the media was going to report on that” (SRM11).

From these contrasting perspectives, it can be argued that, the use of media as an indicator, in isolation, of the materiality of an issue is a highly subjective process as it requires evaluating the degree of severity of an issue that is being provided coverage by the media. The study finds evidence to support the arguments of Patten, (2002) and Unerman and Zappettini (2014) who argue that certain issues despite receiving considerable media coverage may not be material or media coverage may have a low impact on stakeholder’s perception of the severity of the issue. Similarly, an issue that receives little media coverage may be yet be a material issue or media coverage may have a considerably high impact on stakeholder’s perception of the severity of the issue. Thus the lack of balance within sustainability reports is due to a range of factors and cannot be attributed purely to managements desire to use the sustainability report as a tool to support organisational legitimacy as argued in the extant literature (see Cho & Patten, 2007; Deegan, 2002; Gray, 2006; Holder-Webb et al., 2009; Hughes, Anderson, & Golden, 2001; Neu et al., 1998). Table 7.1 provides a summary of the forms of institutional work carried out by SRMs and the mechanisms used to affect this institutional work.

Table 7.1 Mechanisms used by SRMs to affect their institutional work

SR	Mechanism	Description	Forms of institutional work affected (Lawrence & Suddaby, 2006)
1	Engaging with internal stakeholders and using discursive strategies	Engaging with managers using meetings, workshops, presentations and circulation of reports Leveraging discursive strategies avoiding using sustainability and related terms which are replaced with more familiar terms such as risks, penalties, and litigation	Advocacy Educating
2	Decentralised sustainability reporting process	Delegating responsibility for data collection and drafting to content owners	Advocacy Embedding and routinising
3	The use of sustainability KPIs	Developing and reporting on sustainability KPI's.	Advocacy Embedding and routinising
4	More frequent sustainability reporting	SRMs are encouraging more frequent internal reporting on sustainability supporting management planning and decision making	Embedding and routinising
5	Establishing supervisory groups and sustainability committees	Creation of supervisory groups and sustainability committees to oversee the sustainability reporting	Enabling mechanisms Embedding and routinising
6	Materiality assessment and stakeholder engagement	Establishing materiality assessment groups, leveraging existing stakeholder engagement mechanisms as well as establishing new channels of communication.	Changing normative associations Embedding and routinising

7.4 Summary

SRMs play a key role in institutionalising (Lawrence & Suddaby, 2006) sustainability reporting. As organisations sustainability reporting expert, SRMs must educate (Lawrence & Suddaby, 2006) inexperienced organisational managers and equip them with the skill necessary to support sustainability reporting. However, in many cases SRMs themselves are inexperienced and thus must first acquire an understanding of sustainability, sustainability reporting, sustainability reporting standards, and the requirements of sustainability assurance. However, in many cases there is a lack of formal training provided to these SRMs who learn by doing and as a result are unable to meet the requirements of standards in their initial reporting cycles. Furthermore, in many organisations (often smaller reporters or tick the box reporters) the role of the SRM is allocated as a part-time responsibility to an existing organisational manager. As a result, these inexperienced part-time SRMs appear overburdened with their sustainability reporting responsibilities and will struggle in initial reporting cycles to fulfil the requirements of sustainability reporting standards.

Additionally, SRMs play the role of the organisations sustainability reporting champion, advocating (Lawrence & Suddaby, 2006) the practice and encouraging greater participation and commitment from internal stakeholders. However, undertaking this work is challenging for SRMs based in tick the box reporters characterised by a lack of senior management and board support for the practice. Management support for the practice further declines given the low external readership of sustainability reports. The low external readership in sustainability reporting has also been noted by Greco et al. (2015). Consequently, SRMs must perform a challenging role of advocating a practice to organisational managers who often neither understand nor appreciate the importance of sustainability reporting.

Within this context the GRI launched its G4 guidelines in 2013 (GRI, 2013). The new guidelines highlight the materiality assessment as a critical stage in

the sustainability reporting process. The guidelines aim to ensure that organisations provide sufficient coverage over issues material to the organisation and its stakeholders i.e. publish balanced sustainability reports. As reporters transition to the new guidelines SRMs note a change in the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from bigger is better to more focused materiality driven documents. SRMs have welcomed the new guidelines as they allow them to reduce the size and cost of sustainability reporting and thus generate pragmatic legitimacy (Suchman, 1995) for the practice amongst senior managers and the board. Furthermore, the new guidelines allow SRMs to stop reporting on certain GRI indicators without raising questions from external stakeholders that may call into question the moral legitimacy (Suchman, 1995) of such a move.

SRMs utilise six mechanisms to affect the institutional work (Lawrence & Suddaby, 2006) and ultimately embed and routinise sustainability reporting within their organisation.

First, SRMs engage with internal stakeholders in an attempt to educate (Lawrence & Suddaby, 2006) them on sustainability reporting and advocate (Lawrence & Suddaby, 2006) the need for participation and commitment in the practice. SRMs leverage numerous channels in order to explain what sustainability is, what sustainability reporting is about and how sustainability report is prepared. When doing so SRMs will avoid using sustainability and related terminologies which are replaced with more familiar business terms such as risks, fines, and prosecution. Using these discursive strategies SRMs undertake mimicry work (Lawrence & Suddaby, 2006) in which the practice of sustainability reporting is made to appear less alien and more familiar to organisational managers. Second, SRMs attempt to run a decentralised sustainability reporting process in which responsibility for data collection and report drafting is delegated to relevant managers (or content owners). The role of the SRM is then limited to that of a facilitator or coordinator. The aim is

to encourage greater ownerships and interest in sustainability reporting the process amongst internal stakeholders. Third, SRMs are introducing sustainability KPIs to monitor the sustainability performance of organisational managers. Performance against these KPIs is subsequently reported on within the sustainability report. The aim is to encourage managers to closely monitor their sustainability performance as well as taking a greater interest in the organisations sustainability reporting. Fourth, in larger organisations SRMs are establishing management supervisory/steering groups and sub board sustainability committees to monitor and guide the sustainability reporting process. These structures provide examples of enabling work (Lawrence & Suddaby, 2006) in which roles and structures are created to carry out the institutional routines. Fifth, SRMs are encouraging more frequent internal sustainability reporting. The aim is to encourage a shift from biannual to annual reporting and from annual to more frequent quarterly (and even monthly) internal sustainability reporting. The objective is to change the normative associations underlying (Lawrence & Suddaby, 2006) sustainability reporting from a one off year end communication exercise that is taken up and then forgotten until the next financial year end, to one that is occurring year round and is used to drive management planning and decision making.

Finally, SRMs are positioning the materiality assessment as the first and most important stage in the sustainability reporting process. In a decentralised sustainability reporting process, SRMs will delegate responsibility for identifying material issues to organisational managers in group materiality assessment meetings. Over time these groups become embedded and routinised (Lawrence & Suddaby, 2006) as a permanent part of the organisational structure and meet regularly to submit materiality assessment reports to senior management and board members for review and approval.

A key component of the materiality assessment is a stakeholder engagement. However, there is considerable variation in how organisations undertake a stakeholder engagement. SRMs will use a combination of leveraging existing

and establishing new stakeholder engagement channels such as stakeholder surveys, social media forums on the organisations website and stakeholder councils. Importantly, while some reporters engage directly with external stakeholders, others have relied primarily on existing secondary data sources and management insights to identify material issues. The terms formal materiality assessment and informal materiality assessment are used by SRMs and SAPs to distinguish the former from the latter.

Finally, while the introduction of GRI G4 and materiality based approach to sustainability reporting has reduced the size of sustainability reports as well as providing senior managers and the board members with a useful tool to facilitate decision making and planning, the introduction of a materiality assessment, has had a lesser immediate impact in promoting balanced sustainability reporting as senior managers and board members remain reluctant to disclosing material bad news. During the review process material “bad news” get filtered through as senior managers remain reluctant to disclosing bad news. However, in addition to senior managers and board members continued reluctance to disclosing material bad news this study identifies nine other reasons which potentially explain the lack of disclosure of material issues within the sustainability report. These include; inexperienced SRMs inadvertently excluding material issues; an informal materiality assessment failing to identify all material issues; the cost of data collection and analysis may discourage disclosure reporters with tight reporting budgets and low management commitment to sustainability reporting; the need to secure data and information on materials issue from a third party who may not have systems in place to provide verifiable data and information; the reporter arguing that the responsibility to report on the sustainability performance of an affiliate rests with parent company; lack of evidence to support assurance over the material issue motivates SRMs to exclude the issue from the report until systems mature; reporters are argue that publishing balanced report (i.e. disclosing material bad news) places them at a competitive disadvantage when their competitors are not doing the same;

there is a lack of external interest and pressure on reporters to disclose on material issues. Finally, the use of media coverage as an indicator of the materiality of an issue is an inherently subjective process and used in isolation does not provide a suitable metric for researchers and practitioners in evaluating the materiality of an issue. Thus certain issues despite receiving considerable media coverage may not be material or media coverage may have a low impact on stakeholder's perception of the severity of the issue. Similarly, an issue that receives little media coverage may be yet be a material issue or media coverage may have a considerably high impact on stakeholder's perception of the severity of the issue. Thus the lack of balance within sustainability reports is due to a range of factors and cannot be explained purely due to the legitimacy (Suchman, 1995).

Chapter 8

RQ3 Examining the institutional work of sustainability assurance providers

8.1 Introduction

This chapter is the final of three that present the findings from this study. The chapter attempts to address the third research question; “what forms of institutional work do sustainability assurance providers undertake during the sustainability assurance engagement and what is the perceived impact of these efforts in promoting credible sustainability reporting and institutionalising sustainability assurance as a value added activity?” This research question focuses primarily on the demand-side of the sustainability assurance market. The aim is to understand the forms of institutional work undertaken by SAPs during the assurance engagement, the mechanisms SAPs use to affect this institutional work, and the perceived impact of these efforts in promoting reliable and balanced sustainability reporting as well as institutionalising sustainability assurance as a value added activity.

The chapter is divided into five sections. Following the introduction, section 8.2 explores why SAPs undertake institutional work (Lawrence & Suddaby, 2006). Section 8.3 discusses the mechanism used by SAPs to affect their institutional work. Section 8.4 examines the impact of the SAPs institutional work in promoting reliable and balanced sustainability reporting. Finally, section 8.5 closes the chapter with a summary discussion of the research findings.

8.2 The institutional work of SAPs

The primary objective of sustainability assurance is to improve external stakeholder’s confidence in the credibility of organisations published

sustainability reports. This objective of sustainability assurance has been outlined in the extant literature (Deegan et al., 2006b; Jones et al., 2014; Park & Brorson, 2005). In order to achieve this objective SAPs will undertake policing work (Lawrence & Suddaby, 2006) aimed at monitoring and assessing the accuracy and balance of published sustainability reports. However, sustainability assurance is a voluntary engagement (chapter three) and SAPs have limited powers to enforce their views and opinions. As the following SRM quote shows, potential disagreements between the SAP and the reporting organisation ultimately conclude with the issue of contention being removed from the scope of the sustainability assurance engagement:

“It was discussed that this is the boundary and scope ... what’s in the report and what’s out of the report and we said [to] our assurors that while we’re on this kind of sustainability journey we’re pushing more and more sustainability kind of principles into procurement for things that we could control but there’s some areas of procurement such as [X] where we didn’t have a lot of control over. These are contracts that were written years before and we didn’t see much point in kind of rocking the boat if you like and trying to find out more about our supply chain [X] ... we can simply say [supplier Y] are outside the scope of sustainability reporting for us. We’ve just kind of agreed that with the assurors ...” (SRM20).

Consequently, SAPs need to supplement their policing role with other forms of institutional work (Lawrence & Suddaby, 2006) including advocacy, educating, and changing normative associations in order to achieve their objective of promoting reliable and balanced sustainability reporting (discussed in detail in section 8.2).

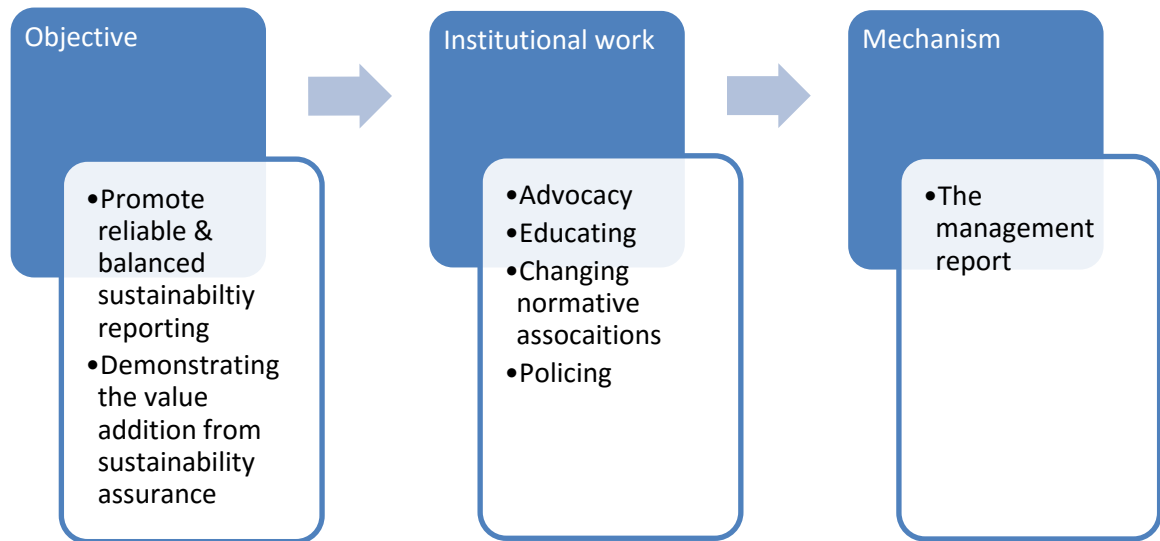
Additionally, the institutional work undertaken by SAPs performs a key role of demonstrating the value added nature of sustainability assurance to reporting organisations. The need to do so has been identified in the extant literature (AccountAbility, 2009; KPMG, 2011; Jones & Solomon, 2010; O’Dwyer et al.,

2011) with some arguing that sustainability assurance plays a limited role in improving the credibility of sustainability reports and drives its primary use as a management tool (Wong & Millington, 2014). Thus SAPs through their institutional work attempt to achieve two inter-related objectives (and related impacts):

- Promoting reliable and balanced sustainability reporting.
- Demonstrating the value addition from sustainability assurance engagements.

Understanding these objectives (derived from the literature review in chapter three) is necessary in understanding why SAPs undertake different forms of institutional work. As noted in chapter four social actors (i.e. SAPs) will undertake institutional work in an attempt to further their interests (Dacin et al., 2002; DiMaggio, 1988; Fligstein, 1997). In order to affect this institutional work, SAPs leverage their management report as the primary mechanism through which they achieve these objectives. Figure 8.1 provides a summary outline of the institutional work carried out by SAPs, the mechanisms used to affect this institutional work and the impact from the sustainability assurance engagement.

Figure 8.1 Institutional objectives, work, and mechanisms



The following discussion examines the institutional work undertaken by SAPs during the course of the engagement.

8.2.1 Educating and guiding SRMs

Inexperienced SRMs rely on their SAPs as a key source of knowledge on sustainability reporting. Thus SAPs play a key role in educating (Lawrence & Suddaby, 2006) and guiding SRMs (and other internal stakeholders) on sustainability, sustainability reporting, sustainability standards, the differences between standards, how to interpret these standards, and how to implement the requirements of sustainability standards and guidelines. SRMs perceive SAPs as experts in the field of sustainability reporting and believe that they can benefit from the SAPs insights and experiences acquired from providing

assurance to multiple other reporting organisations. SRMs believe that these insights allow them to short cut or reduce their learning curve. The following SRM and SAP quotes explain:

“So yeah we have had that follow up discussion with the assurance company and they give us some constructive comments about what we could do better ... They’re talking to a whole line list of companies they’re experience may short cut that process for us. Oh have you thought about it from this point of view or there’s this way of collecting this information which is a lot easier. So there’s that value we get out of it because there’s a tendency in a company to kind of put yourself in a bubble and forget sometimes that there’s resources and expertise out there” (SRM24).

“... so one of the things [NASAP X] does is when we’re working with material he’ll be talking about you know, he often talks about stuff he’s seen elsewhere and some of those things will stick in my mind” (SRM7).

“More for just information and education in just keeping up to date on where everyone else is with that yeah ... it’s more of a just a hey where are we globally and what’s going on and where’s the thinking at like ... so we’ll send publications and articles, have you thought about, this is a different way of looking at things and that type of thing” (ASAP3).

“... I think I can look back over the 20 or so clients that we have assured in the last 7 years that they some of them have absolutely come back and said until you guys showed up on the door we really didn’t know what sustainability was for this organisation. Now that’s quite a big claim but I think part of that is sometimes those discussions you have with them are the only time that they ever get to sit back and think about it at a higher level” (NASAP9).

SAPs will educate (Lawrence & Suddaby, 2006) and guide inexperienced SRMs on what sustainability reporting involves and how they should manage their sustainability reporting project/process:

“So they came in and we had an initial discussion about what a sustainability report looks like because bearing in mind my manager and I had no experience in this area so we were pretty it’s a total beginning for this process that we had to get some background on what a sustainability report looks like what it means to be reporting on the GRI guidelines ... Yeah absolutely yeah they were giving us on a lot of that background information and a lot of how we should be approaching the project” (SRM23).

As the following example shows, in one engagement the SAP recommended to the SRM to reduce the scope of their sustainability report from what they had originally planned. The SAP believed that given the inexperience of the SRMs and the amount of work that would be required in preparing and assuring the sustainability report it was advisable for them to reduce the number of GRI indicators that they were planning to originally report on:

“So [ASAP X] advice was around in the need for us to try and refine down the number of things that we wanted to report, so I think [ASAP X] was quite aware of the scale and the rigor and the amount of work involved in collecting information, obviously [SRM Y] and I were quite new to it we weren’t quite aware at that stage of what a mammoth task it can be, [ASAP X] knew that to get that information and to report on it in a way that meets this very stringent criteria’s and to have all of the background documents and proof that you know what your saying can be backed up” (SRM21).

These findings build on Park and Brorson (2005) who note that SRMs will use their SAPs to benchmark their sustainability reports against industry competitors (Park & Brorson, 2005). Thus SAPs play a key role in educating

(Lawrence & Suddaby, 2006) SRMs with the skills necessary to support sustainability reporting.

Many organisations starting off on their sustainability journey will have weak and under developed information systems underlying sustainability reporting. These systems will not be able to support rigorous external assurance. The data and information generated by these systems will be unreliable. As a result, sustainability reports prepared using this data and information will also be unreliable. In line with existing research (De Moor & De Beelde, 2005; Gray, 2000; Jones et al., 2014; Jones & Solomon, 2010; O'Dwyer et al., 2011; Park & Brorson, 2005; KPMG, 2011; Sawani et al., 2010) this study finds that the sustainability assurance engagement leads to improvements in systems and processes underlying sustainability reporting.

Builds on the existing literature by explaining how this improvement takes place. The study finds notes that SAPs use a combination of institutional work (Lawrence & Suddaby, 2006) including; educating (e.g. identifying and explaining weaknesses in systems and processes underlying sustainability reporting), advocacy (i.e. encouraging investment of time and resources in improving systems) and policing (i.e. evaluating information systems during the course of the engagement) to assist reporters in improving their information systems which reliable and balanced sustainability reporting. The following SRM quotes explain:

“... the other thing is the assurance has really improved our reporting systems. You know when we started we, just like a lot of companies, we've got strong financial reporting systems and not very strong system for reporting all this other information and so those have been strengthened over the years through audit. So carbon, waste, HR data, health and safety data but especially our HR data and our carbon data they have benefited. So now we just kind of breeze through the audit whereas initially it was quite difficult and we've actually put electronic systems to help manage the data whereas in the early days we were

doing it all by excel spreadsheets. So the rest of the business is now used to me just asking for the data and they just send it you know sort of” (SRM15).

“One of their recommendations is improvements to systems and processes. So and it talks about which systems require future improvement such as office work, community contribution, coal safety, coal ethical sourcing system. ... some parts are quite specific to which divisions to follow up on” (SRM26).

Additionally, some organisations have opted to undertake pre-assurance (also referred to as a readiness review/check or internal assurance). This involves recruiting a SAP to evaluate the sustainability report and underlying systems and processes with the aim of assessing the reporter’s readiness for external independent assurance. However, a pre-assurance engagement does not lead to the publication of an assurance statement. Instead the SAP will provide feedback to the reporter on weaknesses in information systems and what can be done to improve them. These systems can then be targeted by reporters in preparation for a full external assurance engagement. The following SAP and SRM quotes explain:

“... if their just starting out we’ll offer internal assurance. ... So internal assurance is basically the same as external assurance except without having a public statement and we’ll do that for organisations that are just starting out that want to get an idea of where they fit, if they, in advertent comas pass, even though it’s not a pass or fail. So we do that” (NASAP7).

“... they’re also quite keen to undertake as much pre assurance work as they can so as to help us, prepare us, our systems and processes so that of that the work can actually be done prior to the final data being made available in the (the organisation) year. So make everything a little bit easier when it comes to the actual post you know

closing of the books at the end of the reporting years. So yeah I think there's a lot of things that we've undertaken that will make this year's process much more streamlines and as a result I'm not expecting that we'll have the same kind of blow out with our scope of work with ASAP and I think it will be much more in line with what they would expect it to be" (SRM4).

"More of readiness review or a dry run ... we won't actually report that but yeah just have a try based on the year end procedure. We've had a few (clients) yeah just because you know it is such a big process and making sure that we've actually got the right stuff that their reporting about and all that type of thing material issues and yes sometimes its better just to have a practice and then do it properly after. Yes some of them have gone 'nah' too hard and dropped off, some of them are still working through it and some of them have become clients" (ASAP3).

These findings are supported by the insights of Power's (1997, 1994, 1991) who points out that assurance practitioners first guide reporters in establishing systems and processes that support assurance. The aim is to create auditable environments which support subsequent assurance by practitioners. In a similar manner SAPs through their educating work (Lawrence & Suddaby, 2006) seek to create auditable environments that support sustainability assurance.

8.2.2 Encouraging best practice in sustainability reporting

SAPs advocate (Lawrence & Suddaby, 2006) the adoption of best practice in sustainability reporting. These efforts involve encouraging reporters in keeping up to date with changes in sustainability reporting by adopting latest sustainability reporting standards and guidelines. For example, in 2013 the GRI introduced their new guidelines the G4 (GRI, 2013). G4 places greater emphasis on materiality driven sustainability reporting (chapter 7). SAPs are advocating (Lawrence & Suddaby, 2006) the new G4 as a better set of guidelines than its predecessors (i.e. the GRI G3 and G3.1). In order to

support the transition to the new guidelines SAPs are educating (Lawrence & Suddaby, 2006) and guiding SRMs on the requirements of G4 and the differences between G4 and older variants (G3 and G3.1). The following SAP and SRM quotes provide examples:

“... we’re sort of encouraging people to adopt G4 early, it’s a better standard we think” (ASAP3).

“... we also had a discussion about what the difference was between the G4 and the older G3 guidelines so there was definitely some real encouragement from the auditors to get involved in making it to the G4 point so I think they were really keen to see us achieve that when it came down to it last year it just wasn’t realistic for us with our time frame and our experience” (SRM23).

“... we wanted to go to G4 and the assurance provider provides support to do that ...” (SRM8).

SAPs are encouraging organisations to improve their materiality assessment process including stakeholder engagement processes. These efforts support SRMs in securing time and resources from senior management and the board in improving the materiality assessment process. As one SRM notes:

“I’m able to say, well the external provider is telling us that materiality is going to be more relevant and we need a more robust stakeholder engagement this time so let’s do this” (SRM26).

These findings are in line with Park and Brorson (2005) who note that SAPs recommendations are aimed at improving reporter’s materiality assessment and stakeholder engagement processes. This study builds on these findings by noting that SAPs will provide guidance on how to conduct a robust materiality assessment including stakeholder engagement. For inexperienced SRMs a materiality assessment can appear to be a complex and challenging exercise. SRMs may not be aware of what a materiality assessment is, how it

should be undertaken (encouraging a formal rigorous assessment), and in what format it should be in order to support sustainability reporting and sustainability assurance. The following SRM and SAP quotes illustrate:

“... we [SRM and SAP] sat down and we basically drew an excel spread sheet ..., he said that’s all you need, it [stakeholder engagement] can be quite simple ...” (SRM7).

“... I guess again the companies at the start of their journey really haven’t come to terms with you know what the process involves and what the different standards suggest like GRI etc ... so I mention those two areas specifically because I’ve further in my engagements that I have been involved in that they are the two overall potential value addition assurance can offer to companies just improving things in the data collection and stakeholder engagement” (NASAP1).

More specifically SAPs are pressing reporters to rely more on direct engagement with external stakeholders (a more formal rigorous materiality assessment) as opposed to relying on secondary data sources and management insights on who the organisations stakeholders are and what issues are materials to these stakeholders (a formal materiality assessment). The following SRM quote explains:

“... the assurance provider said you need to get more external stakeholder input into your materiality process and ... this year will be the first year where we’ll do a formal stakeholder engagement process” (SRM6).

In order to support direct stakeholder engagement, SAPs are encouraging organisations to improve existing and/or introduce new stakeholder engagement mechanisms. For example, one SAP encouraged their client to develop an organisation wide stakeholder engagement framework to better inform them on issues material to their organisation:

“So last year we tried to encourage [organisation X] to develop a similar framework to what I mentioned I did at [organisation Y] to drive consistency across the organisation and also to help to feedback the findings from the stakeholder engagement up to both management and also to help inform the materiality process. ... if we felt that they didn't have the appropriate resources or they didn't have the right capabilities we would provide feedback there. ... So normally they're doing stakeholder engagement it's just it's not very consistent and they don't have an overarching framework. They're things that take time and we help guide” (ASAP5).

SAPs are encouraging organisations to undertake stakeholder engagement in a proactive manner. This involves seeking out and engaging with stakeholders before risks materialise. In comparison organisations often to adopt a reactive approach in which they engage with stakeholder engagement only in response to an impact or issue materialising.

“They tended to be only reactive engaging rather than proactive engaging, so rather than going out there and asking them the questions of what's concerning them it was more of about oh we've got this issue coming up have we told the local community about it or ... having a quarterly community engagement session rather than just having ... an ad hoc type of ... knee jerk rather ... then building good information ...” (NASAP2).

Additionally, SAPs apply pressure/policing work (Lawrence & Suddaby, 2006) on reporters to undertake more frequent formal materiality assessments and to justify the continued use of older ones. Successive recommendations on the issue provided by the SAP over a number of reporting cycles build pressure on reporters. SRMs leverage these recommendations in order to convince management to allocate resources for undertaking a fresh formal materiality assessment. The following SRM quote explains:

“... what we did get from both (X SAP) and (Y SAP) though in the last 2 years was that you need to revisit your materiality review to ensure that you’re reporting on all the most material issues and we’ve done that this year. ... we hadn’t done a formal materiality review for a few years, so both picked that up that you need to do that ... a ... concern that what your reporting on is the most relevant ...” (SRM8).

Through these efforts SAPs are encouraging a change in the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from bigger is better to more focused materiality driven sustainability reporting. Adoption of GRI G4 by reporters gives more power to the SAP who can exert greater pressure on reporters to publish a balanced sustainability report. As a result, SAPs are placing increasing emphasis on their review of the reporter’s materiality assessment as the first and most important stage in the sustainability assurance process. Reporters are encouraged to engage the SAP early on in their sustainability reporting process and ensure that their SAP is comfortable with the materiality assessment before progressing to the later stages of the reporting cycle. Reporters that begin drafting the sustainability report before their SAP has reviewed the materiality assessment are warned that they may later need to revise their sustainability report should the SAP disagree with the results of the materiality assessment. This may result in a waste of time and resources and possibly a delay in the launch of their sustainability report. For organisations that aim to publish a single annual report (containing both financial and sustainability information) or those organisations that launch their annual reports and sustainability reports simultaneously (often prior to the shareholders annual general meeting), this represents a significant concern. The following SAP and SRM quotes explain:

“... if something as fundamental as you haven’t got your material areas right is ... yeah something that we would be quite concerned about. So we try and recommend and assess upfront” (ASAP3).

“... yeah after the initial meeting then they’ll start to develop their own materiality process as we confirm and provide ours to them ...” (SRM18).

“... so they basically, after we’ve had the initiation meeting we give them our materiality assessment and they have a look at that and we also give them a draft of what we’re going to put in the report and they look to basically see if you know if the report is planning to cover the material issues ...” (SRM15).

Thus SAPs are using a combination of institutional work aimed at encouraging a transition towards GRI G4 and materiality based sustainability reporting.

8.2.3 Raising the profile of sustainability reporting

Sustainability assurance assists in raising the profile of sustainability reporting within organisation and in this way support SRMs who face difficulties in championing sustainability reporting and encouraging greater participation and commitment from organisational managers in the sustainability reporting process (chapter seven). These findings are in line with those of Park and Brorson, (2005) who comment that that securing sustainability assurance raises the profile/importance of the sustainability reporting process amongst internal stakeholders. This study builds on these findings and identifies two ways in which SRMs leverage the sustainability assurance engagement. First, SRMs use the sustainability assurance engagement in order to secure resources from senior management and the board for improving the sustainability reporting process. The following SRM quotes explain:

“... I would say we have better information systems as a result of having that external perspective on them and also it’s much easier to get a budget for a new information system if someone big and scary and external has recommended it” (SRM26).

“So you have to pull the leavers for different people and try and use a whole range of things and audit and assurance is part of that process. If the auditors came back and said well you’re not doing this very well ... I would report that to senior management and they’ll say well why are we not doing that well and so OK what do you need or how can we improve and if I say you know we need this department to do this then the they’ll listen because it’s been introduced with the assurance” (SRM24).

Second, SRMs note that when content owners are informed that the data and information they prepare will be subject to external assurance it forces them to carefully consider the material that they prepare for inclusion within the sustainability report. Undertaking sustainability assurance sends a signal to organisational employees that senior management and the board give importance to sustainability reporting and are committed to the sustainability reporting process. The following SRM quotes illustrate:

“I think if you were just to talk to a data owner and ask them for information that you just dropped it into a report and that was the last it was seen or heard of without anyone challenging it or actually providing rigor around the numbers and the claims, you really wouldn’t be getting, our team wouldn’t be getting the response we need from those stakeholders. It wouldn’t be treated with the same level of importance. ... when we drop the word [ASAP X], this is required for [ASAP X], they require X Y and Z to sign off on the report or the information that’s going into the report, it is treated seriously and people do value that. So it’s been helpful for us to have them on board and to be able to drive people and get them moving to the time frames that we impose so most definitely” (SRM30).

“... they actually see that there is a rigorous process in place and that we’re not just compiling a brochure I think when they realise that

there's going to be an expense of making sure that these number are correct it gets taken a bit more seriously" (SRM6).

In this way the sustainability assurance engagement raises the profile of the sustainability reporting within organisations and complements the efforts of SRMs in institutionalising sustainability reporting.

8.2.4 Using the sustainability report as a management tool

SAPs are arguing in favour of using the sustainability report for more than just a communication tool designed to promote the image of the reporting organisation. SAPs encourage SRMs and organisational managers to use sustainability reporting to support planning and decision making. The objective is to create pragmatic legitimacy (Suchman, 1995) for sustainability reporting in the eyes of senior managers and board members. Thus SAPs recommend integrating the sustainability reporting process with the organisations existing core processes such as risk management and strategy development. The sustainability report should provide information on strategy while at the same time the data and information collected for the purpose of sustainability reporting should feed into strategy development. Similarly, the sustainability report should comment on key risks but at the same time the data and information collected for the purpose of sustainability reporting should feed into the organisations risk management process. The following quotes from SAPs highlight:

"... if they are serious, over time this marketing tool [sustainability report] starts to become more of a working tool, useful for them ... they can start as a marketing tool ... but over time if they are serious with what they are doing they will learn and become better and better ... what I am saying is forget the marketing tool. ... If it's not used to draw the strategy for the future, it's simply a marketing tool" (NASAP3).

"... the reporting processes is an opportunity to do other things in the business. So in other words don't just stop at producing the report and

saying well that's it for the year until next year is to say look what can we take out of this whole reporting process that we can apply to other parts of the business like strategy development like risk management you know one thing that we try and say is just don't ... just the temptation is to produce the report, have it assured, publish it and sit back put your feet up for a month or two and then think about the next one but we're very strong on saying to them you've gone through a very intensive process of developing a report and having it assured is there really opportunities for you to take this information and findings and use them elsewhere around better conversations between departments in relation to risk, risk evaluation better relation to strategy development in relation to decision making" (NASAP9).

These efforts are aimed at changing the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from using sustainability reporting as primarily a communication tool to a broader role in which sustainability reporting is aimed at satisfying the information needs of both external stakeholders and internal stakeholders (i.e. senior managers and board members). SAPs encourage using this information to inform management planning and decision. These findings build on existing studies (see Park & Brorson, 2005) which find that SAPs recommend reporters introduce sustainability KPIs and report against these within their sustainability report.

8.3 Mechanism used to affect institutional work

The primary mechanism used by SAPs to affect their institutional (Lawrence & Suddaby, 2006) is the management report. This is discussed below:

8.3.1 The management report

At the conclusion of the sustainability assurance engagement SAPs will provide reporters with two documents. The first is an assurance statement that contains the SAPs opinion on the sustainability report. The assurance

statement is published within the sustainability report and is aimed at enhancing the credibility of sustainability report and providing comfort to the readers of the sustainability report (e.g. Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012). The second document contains the SAPs findings gathered during the course of their sustainability assurance work. As noted in the extant literature (De Moor & De Beelde, 2005; Gillet, 2012; Moroney et al., Windsor, & Aw, 2012; Park & Brorson, 2005), this document is often referred to as a management report by SAPs and SRMs. The management report is used to provide reporters with feedback on issues or weaknesses within systems and processes along with broad recommendations on how these issues can be addressed. The following SRM and SAP quotes explain:

“... they send us a management report and the management report is that thing that highlights how they found the process and the things that they think we should address in order to improve sustainability reporting in the future. So it's the management report and the assurance letter which are the outputs from the assurance provider” (SRM18).

“... providing them a prioritised list of issues that they should be addressing ...” (ASAP1).

“... there is a report to us that discusses things that we could do better and so it's basically that it's their report to us about where they think our process was good and where we could make improvements for next year” (SRM16).

This study finds that while sustainability assurance statement will be published alongside the sustainability report this is not necessarily the case with the management report. In some situations, the summarised findings from the management reports are published as part of the assurance statement. In other situations, the management report has been treated as a

confidential internal document for use by internal stakeholders (i.e. organisational managers) only.

The publication of the findings of the management report in brief as part of the assurance statement is more common in engagements undertaken by NASAPs. In comparison, ASAPs will instruct reporters not to publish the management report and ensure that the document remains confidential. These findings explain why sustainability assurance statements published by NASAPs are more likely to include recommendations (Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012).

Existing studies examining sustainability assurance statements have concluded that since engagements undertaken by ASAPs do not contain a published management report (or summary findings) within the assurance statement as an indication that ASAPs are not engaged in the provision of advice or consultancy services to clients and thus are more likely to maintain their independence. In comparison NASAPs by providing recommendations as part of their assurance statements compromise their independence. This provides evidence to support the argument that NASAPs do not understand what assurance is and thus are not suitably qualified to take on this role.

However, this is incorrect as ASAPs are just as likely to provide reporters with recommendations in the form of a management report as NASAPs. The only difference is that ASAPs will instruct the management to not publish the management report which is a confidential document for management use only. In comparison NASAPs are less strict on this area and are open to their clients publishing summarised recommendations from their management report within the assurance statement. The following SRM and SAP quotes illustrate:

“No we don't do the full management report but the assurance statement is fairly open. ... there's quite a lot of detail in our assurance

statement which talks about the improvements that they've observed and it also talks about the room for continuous improvements" (SRM19).

"So [NASAPs X] assurance statements say's we've assured this. Here are the things which were you know done well, we've seen improvements and here are the areas that need to be worked on. So that actually gets published as part of our (sustainability report) ... So yeah so it's all out there for everyone to see that there are these areas where we need to work on" (SRM7).

"So its internal document. It's not to be distributed to anyone else. It's a management document. It's a management tool. So we structure it best however it can be most useful for management. So findings are our findings and we have to report those findings to management" (ASAP1).

Both ASAPs and NASAPs believe that given the voluntary nature of sustainability assurance, it necessary to provide their clients with a management report in order to demonstrate the value addition from the engagement to senior management and the board. Organisations which are new to sustainability assurance are often surprised when they receive a meaty management report outlining numerous deficiencies and recommendations for improvement. SAPs use the management report to provide a much needed jolt to senior management and the board by shaking their confidence in their sustainability reporting systems and sustainability report. As the following quotes from SAPs indicate:

"... with all of the recommendations that were made in the first year there would have been a lot of questions asked of the management team by corporate to go like what are you going to do this time to improve this process better and what are you going to do with these recommendations to implement things and do things so that would

have driven that senior management team on site to be a lot more prepared and put initiatives in place early on month to month rather than having to wait till the 2 months before the report or whatever” (NASAP2).

The fact that reporters will over-estimate the quality of their information systems and sustainability reports as well as underestimating the extent of assurance work required for even a low assurance opinion has been noted by O'Dwyer et al., (2011).

8.3.2.1 Value of management report for SRMs

For inexperienced SRMs the management report identifies issues they need to focus on. The feedback is valued by SRMs as it highlights what they are doing wrong and what they should be doing in order to move towards best practice. The use of sustainability assurance as a tool to support internal learning and development has been noted by Sawani et al. (2010). As the following SRM quotes show:

“... in their management report that they provide internally to us they'll provide all of their feedback ... which we see as being a really value added part of the process” (SRM29).

“... and we do kind of drive looking away the findings of that to particularly the people that have been involved in the assurance process. So that they can see gaps in their process that are highlighted” (SRM8).

Additionally, SRMs note that the management report carries weight amongst senior management and the board who in most cases will look to address the SAPs findings. These findings are supported by Part and Brorson (2005) who note that reporters will put in place a plan to address issues raised in the management report. Extending the literature this study finds that SAPs will invite managers to provide a formal written response to the issues in the management report. In some organisations the SAP will be requested to

present and discuss their management report in a meeting with senior management and/or the board of directors (or sub board committee). Subsequently, the board or board committee will monitor management's progress towards addressing these findings and the management report updated accordingly. As a result, the management report becomes a management tool for tracking the organisations progress on sustainability and sustainability reporting. Over time this process of monitoring and review gradually becomes embedded and routinised (Lawrence & Suddaby, 2006) within the organisation. The following SAP and SRM quotes illustrate:

“... and gives them an opportunity in the document to respond. So they will complete a response before the document is finalised then it becomes a working document ... a tool if you like to see how their tracking with addressing some of those issues” (ASAP2).

“I think our executive leadership team takes the assurance process to heart. We have the assurance provider actually present to our executive leadership team at the very end of the process, to talk through the recommendations and how they came about them and you know there's a more engaging discussion with the executive leadership team” (SRM19).

“So typically in the past we've sort of we haven't really tracked how we've performed against those actions throughout the year. We've got the actions, they present the management report and that's the end till next year or the assurance process starts next year we go back and have a look at how we're tracking. Whereas now we'll probably go back and look at that 4 or 5 times a year” (SRM28).

“... the board asks management to keep track of those recommendation and the things that we are doing to implement those recommendations. So over the yearly cycle there is a more of a formal awareness of sustainability issues at the board level and a more formal

desire by the board to have that approved, ... the recommendations are, because they are signed off at the board level, they can be then looked back on rather than other recommendations that are up to management to decide not to follow if they don't want to" (SRM25).

SRMs complain that senior management and the board attach greater importance to recommendations provided by an external third party, such as the SAP, than they do when the same recommendations are provided by internal stakeholders such as the SRM. In some cases, SRMs will already be aware of some or all of the issues identified by the SAP in the management report and would have tried unsuccessfully to bring these issues to the attention of senior management and the board. However, when an external third party comes in and raises the same issues only then is action taken or taken more quickly. The following quotes explain:

"Look I believe you know in the old adage that you can't be a prophet in your own land" (SRM27).

"I mean people within the company are already they know that this needs to be done but the board of directors tends to sort of delay it, but when the assurance provider puts it in the management report it gets acted upon a lot more quickly" (SRM34).

As a result, SRMs will actually point out their weak areas to the SAP at the start of the engagement. SRMs will then request their SAPs to focus on these areas during the sustainability assurance process. The following quotes illustrate:

"... So it was basically them that was telling us OK we're not doing that well. We're not doing that well here either. Then please outline everything we're not doing that well articulated categorically. So we can basically use those recommendations internally. So we can drive our own agenda internally. So we can improve the sustainability performance of the company" (NASAP10).

“... at the end of that whole process they produce an assurance report which basically it spells out the assurance that they provided in terms of report content but then it also sets out recommendations and findings based on what came out their meetings with senior management, what came out of their site visits in terms of the way that certain things were being managed at site and whether that was then keeping with what we said our management approach was within the report itself and so those findings that are in the management report, those findings are generally linked to what we've requested that they focus on in the upcoming year” (SRM28).

SRMs will request the SAPs to use clear and strong language to communicate issues and weaknesses to senior management and the board. In some instances, the SRM will request the SAP to strengthen the language used to emphasise the issues and the importance of addressing them. The management report is then leveraged by the SRMs in building a case to secure senior management and board approval for time and resources required to improve the organisations sustainability reporting process. The following SAP and SRM quotes explain:

“So they may agree with things or they may disagree. So we have a discussion about that and then there might be other things that they want to focus in on in the management report to kind of drive different behaviours in the organisation or make management focus on particular things, we can strengthen findings if necessary. So it's a bit of a negotiation sometimes. ... It might be that they actually want more or they want us to toughen the language about them things. So the reporters will often use the management report to drive better behaviour in the business. So you know they might want tougher controls around data quality or they if I think of (X) last year the AA1000 assurance standard and stakeholder engagement standard required a company or business has an overarching framework for

stakeholder engagement and (X) doesn't have one of those. So they don't have a consistent approach to stakeholder engagement across the business so that's a pretty big finding for them. So they want us to be very clear about that and what the limitations are of not having stakeholder standard. So they can take that up to the (leadership) and say hey this is the findings we need to do something about this to help us with us our future assurance. So the management report is definitely used as a bit of stick for management. Yep that's my experience on both sides actually we definitely like to use that to drive changes in behaviour or focus management on particular areas" (ASAP5).

"... I would say we have better information systems as a result of having that external perspective on them and also it's much easier to get a budget for a new information system if someone big and scary and external has recommended it" (SRM26).

"So you have to pull the leavers for different people and try and use a whole range of things and audit and assurance is part of that process. If the auditors came back and said well you're not doing this very well and you're not doing that very well, I would report that to senior management and they'll say well why are we not doing that well and so OK what do you need or how can we improve and if I say you know we need this department to do this then the they'll listen because it's been introduced with the assurance" (SRM24).

Thus, in some organisations at least, SRMs and SAPs appear to work closely together, in an almost partnership manner, to institutionalise (Lawrence & Suddaby, 2006) sustainability reporting within the organisation. SAPs using a combination of institutional work complement the efforts of SRMs in institutionalising sustainability reporting.

8.3.2.2 Diminishing returns from sustainability assurance

The management report (in addition to other mechanisms) provides an opportunity for SAPs to demonstrate to senior managers, board members, and SRMs how the sustainability assurance engagement has added value to the reporting entity. The need to highlight the value added nature of sustainability assurance has been noted by O'Dwyer et al., (2011). As a result, for many SAPs the management report is of greater importance for them than the assurance statement. The following quotes from SAPs highlight:

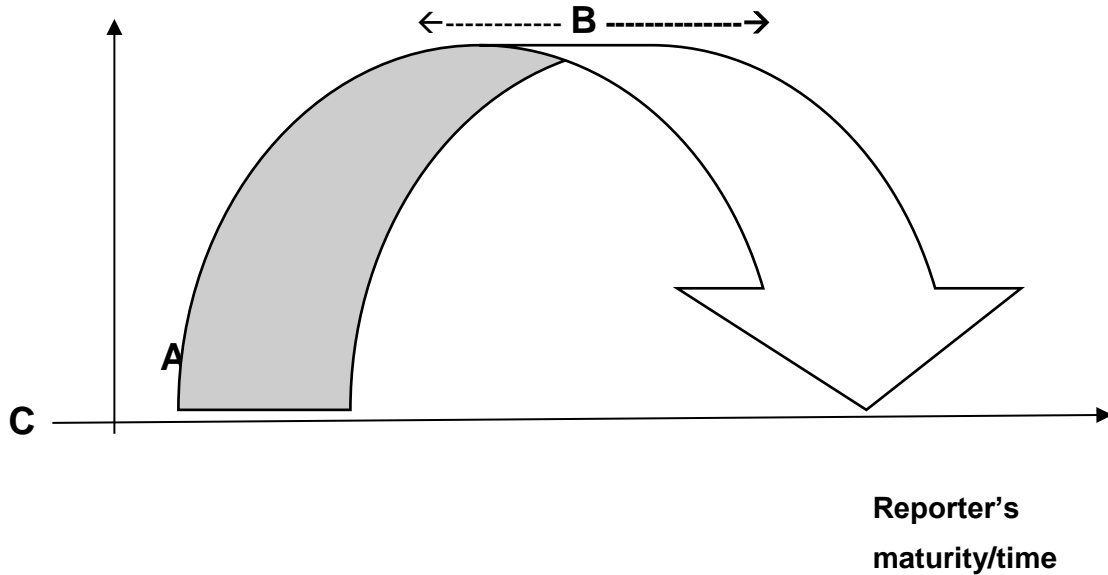
“So our most valuable document that we give to our clients at the end of the assurance engagement is not the assurance opinion, it's the management report and that's the way it should be given the state of the maturity within New Zealand. It should become a management tool. A management report that is used to improve the reporting process” (ASAP1).

“... the assurance statement is a very very small chunk of the value add of doing assurance ... I say that simply because it is voluntary! It is not mandatory! So how many of the stakeholders actually value this assurance statement in all honesty I don't know, it will be a small number. However, so many people will see the management report ... That will have a greater readership from board level to management level and also the people in the war zone you know the sustainability managers etc.” (NASAP6).

Building on O'Dwyer et al., (2011) this study finds that the perceived value addition from sustainability assurance changes after each successive engagement and which leads to changes in the scope of engagements (Figure 8.2).

Figure 8.2 Changes in scope of sustainability assurance engagements

Scope of engagement & perceived value addition from assurance



The study finds that senior managers and board members in some organisations will have a low perceived value of sustainability assurance. This will typically occur in tick the box reporters (chapter 7) that view sustainability assurance as a compliance exercise and/or organisations that are new to sustainability reporting and confident in their systems and processes. As a result, these reporters will demand narrow scope engagements focusing primarily on data verification (position A).

However, due to the institutional work efforts of SAPs, senior managers and board members will be made aware of the value of sustainability reporting (i.e. a management tool) and sustainability assurance (i.e. a value added activity). SAPs will also attempt to shake internal stakeholder's confidence in their sustainability reporting and underlying systems and processes. As a result, these reporters will begin to demand broader scope assurance engagements. For example, the SAP will be requested to review additional systems and

processes as well as the organisations application of additional sustainability standards e.g. AccountAbility AA1000APS in addition to GRI G3 say (position B).

Overtime reporters mature, SRMs acquire experience in sustainability reporting, and the SAPs findings are gradually addressed. As a result, each successive sustainability assurance engagement reveals fewer issues and consequently offers less in the form of recommendations for improvement (or value addition). Thus SRMs and SAPs state that over time the sustainability assurance engagement appears to offer “diminishing returns” to reporters. The following SRM and SAP quotes explain:

“It’s sort of fairly minor one’s now. We’ve been reporting to A+ level for a while so and the assurance recommendations we pick up they’re not huge in terms of improvements, they’re sort of getting more of diminishing returns” (SRM1).

“... we’re fairly well progressed in terms of our sustainability reporting. ... so the changes they recommend these days they’re not that significant”. (SRM17)

“The third year we had very few recommendations” (NASAP2).

“We’ve reached a plateau of we’ve picked all the low hanging fruit. We’ve spent a lot of money on video conferencing so we don’t have to drive and travel as much as we used to. We’ve done a lot of work on what else, waste travel what else, community involvement. We’ve introduced an employee volunteering ...” (SRM20).

Consequently, senior managers and board members will begin to perceive the cost of assurance as higher than the benefit/value addition from the engagement. Senior managers and board members will begin to demand efficiency and economy from the SAP. As a result, the demand will shift again towards narrow scope engagements focusing primarily on verifying data and

the lowest possible cost (position C). Narrow scope engagements are more commonly undertaken for tick the box reporters (chapter 7) and for mature reporters who are primarily interested in the credibility enhancement role of sustainability assurance. The following SRM quote explains:

“... also we have been doing these kinds of things for a number of years now and it informs ... and a lot of the benefits have been kind of embedded in and now it's just compliance you know yes you know” (SRM27).

“... we're very mature in our reporting, ... I probably haven't actually seen as much of the value that could be delivered ... We are now going into our tenth year of our reporting. We've definitely felt that ... we haven't seen anything really new come through from the assurance engagement in the last couple of years. But I think it would be quite different you know the rigor of an assurance process definitely helps inform businesses that are new and relatively less mature in their reporting and their sustainability management” (SRM19).

These findings highlight the challenges SAPs face when they attempt to institutionalise sustainability assurance as a value added engagement.

8.3.3.3 Independence and objectivity

The above discussion has highlighted how SAPs uses the management report to not only achieve their institutional work but also to demonstrate how the sustainability assurance engagement has added value for the reporting organisation. This raises questions around the independence and objectivity of SAPs. However, SRMs and SAPs argue that they are aware of and understand the need to maintain the SAPs independence and objectivity. SAPs and SRMs state that they understand the difference between assurance and advisory services and the need to ensure that their SAP does not provide them with the latter. The following SAP quotes illustrate:

“... again you got to remember in the assurance context you’re walking a fine line. ... You can test the process that they have done, that they have used to define materiality within their organisation to really understand what sustainability means for them but you can’t give them advice because you got to keep showing independence ...” (NASAP10).

Thus SAPs argue that the recommendations that they provide within the management report are broad and generalistic in nature and thus do not constitute the provision of advisory services. A similar description of being “broad” has also been used by existing studies (De Moor & De Beelde, 2005; Gillet, 2012; Moroney et al., 2012; Park & Brorson, 2005) to describe the recommendations provided by SAPs. The following SAP quotes illustrate:

“... telling them that there is a gap because this should be done that way without giving advice because there is always that line that you know you can’t cross in assurance. You can’t give advice but what you can do is point them to where the gap is and point them to why we see there is a gap, meaning there is a text for it that says it should be done this way or that way I’m not sure a guideline or etc.” (NASAP10).

“... yeah when we developed the management report we’re not exactly pitching for work or we’re not really providing any advisory work. What we’re saying is very broad and high level recommendations. So for example let’s say their risk management process doesn’t capture a risk at a particular site right. ... So we would say that please use a risk management framework so that X Y Z is captured and the appropriate discussion happens. We can’t really do anything there because we don’t we don’t work much with developing that sort of framework. So what I’m trying to say is that in the management report there is definitely no evidence of any advisory work being done its just here are some recommendations for you internally to have a discussion and see

if you can implement it and if you want to do so please go to our competitors” (NASAP6).

Instead SAPs attempt to provoke, challenge, and engage with reporters with the aim of drawing issues to their attention without instructing them on what they should or should not be doing. SAPs argue that sharing insights and experiences gained from providing assurance to other organisations allows them to add value without compromising their independence. The following SAP quotes explain:

“So as an auditor I will or a big part of the assurance process is really to me is making sure that they’ve thought about that and again it goes back to that point, I can’t necessarily tell them what’s in their report or what they should or should not include but it’s a lot about that discussion” (NASAP8).

“... my opinion is very independent. Again I am not a consultant but I can mention to the company experiences that I have seen in other companies that are successful OK ... we don’t provide consultancy we provide verification or audit. We are independent. We don’t give consultancy. I’m saying is what we do is try to add value saying to the company this is what you are doing, I’ve seen in the market in other companies they are doing this. I’ve shared this and implement what you view that is relevant to the company. I don’t go there and say look you should be doing this you should be doing that, never because then I lose my independence. I’m not a consultant” (NASAP3).

Additionally, and as note by Park and Brorson (2005), the issues identified within the management report do not necessitate a modification to the SAPs opinion as contained within the assurance statement. For example, the SAP may identify weaknesses in the underlying data and information systems supporting sustainability reporting. Improving these systems would yield numerous benefits such as a reduction in the time and resources required to

prepare and assure the report. Despite the existence of such weaknesses if the SRM and content owners are able to provide evidence to support the claims within the sustainability report then these weaknesses do not necessitate issuing a negative assurance opinion. The following quote explains:

“... they’re important but they’re not show stoppers ...” (SRM20).

“... so you still meet the requirements! Hey here are things you can think about going forward this would make your annual report or your sustainability report take it to the next level in terms of what you're reporting against” (ASAP2).

Despite this there remains a tension between maintaining the SAPs independence and maximising the value addition from the sustainability assurance engagement. SRMs while aware of the need to maintain the SAPs independence, are also keen on securing guidance and advice which if procured from a consultancy can be more time consuming and expensive. The following SRM quote provides an example:

“So it was their recommendations that we contemplated moving from G3 to G4 and they were able to bring some expertise to the table to help us interpret G4 and then apply it to our business ... it was a pretty soft touch it’s not a deep involvement, certainly because they’ve got people on board that do multiple or have been involved on working groups on the G4, in the various G4 technical committees, it was most helpful for us that they had those kind of experts and essentially it was one meeting of 3 hours but in that meeting they were able to clearly identify the differences in G4 and how we might go applying it to our business. So doing that, if we were to do that research independently, it could have taken a lot of time, we could have engaged other consultants to do it, but they wouldn’t have been as familiar with our

business so it was a genuine value add to have the assurance provider at the table give us that guidance”. (SRM34)

In order to benefit from the SAPs guidance, SRMs will remain in contact with their SAPs at each stage of the sustainability reporting process. This is more likely to occur where organisations are new to sustainability reporting or if the organisation is transitioning to a new standard (e.g. the G4). SRMs argue that they need to ensure that their SAPs are comfortable with their interpretation and application of the requirements of sustainability reporting standards. This avoids costly and time consuming mistakes which can potentially occur if the SAP disagrees with the reporter. SRMs argue that a similar approach is adopted in financial audit where reporters will consult with their financial auditors on how to account for complex transactions and the interpretation of new accounting standards. The following SRM quote illustrates:

... the report was assured by [NASAP X], and we didn't want them participating in the preparation of the report, ... first we decided how we were going to identify the themes of interest to our stakeholders. We have a methodology in place which included doing a survey of investors and included getting data from our sales teams, we'd talk to our clients which included reviewing the conversations that happened to find out the issues that are important issues for our investors, so we had a process, we decided how we're going to collect all of this information and then we checked in with our assurance provider and asked them if they thought that was reasonable. And the next stage was once we had gathered that information and decided what we wanted to talk about in the G4 report we then checked in again with [NASAP X] just to make sure that they were onboard with that as well. So we weren't asking them for approval or anything like that but obviously for them to do the assurance you wanted them to be comfortable with the way we were doing the work. And we thought OK we do that in the financial reporting space anyway. So for example if

you have a transaction that you report in the accounts, that gives you away, if there's anything unusual, or anything abnormal about it we would have talked to our auditor about it and see what they think before we go ahead, in the same ways that's sort of the way we worked with [NASAP X] before the actual assurance" (SRM25).

Thus while SAPs and SRMs are aware of and stress on the need to ensure they maintain the independence of the SAP, the study finds that securing value addition from the sustainability assurance engagement is a major focus area for assurance providers and reporting organisations and is common in both ASAPs and NASAPs.

8.4 Promoting reliable and balanced sustainability reporting

Sustainability assurance is a voluntary in nature and as result a diverse range of engagements with differing scope and objectives are being undertaken. These engagements vary from broad scope to narrow in scope. Narrow scope engagements focus primarily on verifying the reliability of sustainability reports (Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012). In comparison broader scope engagements involve assurance over reliability as well as balance of published sustainability reports. As discussed in chapter 6, ASAPs using ISAE3000 are more likely to undertake the former whereas NASAPs using AA1000AS are more prone to undertaking the latter. Thus the impact of the sustainability assurance engagement in promoting reliable and balanced sustainability reporting will depend on the scope and objectives of the assurance engagement. Broad scoped engagements will impact both reliability and balance while narrow scope engagements will impact primarily reliability with limited if any impact on balance.

8.4.1 Seeking evidence to support claims

SAPs perform policing work (Lawrence & Suddaby, 2006) designed to monitor and ensure that organisations publish reliable and balanced

sustainability reports. The assurance process involves breaking down the draft sustainability report into a series of claims (comprising of data and information) for which evidence is required. If a claim cannot be substantiated through evidence, then reporters will have to either remove the claim from their sustainability report or revise the claim to a level that reflects the evidence available. As a result, the language used within the sustainability report (i.e. the claims made) change as a result of the assurance engagement. Originally, reporters will rely heavily on the use of superlatives such as “we are the best”. However, if these claims cannot be verified they will either be removed or changed to reflect the evidence available. The following quotes from SRMs and SAPs provide examples of how the language used within a sustainability report changes becoming more factual and reliable as a result of assurance:

“... and probably knowing that I'll come in and ask [SRM X] well where's your evidence [SRM X] went out and asked for that as well. In certain circumstances the information was there. Sometimes we had to maybe tone down sentence to say look we don't actually have that specific information” (NASAP8).

“I've seen a lot of marketing written in their report because then when you try to start tracking the data you cannot find it” (NASAP3).

“When they're actually doing their data verification, such as highlighting where there might be for example we might have been a little bit too strong in our statement. You know in the report we might have said we are conserving all biodiversity on site for example. Whereas you know that might be true for 99% of projects but there might be one that might be an outlier. So they are able to identify those sorts of things” (SRM28).

“... our marketing people have become a bit more conscious of certainly making statements in the report about (organisation X) is the

best at this or using superlatives that can't ... they understand that they need to be able to verify their statements. So when we ask the marketing people what to put in, you know they might have refined their language from when we first started" (SRM15).

Additionally, when SRMs inform content owners that the data and information they prepare will be subject to external assurance it forces them to carefully consider the material they prepare for inclusion within the sustainability report. Thus this study agrees with the comments of Park and Brorson (2005) that SAPs help to raise the profile/importance of sustainability reporting amongst internal stakeholders. The following SRM quotes explain:

"... when we drop the word [ASAP X], this is required for [ASAP X], they require X Y and Z to sign off on the report or the information that's going into the report, it is treated seriously and people do value that. So it's been helpful for us to have them on board and to be able to drive people and get them moving to the time frames that we impose so most definitely" (SRM30).

"... they actually see that there is a rigorous process in place and that we're not just compiling a brochure I think when they realise that ... there's going to be an expense of making sure that these number are correct it gets taken a bit more seriously" (SRM6).

Thus SAPs through their policing work (Lawrence & Suddaby, 2006) are perceived by SRMs as having had a positive impact in promoting reliable sustainability reporting.

8.4.2 Three levels of balance

Through a combination of the institutional work (Lawrence & Suddaby, 2006) discussed in section 8.2, SAPs attempt to promote balance at three levels within a sustainability report. These levels include:

Level 1: Ensuring a material issue is included within the sustainability report in the first instance (i.e. a material issue is not absent from the sustainability report).

Level 2: Ensuring that issue once included within the sustainability report, a material issue receives adequate discussion (i.e. the amount of information provided on that particular issue is sufficient to satisfy the information needs of report user).

Level 3: Ensuring that the issue is presented in a manner that reflects its severity and in proportion to other content within the sustainability report (i.e. font type, font size, images, etc.).

The study finds that SAPs achieve the first level of balance through a combination of educating, advocating and policing (Lawrence & Suddaby, 2006). The first two forms of institutional work are necessary because in many instances the non-disclosure of a material issue is due to SRMs inexperience and inherent deficiencies in the materiality assessment process which inadvertently lead to material issues being excluded from the sustainability report (chapter 7). However, in instances where senior managers and board members are hesitant in disclosing material bad news, SAPs will need to perform their policy work (Lawrence & Suddaby, 2006) and monitor and ensure compliance with the requirements of sustainability reporting standards. The following SAP and SRM quotes explain:

“... for the immature reporters I guess the assurance process is helpful in that we kind of bring them together and make them aware that these risk registers exist and that they should be leveraging this information. So again if I think of [organisation X] that’s something that they weren’t doing until sort of last year and this year they weren’t using the information contained in the risk register to inform what issues they should discuss in their report. So that’s something that has

changed. ... the assurance process is good at kind of helping different areas come together ...” (ASAP5).

“Yep another [recommendation] was integration with our risk, like our corporate risk register, how we integrate that in terms of our annual report like what we report on. ... they think that our risk register doesn’t, so what we include in our corporate risk register doesn’t actually align with what we report in terms of disappointments in our annual report. Also what we report in our annual report doesn’t align with our corporate risk register. Also yes so. ... in other words what’s listed as a disappointment or what’s listed on our risk register as a high risk may not necessarily come through in our annual report as a disappointment and what’s listed as a disappointment in our annual report may not be listed in our corporate risk register as a high level risk it works both ways” (SMR11).

“... transparency and balance in the reporting. That’s probably the biggest one. I don’t know if you’ve ever read a report that hasn’t been assured. You’ll probably notice that the language is quite emotive. It’s like they’ll make these really broad statements, like we are the best in this area or you just see its very boastful you might find. ... have a look, it’ll be quite entertaining, whereas if you read a report where it’s been assured you’ll note the language its more factual and quite probably a little bit dry right, its balanced. ... yeah often we find at the beginning the reporters will be telling all the good stories and we know all about the bad stories because we’ve done our assessment we’ve looked in the media. So over time you’ll drive them to make sure there is an extra or balance of both the good and the bad. Because they can’t get away with not reporting the bad, because we push them to. ... it’s about transparency and reporting honestly to stakeholders, not just using it as another marketing document” (ASAP5).

“I think the other thing it's brought up through the sustainability assurance process is being transparent. So it's not just about reporting all the fantastic things we have done in the company but actually being able to say in a meated way the things that haven't gone so right and how we're looking to improve in going forward” (SRM23).

The second level of balance involves ensuring that a material issue, once included within the sustainability report, receives adequate coverage. This involves primarily policing work (Lawrence & Suddaby, 2006). SAPs argue that reporters will prefer to limit their disclosure over material bad news in an attempt to downplay the issue. Thus it is the role of the SAP to press reporters to disclose more than just a sentence or two say on a material issue. The following SRM quotes provide examples:

“... We have included some sentences in there and then based on their feedback we have included additional sentences. ... So they wanted more information in a particular spot and so we included that” (SRM18).

“... and it just says (X) more disclosure required as discussed, it's got a CC who was the sustainability executive at the time to raise a steering group meeting, so then we would go back to the steering group which were meeting every week at that stage, going [ASAPX] wants us to say more about (X) and we have a discussion around the steering groups meeting and what would our response be to [ASAPX]” (SRM20).

“... you know we think that statement is too weak or not balanced and that's kind of the point to it and yeah I think we got great value out of that. ... like the use of the word significant and major and primary and things like that the tempering of the way that certain issues are signed up ... or strengthened in some cases so we might have said it's had an impact, we might have strengthened and said that it's had a large impact or the impact was da da da you know being more descriptive about things. Neither overly positive or overly negative” (SRM27).

The third level of balance relates to how a particular material issue is presented within a sustainability report. This requires evaluating the font type, size, and colour etc. used to describe a material issue. Achieving balance at this third level involves primarily policing work (Lawrence & Suddaby, 2006). SAPs note that the careful use of graphics and text (e.g. font type, size, colour etc.) can be used to draw the reader's attention towards or away from certain discussion points within the sustainability report. Thus SAPs must use their professional judgement to ensure that the material issue receives the appropriate presentation it deserves given its severity and in proportion to how other material issues are disclosed within the sustainability report. The following quotes explain:

“You made a mistake here. Oh actually this is where we think this statement should be bold or whatever and you should be giving more prominence you know. They will go oh look you've given prominence to this but or prominence to this number here but you're not saying that this is not really you know. That's when they start having concerns about balance on the page and the design, you've given prominence to one thing but not to another” (SRM20).

“Some of it was then the going moving down in specificity. ... there would be a discussion about ... Given the evidence we've seen, this data set, this form of sentence would be more accurate. You know that level of detail ...” (SRM26).

Thus SAPs will evaluate issues such as the structure of sentences, make comparisons of the font used for discussing good news versus bad news or in comparison to the overall severity of an issue, and assess the overall placing of the issue within a page and the report as a whole (a primarily policing role). As a result, SAPs in broad scoped engagements, are working towards, with instances of success, transforming sustainability reports from marketing documents to one that provides a balanced account of the reporter's performance.

8.4.3 Management's resistance to balanced sustainability reporting

The above discussion has highlighted incidences of success in SAPs effort to promoting balanced sustainability reporting. However, it is important to note that introducing balance in sustainability reporting remains a challenging task as it requires changing the mind-sets of senior management and board members who in many instances remain reluctant to disclosing material bad news. Consequently, SAPs state that introducing balance in sustainability reporting is one of the most difficult challenges they face and is (in success cases) achieved only gradually over multiple engagements. As the following SAP and SRM quotes illustrate:

“It’s still a stretch because it’s really hard to make people report stuff that’s bad you know putting it in there in your report but getting there slowly I think” (ASAP3).

“So not long after I started I produced a corporate social responsibility report that was, looking back now, quite light weight and kind of all about the good things we did and because we were doing a lot of good things but it wasn’t a balanced report. It was pretty much here’s all the really cool stuff we do in the community or environment. And for the last 3 years they’ve tended to have the same concerns each year. And we’re not really making much head way on those concerns because their concerns are still largely around balance of the report because balance is quite a quite a key principle of the GRI. So the assurors are concerned that the report is still not fully balanced it doesn’t really address the key in their minds it doesn’t talk about some of the key issues and challenges, the negative stuff, the bad stuff that has happened during the year” (SRM20).

SRMs argue that the resistance to disclosing bad news is primarily from senior management. This puts them in a difficult position as on the one hand they face pressure from the SAP for greater balance while on the other hand

face they pressure from senior management not to publish “bad” news. The following SRM quote provides an example:

“They feel that the chairman and chief executive report at the beginning of the book should talk more around strategy and challenges and issues. And you know I would ... I could write stuff in here and my chief executive would, I write all of this by the way [laughs], so I would write the chairman’s and chief executive report and I would happily write in stuff about challenges and issues and he would cross it out. Because he doesn’t want to see negative stuff in the annual report. So then I’m caught between a rock and a hard place. I’ve got the assurors on the one hand saying more balance, more than ... more negative stuff and I’ve got the chair chief exec nah nah we’re not going to talk about that. ... and he’s got the letter from our SAP. He knows what they want but he’s going to ignore it ...” (SRM20).

Thus SAPs have had an impact in promoting balanced sustainability reporting however this impact has been limited and is achieved only gradually as in many organisations management resistance to balanced sustainability reporting remains.

Figure 8.3 and 8.4 provide a summary outline of how SAPs use a combination of institutional work (Lawrence & Suddaby, 2006) in order to promote reliable and balanced sustainability reporting respectively.

Figure 8.3 Impact of institutional work on sustainability report reliability

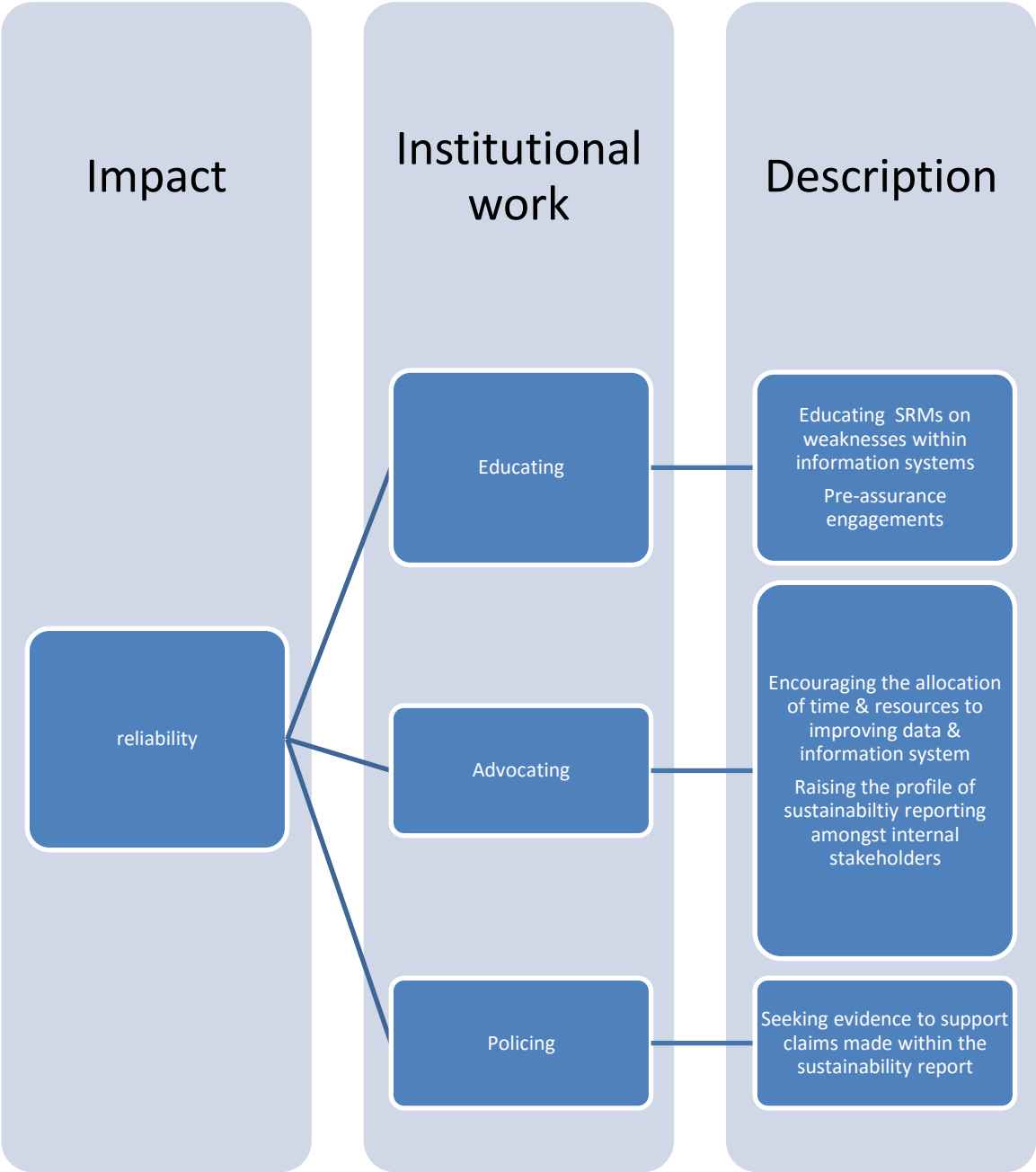
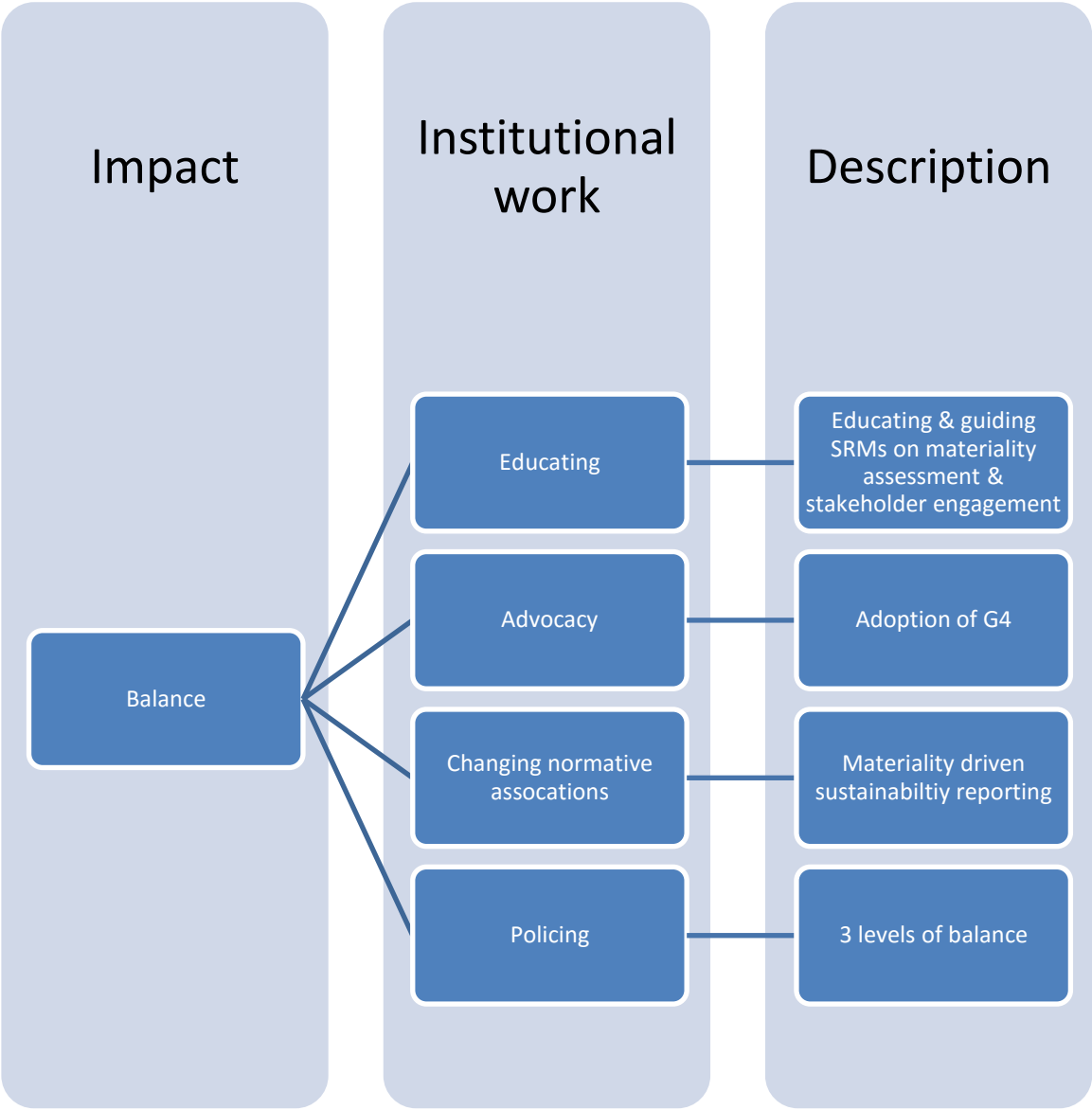


Figure 8.4 Impact of institutional work on sustainability report balance



8.5 Summary

The primary objective of sustainability assurance is to improve the perceived credibility of sustainability reports. In order to achieve this objective, SAPs undertake policing work (Lawrence & Suddaby, 2006) aimed at monitoring and assessing the reliability and balance of sustainability reports. However, sustainability assurance is a voluntary engagement and SAPs will also attempt to promote the engagement as a value added activity. Thus in addition to their policing work (Lawrence & Suddaby, 2006) SAPs will undertake a combination of educating, advocating, and changing normative associations forms of institutional work (Lawrence & Suddaby, 2006) aimed at supporting the achievement of their dual objectives of promoting reliable and balanced sustainability reporting and promoting sustainability assurance as a value added activity.

Consequently, SAPs will educate (Lawrence & Suddaby, 2006) and guide inexperienced SRMs (and other organisational managers) on sustainability reporting and advocate (Lawrence & Suddaby, 2006) best practice in sustainability reporting. For example, SAPs are advocating (Lawrence & Suddaby, 2006) the adoption of GRI G4 which they promote as a better set of guidelines than its predecessors (i.e. GRI G3 and G3.1) to reporters. SAPs are encouraging reporters to improve their materiality assessment (including stakeholder engagement) processes and educating (Lawrence & Suddaby, 2006) inexperienced SRMs on how to undertake the materiality assessment. In this way SAPs are attempting to change in the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from bigger is better to more focused materiality driven sustainability reporting.

Furthermore, the sustainability assurance engagement plays a key role in raising the profile (Lawrence & Suddaby, 2006) of sustainability reporting within organisations. This encourages greater participation and commitment from internal stakeholders. These efforts complement those of SRMs seeking to institutionalise sustainability reporting (chapter seven). Finally, SAPs are

changing the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from that of a purely communication tool to a broader role which involves reporters using their sustainability reports as management tools to support management planning and decision making. Doing so assists in creating pragmatic legitimacy (Suchman, 1995) for sustainability reporting process.

The primary mechanism used by SAPs to affect this institutional work (Lawrence & Suddaby, 2006) is the management report. At the conclusion of their engagement, SAPs will provide reporters with a management report containing issues identified and broad recommendations on how these issues can be addressed. NASAPs are more likely to publish summary findings from the management report within their sustainability assurance statement. In comparison ASAPs are more likely to instruct management to ensure that the management report remains confidential. SAPs use the management report to provide a jolt to reporters shaking senior managers and the board member's confidence in their sustainability reporting systems and sustainability report. SRMs note that the management report is valued by senior managers and the board. Consequently, SRMs will point out their weaknesses for the SAP to focus on during the engagement. Subsequently, SRMS will request their SAPs to use clear and unambiguous language to communicate issues to senior management and the board. In this way SRMs and SAPs appear to work closely together in an almost partnership manner to institutionalise sustainability reporting.

For SAPs the management report is a key output from the sustainability assurance engagement. However, the perceived value addition from the sustainability assurance changes over successive engagements. Initially, reporters confident in their systems and reporting will not see much benefit from assurance other than credibility enhancement. As a result, management will demand narrow scope engagements focusing primarily on data verification. However, through their institutional efforts (Lawrence & Suddaby,

2006) of SAPs, the perceived value addition from the sustainability assurance engagement will begin to increase and organisational managers will gradually demand broader scope engagements. However, over time as reporters mature, SRMs gain experience, and the findings in the management report are addressed, the perceived value addition from the assurance engagement will begin to decline. Thus reporters experience diminishing returns from sustainability assurance. As a result, reporters will revert back to demanding narrow scope engagements focused on data verification and emphasising efficiency. These findings highlight the difficulties SAPs face in institutionalising sustainability assurance as a value added activity.

While this institutional work raises questions of SAP independence, both SAPs and SRMs argue that the recommendations in the management report are broad and general and thus do not amount to the provision of consultancy or advisory services. Despite these arguments there remains a tension between the need to maintain the independence of the SAP on the one hand and the need to maximise the value addition from voluntary sustainability assurance on the other.

The voluntary nature of sustainability assurance has resulted in a diverse range of engagements being undertaken. Narrow scope engagements focus primarily on data verification while broad scope engagements involve SAPs providing assurance over both reliability and balance. This study finds that in broad scoped engagements SAPs appear to have a perceived impact in promoting reliable and balanced sustainability reporting.

In terms of reliability, SAPs using their policing work (Lawrence & Suddaby, 2006) seek evidence to support the claims made in sustainability report. If reporters are unable to support their claims with evidence, then these claims are either removed or revised to reflect the evidence available. This results in the sustainability report content and language changing and reporters reducing their usage of superlatives such as “we are the best” to a more

toned down narrative describing the reporter's sustainability performance. In this way SAPs promote reliable sustainability reporting.

In terms of balanced sustainability reporting, SAPs efforts promote balance at three levels within a sustainability report. At the first level SAPs ensure that a material issue (whether good or bad) is included within the sustainability report in the first instance. At the second level SAPs ensure that a material issue, once included within the sustainability report, receives adequate coverage i.e. more than a few sentences. At the third level SAPs evaluate how a material issue is presented in terms of font type, font size, and use of colour. For example, SAPs compare the font used for discussing good news with that used for discussing bad news. However, despite the use of a combination of forms of institutional work (Lawrence & Suddaby, 2006) the impact of SAPs efforts at promoting balanced sustainability reporting are limited as senior managers and board members remain reluctant to disclosing material bad news. Thus, in comparison to promoting reliable sustainability reporting, SAPs have had less immediate success in promoting balanced sustainability reporting.

The following chapter provides a conclusion to this thesis.

Chapter 9

Research summary, recommendations and conclusion

9.1 Introduction

This chapter provides a summary and conclusion to this thesis. The chapter is divided into six sections. Following the introduction, section 9.2 reviews the research findings arising from this study. Section 9.3 examines the practical and theoretical contributions arising from this research. Section 9.4 discusses the limitations of this study and section 9.5 identifies future research areas that have been identified from this study. Finally, section 9.6 closes the chapter with a conclusion on this research.

9.2 Summary research findings

New accounting technologies, such as sustainability reporting and sustainability assurance, are offered as potential tools that can be used to account for, report on and ultimately provide assurance on an organisations sustainability performance to its stakeholders (Bebbington & Larrinaga, 2014; Bebbington et al., 2014; Gray et al., 1996; Jones, 2010; Unerman & Chapman, 2014). The overarching research objective guiding this study is to understand how sustainability reports are prepared and assured. This involves understanding how SRMs prepare sustainability reports and how SAPs undertake sustainability assurance. Given the nature of this overarching research questions, and the evolutionary nature of sustainability reporting and sustainability assurance, an institutional work lens is used to analyse the findings. The concept of institutional work argues that knowledgeable and skilled social actors (i.e. SRMs and SAPs) can create, maintain and disrupt institutional practices such as sustainability reporting and sustainability assurance. The study draws on Lawrence and Suddaby's (2006) typology of forms of institutional work to understand the forms of

institutional work SRMs and SAPs undertake as they perform their roles and how these efforts affect the institutionalisation of sustainability reporting and sustainability assurance.

The research is interpretive in nature and uses the tenants of hermeneutic theory to provide the research methodology and research method to guide the investigation. Chapters one, two and three provide researchers pre-understandings as well as the context of the text i.e. interview transcripts) interpreted. Data comprises of semi-structured interviews with SRMs and SAPs based in Australia and New Zealand to address the research objectives.
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From the overarching research objective the following three research questions were developed. These research questions and the findings from this study are discussed below:

9.2.1 Research question one

Chapter six addresses the first research question; “what forms of institutional work do accounting and non-accounting sustainability assurance practitioners undertake as they compete against each other in the sustainability assurance market and how do these forms of institutional work influence the institutionalisation of sustainability assurance?” This research question focuses primarily on the supply-side of the sustainability assurance market. The aim is to understand what forms of institutional work (Lawrence & Suddaby, 2006) ASAPs and NASAPs undertake, why these practitioners adopt different forms of institutional work, and how these different forms of institutional work affect the institutionalisation of sustainability assurance (i.e. the scope and objectives of sustainability assurance engagements).

9.2.1.1 Institutional work of ASAPs

In addressing this research question this study finds that the institutional efforts of SAPs are influenced by their preferences for particular sustainability assurance standards. ASAPs prefer to adopt ISAE3000 and financial audit

methodologies when conducting sustainability assurance engagements. These findings are in line with those existing research (Deegan et al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011). This study builds on the existing literature by identifying three reasons to explain this preference.

First, ASAPs are obligated as part of their membership with professional accounting bodies to conduct assurance services using standards which are approved by their professional accounting body. If ASAPs fail to comply with membership requirements, they face the possible penalties such as having their audit license revoked or their membership suspended. These penalties deter ASAPs from experimenting with alternative assurance standards and methodologies such as AA1000AS. Second, ISAE3000 is an accounting standard which has been developed by the accounting profession. The standard leverages the entire suite of accounting assurance standards of which it is a part of. These standards enjoy high recognition amongst ASAPs who have used these standards extensively for financial audits. As a result, adoption of ISAE3000 faces little if any resistance from internal stakeholders such as quality control and legal counsel that may be concerned with issues such as professional indemnity insurance etc. that may arise when using new and creative sustainability assurance standards. The need to assure internal stakeholders has also been noted by O'Dwyer et al., (2011). Third, the assurance methodologies ASAPs have developed for use in sustainability assurance engagements have been developed from financial audit methodologies which in turn are based on accounting assurance standards. Furthermore, these methodologies have often been developed by a global head office and member firms are encouraged to adopt these as part of their membership to the global network.

Given these constraints ASAPs have very little room for adopting innovative and new assurance standards or methodologies. Consequently, when ASAPs enter the market for sustainability assurance and when they compete against NASAPs, the institutional work they undertake is aimed at promoting an ISAE3000 based approach to sustainability assurance. Using Lawrence and Suddaby's (2006) typology of forms of institutional work this study identifies ASAPs engaged in mimicry, advocacy, and disassociating normative associations.

When competing against NASAPs, ASAPs will emphasise the similarities between sustainability assurance engagements and financial audits. The aim is to present sustainability assurance as an extension of a financial audit (i.e. mimicry). ASAPs focus on verifying the accuracy/reliability of data and information within the sustainability report and this has been noted in the extant literature (Deegan et al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011). This study builds on the existing literature by explaining how adopting this form of institutional work serves three objectives for ASAPs.

First, ISAE3000 must be used along with the entire suite of ISA's. These standards have been used by ASAPs for performing financial audits and are familiar to accountants. ASAPs will mould existing financial audit methodologies and enter and compete in the market for sustainability assurance work. This approach also allows ASAPs to satisfy the requirements of their internal and external stakeholders before entering the sustainability assurance market. Second, presenting the sustainability assurance engagement as the same as a financial audit allows ASAPs to leverage senior managers and board members comfort and familiarity with financial audit engagements in which the scope and objectives of the engagement and the relationship between auditor and auditee are well

established/institutionalised. Furthermore, senior managers and board members recognise ISAE3000 and financial audit methodologies well and the language the standard uses is more recognisable than that of AA10000AS with its reference to sustainability and related terms. Third, if the sustainability assurance engagement was perceived as being for all intents and purposes the same as a financial audit then ASAPs can leverage their social capital (Battilana et al., 2009) as experts in audit and assurance can gain a competitive advantage over NASAPs. The perceived technical competence of accountants in the field of audit and assurance over non-accountants has also been noted within the extant literature (Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000). Thus it is in the best interests of ASAPs to emphasise the similarities as opposed to the differences between sustainability assurance engagements and financial audits.

ASAPs also undertake advocacy work (Lawrence & Suddaby, 2006) aimed at encouraging the use of a single assurance provider to cover both the financial audit and the sustainability assurance engagement. ASAPs argue that such an approach will yield efficiency (i.e. reduction in time and cost) and effectiveness (i.e. better understanding of the reporting organisations business) gains which can be passed down to the audit client. These findings are in line with those Jones and Solomon (2010) in the field of sustainability assurance and Walker and Hay (2013) in the field of financial audits more generally. However, this study finds that while efficiency gains appear more in the form of convenience in coordinating the efforts of a single SAP compared to reduction in time and cost, these efforts appear to be yielding benefits as senior managers and board members of some organisations are demanding a single assurance provider for both financial audits and sustainability assurance engagements. Furthermore, in a world gravitating towards integrated reporting the use of single assurance practitioner is becoming more likely and has also been noted by Simnett (2012). This study adds that should organisations adopt a policy of using one assurance provider for both their financial audits and sustainability assurance needs, then this would

ultimately be an ASAP as NASAPs lack the authority/license to undertake financial audit services. This also explains why ASAPs are proponents of integrated reporting, encouraging organisations to participate in the IIRC pilot integrated reporting program. However, some organisations have chosen not to use the same practitioner for their financial audit and sustainability assurance work. SRMs express concern that doing so may compromise the independence of their financial statements auditors. These findings provide evidence to support the arguments of critics (Boiral & Gendron, 2011; O'Dwyer & Owen, 2005) who believe that in a post Enron-Arthur Anderson world, auditor independence is simply a myth propagated by the accounting profession.

Along with their efforts aimed at promoting their ISAE3000 based approach to sustainability assurance, ASAPs also engage in efforts directed at disassociating the moral foundations (Lawrence & Suddaby, 2006) of NASAPs as legitimate (Suchman, 1995) SAPs and AA1000AS as a legitimate (Suchman, 1995) sustainability assurance standard. These efforts take the form of discursive strategies (Battilana et al., 2009) with ASAPs arguing that NASAPs lack an understanding of assurance and are better suited to perform the role of sustainability consultants. Furthermore, ASAPs argue that AA1000AS is not an assurance standard or is not as robust an assurance standard as compared to ISAE3000. These rhetoric (Battilana et al., 2009; Mills, 1940; Oaks et al., 1998; Suddaby & Greenwood, 2005; Suddaby et al., 2015) rhetoric strategies have had mixed results amongst reporters. While some organisations have opted to recruit ASAPs perceiving them to be more rigorous in their assurance than NASAPs, other organisations have feared that their systems and processes are not mature enough to withstand the rigours of ASAPs financial audit methodologies and have recruited a NASAP instead. These findings suggest that while some scholars (Boiral & Gendron, 2011; O'Dwyer & Owen, 2005) may argue that the concept of rigour in financial audit is simply a myth, this myth persists and influences reporters SAP recruitment decisions.

However, while some studies (Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000) argue in favour of ASAPs over NASAPs as more technically competent to perform assurance this study provides a different perspective. NASAPs using AA1000AS and undertaking a type 2 engagement⁴⁶ focus their efforts in assuring the organisations application of the AccountAbility principles and less in verifying sustainability report content. This is a unique approach and one which senior managers and board members are less familiar and which leads them to incorrectly perceive as being less rigorous in comparison to the financial audit approach of accountants. If ISAE3000 was perceived as being a more rigorous and robust assurance standard than AA1000AS then ASAPs with their experience of using ISAE3000 (Elliott, 1998; Gillet, 2012; Gray, 2000; Wallage, 2000) become the preferred choice for reporters.

Finally, ASAPs when undertaking sustainability assurance engagements previously undertaken by NASAPs will replace AA1000AS with ISAE3000 and provide assurance against AA1000APS and the GRI guidelines. Doing so allows them to satisfy SRMs who have developed familiarity with AA1000APS and have invested time and money in establishing systems and processes to support the implementation of AccountAbility's principles of inclusivity, materiality, and responsiveness. These findings highlight why sustainability assurance statements issued by ASAPs make reference to both IAASB and AccountAbility standards (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007).

9.2.1.2 Institutional work of NASAPs

While ASAPs prefer ISAE3000, NASAPs have tended to use AA1000AS in their sustainability assurance engagements. These findings are in line with the extant literature (Deegan et al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012;

⁴⁶ Type 2 engagements are broader in scope and involve the SAP providing assurance over both the reporters application of the AccountAbility principles and the sustainability report content (AccountAbility, 2008a).

O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011). This study builds on the existing literature by identifying three reasons to explain this preference.

First, some NASAPs have acquired licenses from AccountAbility to undertake sustainability assurance using AA1000AS. This licensing provides NASAPs with the kind legitimacy (Suchman, 1995) enjoyed by ASAPs as financial auditors. However, NASAPs exhibit more flexibility and are willing to combine AA1000AS with assurance standards. This has also been noted by Dillard (2011). Second, the ideologies of NASAPs and AccountAbility closely align with both attempting to use sustainability assurance as a vehicle to drive sustainability within the organisation. The desire of NASAPs to use sustainability assurance as a vehicle to drive sustainability within organisations has also been noted by O'Dwyer (2011). Thus NASAPs prefer AA1000AS as they believe that this standard allows them to achieve this goal. In comparison, NASAPs view ISAE3000 as a generic standard while AA1000AS as a specialist sustainability assurance standard originating from within their world of sustainability. The generic nature of ISAE3000 has also been noted in the extant literature (CorporateRegister.com Limited, 2008; IAASB, 2013; Manetti & Becatti, 2009; O'Dwyer & Owen, 2007; Perego & Kolk, 2012; Simnett et al., 2009; Smith et al., 2011). Third, NASAPs believe that AA1000AS is more appropriate as a sustainability assurance standard. They argue that the standard provides SAPs with a degree of flexibility which is critical when assuring something like sustainability which is inherently soft and qualitative in nature in comparison to hard quantitative data and information commonly found in a set of historic financial information.

NASAPs preference for AA1000AS means that when NASAPs enter the sustainability assurance market and compete against ASAPs the institutional work (Lawrence & Suddaby, 2006) they undertake is aimed at promoting an AA1000AS based approach to sustainability assurance. This institutional

work comprises of advocacy, educating, constructing normative associations, and disassociating moral foundations when competing against ASAPs.

NASAPs find that while ISAE3000 carries more weight with senior executives, AA1000AS holds greater weight amongst SRMs. Consequently, NASAPs undertake advocacy work (Lawrence & Suddaby, 2006) by appealing to SRMs to support their AA1000AS based approach to sustainability assurance. There are two reasons to explain SRMs partiality towards AA1000AS. First, for SRMs sustainability and sustainability reporting is their bread and butter and they are more familiar and comfortable with AA1000AS and the sustainability jargon that it uses. Second, SRMs perceive ISAE3000 as an accounting standard designed for financial audits and thus as inappropriate for sustainability assurance engagements. Furthermore, SRMs perceive NASAPs as sustainability experts (as also note by Gray, 2000; Gillet, 2012; Manetti & Toccafondi, 2012; Wallage, 2000) and believe that they can leverage on this expertise during the course of the sustainability assurance process. In this way NASAPs undertake advocacy work (Lawrence & Suddaby, 2006) aimed at mobilising SRMs to support themselves and their AA1000AS based approach to sustainability assurance.

The uniqueness of the AA1000AS approach to sustainability assurance requires NASAPs to undertake educating work (Lawrence & Suddaby, 2006) SRMs AccountAbility's foundation principles of inclusivity, materiality, and responsiveness. However, this does not mean that ASAPs do not undertake educating work (Lawrence & Suddaby, 2006). ASAPs promoting ISAE3000 based sustainability assurance aim to provide SRMs with guidance on developing systems to support verifiable sustainability reports while NASAPs promoting AA1000AS based sustainability assurance provide guidance on how to implement AccountAbility's principles of inclusivity, materiality and responsiveness in addition to providing guidance on underlying information systems.

Thus NASAPs using AA1000AS attempt to change normative associations (Lawrence & Suddaby, 2006) underlying sustainability assurance from an engagement that aims to provide assurance over sustainability report content to an engagement that aims to provide assurance over sustainability performance. This conceptualisation of sustainability assurance is in line with AccountAbility's agenda of using the sustainability assurance engagements as a tool designed to promote sustainability within the organisation and not merely as a tool to promote the credibility of sustainability disclosure. If the sustainability assurance engagement was perceived more as a vehicle designed to drive sustainability within an organisation then NASAPs could leverage their social capital (Battilana et al., 2009) as sustainability experts (as also noted by Gray, 2000; Gillet, 2012; Wallage, 2000) and would be able to secure a competitive advantage over ASAPs as the more qualified SAP. These findings also provide explanations as to studies (Deegan et al., 2006a, 2006b; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005; O'Dwyer & Owen, 2007) have found that sustainability assurance statement issued by NASAPs are more likely to contain recommendations and why these recommendations tend to be more strategic in nature (i.e. dealing with inclusivity, materiality, and responsiveness) than those issued by ASAPs.

Finally, in parallel to promoting their preferred AA1000AS approach to sustainability assurance, NASAPs are also engaging in institutional efforts (Lawrence & Suddaby, 2006) designed to disassociate the moral foundations (Lawrence & Suddaby, 2006) of ASAPs as legitimate (Suchman, 1995) SAPs and ISAE3000 (Suchman, 1995) as a legitimate (Suchman, 1995) sustainability assurance standard. These efforts take the form of discursive strategies (Battilana et al., 2009) in which NASAPs argue that first, ASAPs are incapable of viewing issues from anything other than an economic lens whereas they have expertise in sustainability. Second, NASAPs argue that ISAE3000 is generic standard unsuitable for sustainability assurance engagements.

9.2.2 Research question two

Chapter seven addresses the second research question; “what forms of institutional work do sustainability reporting managers undertake in their efforts to institutionalise sustainability reporting?” This research question focuses on the phenomenon of sustainability reporting. The aim is to understand the forms of institutional work (Lawrence & Suddaby, 2006) SRMs undertake, the specific mechanisms they use to affect this institutional work and the challenges they face which impact their ability to carry out this institutional work effectively.

9.2.2.1 Institutional work undertaken by SRMs

In addressing this research question this study finds that SRMs play a key role in institutionalising (Lawrence & Suddaby, 2006) sustainability reporting at an organisational level. As the sustainability reporting expert, SRMs must educate (Lawrence & Suddaby, 2006) and guide organisational managers on sustainability reporting. Organisational managers that lack experience with sustainability reporting will often associate the concept of sustainability with being green and the aim of sustainability reporting as providing disclosure over the organisations environmental performance. The need to educate inexperienced organisational managers in sustainability reporting has been identified in earlier studies (Adams & McNicholas, 2007; Ball, 2007; Belal & Cooper, 2011; Williams, 2015).

However, in many cases SRMs are inexperienced and thus must first educate themselves, acquiring ecological literacy as noted by Ball (2007), before they can educate and guide others. Most SRMs learn by doing and are able to meet the requirements of reporting standards only gradually over a number of reporting cycles. Furthermore, in many organisations (often smaller reporters or tick the box reporters characterised by low senior management and board support for sustainability reporting) the role of the SRM is allocated as a part-time responsibility to an existing organisational manager. The under resourcing of the sustainability reporting functions has also been noted by

Bellringer et al., (2011). Thus these inexperienced part-time SRMs appear overburdened with their sustainability reporting responsibilities and will struggle in initial reporting cycles to fulfil the requirements of sustainability reporting standards.

Additionally, as the organisations sustainability reporting champion, SRMs must advocate (Lawrence & Suddaby, 2006) sustainability reporting, encouraging greater participation and commitment from internal stakeholders. The recruitment of organisational managers to champion new institutional practices has been noted in the management accounting literature (Sharma et al. 2014). However, SRMs based in tick the box reporters will struggle to perform this role effectively. Tick the box reporters typically lack senior management and board support for sustainability reporting which has not been championed at a senior level within the organisation. The need for a key senior manager or board member (e.g. CEO, MD, or board chair) to support the organisations sustainability reporting has been noted in the extant literature (Accenture/United Nations Global Compact, 2013; Campbell, 2000). To further complicate matters, SRMs complain that their sustainability reports suffer from low external readership. This point has also been noted by Greco et al. (2015). As a result, SRMs face difficulties in getting organisational managers to allocate time and resources to sustainability reporting, an issue also noted by Bellringer et al., (2011). Consequently, SRMs must perform a challenging role of advocating a practice to organisational managers who often neither understand nor appreciate the importance of sustainability reporting.

Within this context the GRI launched its G4 guidelines in 2013 (GRI, 2013). These guidelines emphasise the importance of materiality assessment as a key stage in the sustainability reporting process. The aim of GRI G4 is to ensure that organisations provide sufficient coverage over issues material to the organisation and its stakeholders (GRI, 2013; Moneva et al., 2006). This study provides insights into how organisations are transitioning to the new

guidelines. Participants note that the emphasis has shifted from the publication of big bulky sustainability reports that tick off on a long list of GRI indicators to a more focused sustainability reports that provide adequate coverage over material issues. These changes have been welcomed by SRMs as it allows them to reduce the size and cost of sustainability reporting and thus generate pragmatic legitimacy (Suchman, 1995) for the exercise amongst senior managers and the board. Additionally, it allows SRMs to stop reporting on certain GRI indicators (deemed not relevant) without raising questions from external stakeholders that may call into question the moral legitimacy (Suchman, 1995) of such a move. Consequently, SRMs in line with GRI G4, are changing the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from bigger is better (i.e. reporting more) to more focused reporting targeting only relevant/material issues.

9.2.2.2 Mechanisms used to affect institutional work

SRMs utilise six mechanisms to affect the institutional work (Lawrence & Suddaby, 2006) and ultimately embed and routinise sustainability reporting within their organisation.

First, SRMs attempt to advocate and educate internal stakeholders on sustainability through engagement. This engagement occurs through numerous channels including one-to-one meetings, groups meetings and workshops, and circulation of documents and reports. SRMs attempt to explain what sustainability is, what sustainability reporting is about and how sustainability report is prepared. These engagements provide SRMs an opportunity to leverage discursive strategies (Mills, 1940; Oaks et al., 1998; Suddaby & Greenwood, 2005; Suddaby et al., 2015). SRMs attempt to avoid using sustainability and related terminologies instead replacing these with terms organisational managers are more familiar with such as risks, fines, and prosecution. Using these discursive strategies SRMs undertake mimicry work (Lawrence & Suddaby, 2006) in which the practice of sustainability

reporting is made to appear less alien and more familiar thus encouraging greater participation and commitment.

Second, it has been noted within the extant literature that considerable variation in the detailed responsibilities of SRMs (Adams & Frost, 2006; Adams & McNicholas, 2007; Farneti & Guthrie, 2009). Similarly, other studies (Adams, 2002) have found that some organisations adopt a more participative approach to sustainability reporting than others. Combining these two findings this study extends the extant literature by providing an explanation for how the responsibilities of SRMs and the degree of participation by internal stakeholders in the sustainability reporting process is related. The study finds that some SRMs attempt to run a decentralised approach sustainability reporting process in which more responsibility (for data collection and report drafting) is delegated to the relevant manager and the SRM acts primarily as a facilitator or coordinator. This encourages greater ownerships and interest in the process amongst internal stakeholders. A centralised approach however is more likely to occur in organisations new to sustainability reporting where organisational managers are inexperienced and therefore unable to take on such responsibilities. As reporters mature they begin to transition from a centralised to a decentralised approach to sustainability reporting and the role of the SRM (or SRM function) is scaled down to reflect the reduction in responsibilities. Additionally, a centralised approach is more likely to be used in tick the box organisations which perceive sustainability reporting as a non-core peripheral tick the box activity to be delegated to the SRM.

Third, SRMs are attempting to introduce sustainability KPIs to monitor the sustainability performance of organisational managers. These KPIs are linked to sustainability objectives and the sustainability strategies and are subsequently reported on within the sustainability report. The aim is to encourage managers to closely monitor their sustainability performance as well as taking a greater interest in the organisations sustainability reporting.

However, there is considerable variation in the use of sustainability KPIs (i.e. how they are established and used to support decision) amongst reporters as noted by Adams and Frost (2008). Additionally, this study adds that very few, if any, organisations have begun to link these sustainability KPIs to the rewards and remuneration of senior managers and board members.

Fourth, in larger organisations SRMs are establishing management supervisory/steering groups and sub board sustainability committees to monitor and guide the sustainability reporting process. These structures provide examples of enabling work (Lawrence & Suddaby, 2006) in which roles and structures are created to carry out the institutional routines. However, these structures also facilitate senior managers and board member's ability to monitor and control sustainability reporting. Consequently, these structures are often introduced by senior management and board members that wish to ensure they remain in control of their organisations sustainability reporting process.

Fifth, SRMs are encouraging their organisations to undertake more frequent internal sustainability reporting. Thus if an organisation was reporting on a biannual basis SRMs are working towards annual reporting and if an organisation was reporting on an annual basis SRMs are working towards monthly and quarterly sustainability reporting. Faced with low external readership and declining internal support from sustainability reporting, SRMs are attempting to change the normative associations underlying (Lawrence & Suddaby, 2006) sustainability reporting from a one off year end communication exercise that is taken up and then forgotten until the next financial year end, to one that is occurring year round and is used to drive management planning and decision making. The use of sustainability reporting to support management planning and decision making has been noted in the extant literature (Adams & Frost, 2008; Massa et al., 2015).

Finally, in order to support this transition to materiality driven sustainability reporting, SRMs are positioning the materiality assessment as the first and

most important stage in the sustainability reporting process. However, there is limited research examining how organisations undertake a materiality assessment for the purpose of sustainability reporting (Unerman & Zapettini, 2014). Building on the extant literature this study finds that the results of the materiality assessment are used to identify relevant material issues for discussion within the sustainability report. This study finds that in a decentralised sustainability reporting process the SRM will delegate responsibility for identifying material issues to organisational managers. These managers will come together in group meetings to discuss material issues which. Over time these materiality assessment groups become embedded and routinised (Lawrence & Suddaby, 2006) as a permanent part of the organisational structure and meet regularly to submit materiality assessment reports to senior management and board members for review and approval.

A key component of the materiality assessment is stakeholder engagement. The study finds SRMs use a combination of leveraging existing and establishing new stakeholder engagement channels. These channels include stakeholder surveys, social media forums on the organisations website and stakeholder councils and have been noted in the existing literature (Adams, 2002; Adams & Frost, 2006; Belal & Owen, 2007; O'Connor & Spangenberg, 2008; Owen et al., 2001). However, as noted by Adams (2002) there is considerable variation in how organisations undertake a stakeholder engagement. While some reporters engage directly with external stakeholders, others have relied primarily on existing secondary data sources and management insights to identify material issues. The terms formal materiality assessment and informal materiality assessment are used by SRMs and SAPs to distinguish the former from the latter. Similar use descriptions have also been noted by Williams (2015) for describing stakeholder engagement approaches (a component of the materiality assessment). Building on these findings this study notes that for practitioners a formal materiality assessment is associated with stakeholder engagements

undertaken using a third party market research or sustainability consultancy. The results of the materiality assessment are plotted onto a materiality matrix which ranks/prioritises issues and essentially acts as a filter removing low priority/materiality issues from high priority/materiality issues.

However, the study finds that organisations prefer to undertake an informal materiality assessment. Reasons cited by SRMs in favour of using an informal assessment include; the relatively high cost associated with conducting a formal assessment coupled with the low allocated budget (in smaller organisations) and the low perceived value of sustainability reporting (in tick the box reporters); confidence in their knowledge of who the organisations stakeholders are and what issues they perceive as material; the relatively stable environment in which the organisation is operating in; and a formal stakeholder engagement is not mandatory simply encouraged.

Additionally, the study finds that there exist issues even within a formal materiality assessment which can affect the reliability of the results. These include the number of stakeholders interviews conducted, which stakeholder groups are interviewed, the number of responses received to surveys circulated, and the subjective nature of the prioritisation of issues. Finally, the study notes that often organisations will use the results of a formal materiality assessment to inform their reporting for multiple reporting periods. These findings contrast with those of Unerman and Zapettini (2014), who express confidence that as organisations mature and gain a better understanding of standards they will improve in terms of meeting the requirements of these standards. These findings build on O'Connor and Spangenberg (2008) who argue that stakeholder engagement is a complex process and challenging process.

Finally, while the introduction of GRI G4 and materiality based approach to sustainability reporting has reduced the size of sustainability reports as well as providing senior managers and the board members with a useful tool to facilitate decision making and planning, the introduction of a materiality

assessment, has had a lesser immediate impact in promoting balanced sustainability reporting as senior managers and board members remain reluctant to disclosing material bad news as argued by researchers (Bouten et al., 2011; Deegan & Rankin, 1996). The study finds that during the review process material “bad news” get filtered through as senior managers remain reluctant to disclosing bad news.

However, in addition to senior managers and board members continued reluctance to disclosing material bad news this study identifies nine other reasons which potentially explain the lack of disclosure of material issues within the sustainability report. These include; inexperienced SRMs inadvertently excluding material issues; an informal materiality assessment failing to identify all material issues; the cost of data collection and analysis may discourage disclosure reporters with tight reporting budgets and low management commitment to sustainability reporting; the need to secure data and information on materials issue from a third party who may not have systems in place to provide verifiable data and information; the reporter arguing that the responsibility to report on the sustainability performance of an affiliate rests with parent company; lack of evidence to support assurance over the material issue motivates SRMs to exclude the issue from the report until systems mature; reporters are argue that publishing balanced report (i.e. disclosing material bad news) places them at a competitive disadvantage when their competitors are not doing the same; there is a lack of external interest and pressure on reporters to disclose on material issues.

Finally, the use of media coverage as an indicator of the materiality of an issue is an inherently subjective process and used in isolation does not provide a suitable metric for researchers and practitioners in evaluating the materiality of an issue. Thus study agrees with the arguments of Patten, (2002) and Unerman and Zappettini (2014) who note that certain issues despite receiving considerable media coverage may not be material or media coverage may have a low impact on stakeholder’s perception of the severity

of the issue. Similarly, an issue that receives little media coverage may be yet be a material issue or media coverage may have a considerably high impact on stakeholder's perception of the severity of the issue. Thus the lack of balance within sustainability reports is due to a range of factors and cannot be attributed purely to managements desire to use the sustainability report as a tool to support organisational legitimacy as argued in the extant literature (see Cho & Patten, 2007; Deegan, 2002; Gray, 2006; Holder-Webb et al., 2009; Hughes, Anderson, & Golden, 2001; Neu et al., 1998).

Thus in the short term, the introduction of materiality assessment processes has had a lesser impact in promoting balanced sustainability reporting as senior managers and board members continue to remain resistant to the disclosure of material bad news. However, the introduction of a robust materiality assessment has served to bring material issues to the attention of organisations who are responding by revising both their sustainability and overall corporate strategies.

9.2.3 Research question three

Chapter eight addresses the third and final research question; “what forms of institutional work do sustainability assurance providers undertake during the sustainability assurance engagement and what is the perceived impact of these efforts in promoting credible sustainability reporting and institutionalising sustainability assurance as a value added activity?” This research question focuses primarily on the demand side of the sustainability assurance market. The aim is to understand the forms of institutional work undertaken by SAPs during the assurance engagement, the mechanisms SAPs use to affect this institutional work, and the perceived impact of these efforts in promoting reliable and balanced sustainability reporting as well as institutionalising sustainability assurance as a value added activity.

As noted in the extant literature (Deegan et al., 2006b; Jones et al., 2014; Park & Brorson, 2005) the primary objective of sustainability assurance engagements is to improve the credibility (reliability and balanced) of

sustainability reports. As a result, SAPs undertake policing work (Lawrence & Suddaby, 2006) to monitor and assess the accuracy/reliability and balance/relevance of sustainability reports. However, given the voluntary nature of sustainability assurance (chapter three) SAPs lack the power to enforce their views and opinions on reporting organisations and disagreements between the SAP and the reporter usually conclude with issues of contention being removed from the scope of the sustainability assurance engagement. Thus SAPs must supplement their policing work with other forms of institutional work including educating, advocating, and changing normative associations (Lawrence & Suddaby, 2006) in order to promote credible sustainability reporting. However, the institutional work (Lawrence & Suddaby, 2006) undertaken by the SAP is also aimed at promoting the sustainability assurance engagement as value added service amongst reporters.

Thus, SAPs will educate (Lawrence & Suddaby, 2006) inexperienced SRMs (and other internal stakeholders) on sustainability reporting, and sustainability reporting standards. These findings are in line with Park and Brorson (2005). Additionally, this study notes that existing literature by identifying how SRMs value the opportunity to engage with SAPs who they perceive as experts in sustainability reporting. SRMs believe they can benefit from the insights and experiences SAPs acquire from providing assurance to other organisations potentially short cutting their learning curve. For example, SAPs will assist reporters in improving their systems and processes underlying sustainability reporting and has been noted in the extant literature (De Moor & De Beelde, 2005; Gray, 2000; Jones et al., 2014; Jones & Solomon, 2010; O'Dwyer et al., 2011; Park & Brorson, 2005; KPMG, 2011; Sawani et al., 2010). Building on these findings this study notes that this improvement is a result of a combination of institutional work (Lawrence & Suddaby, 2006) including; educating (i.e. highlighting which areas are weak) and advocacy (i.e. encouraging investment of time and resources in improving systems) and policing (i.e. evaluating information systems during the assurance process)

through assist reporters in improving their information systems thus contributing to more reliable sustainability reporting.

SAPs also encourage reporters to adopt best practice in sustainability reporting. For example, SAPs are advocating (Lawrence & Suddaby, 2006) the adoption of GRI G4 which is argued as providing reporters with a better set of guidelines than their predecessors (i.e. the GRI G3 and G3.1). In line with Park and Brorson (2005) this study finds that SAPs are recommending reporters improve their materiality assessment (including stakeholder engagement) processes. Building on these findings the study notes that SAPs educate (Lawrence & Suddaby, 2006) inexperienced SRMs on how to undertake the materiality assessment. More specifically SAPs are recommending reporters undertake more direct formal engagement with their stakeholders, undertaken in a more proactive manners and on a more frequent basis (as opposed to undertaking a formal assessment in one year and subsequently using the results of this one assessment to support reporting in multiple periods). Adopting the new guideline also gives more teeth to the sustainability assurance engagement and the SAP who can then press reporters (policing work) on balanced sustainability reporting. Thus supporting this transition SAPs are placing greater emphasis on their review of reporter's materiality assessment. Thus it is through this combination of institutional efforts SAPs are attempting to encourage a change the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from bigger is better to more focused materiality driven sustainability reporting.

SAPs play a key role in raising the profile (Lawrence & Suddaby, 2006) of sustainability reporting. The efforts of SAPs support SRMs who often face difficulties in securing greater participation and commitment from internal stakeholders in the sustainability reporting process. These findings are supported by those of Park and Brorson, (2005). Additionally, this study finds that SRMs will leverage the sustainability assurance engagement to secure time and resources from senior managers and board members for improving

the sustainability reporting process. Additionally, SRMs note that content owners take greater care when preparing content for sustainability reporting. In this way support SRMs who are responsible for championing sustainability reporting within their organisations.

Finally, SAPs are changing the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting. SAPs are attempting to change the moral foundations of sustainability reporting from that of a purely communication tool to a broader role. SAPs are encouraging reporters to view sustainability reports as management tools supporting planning and decision making. The aim is to create pragmatic legitimacy (Suchman, 1995) for the sustainability reporting process. In order to do so SAPs are encouraging organisations to integrate their sustainability reporting process with the organisations existing core processes such as risk management and strategy development. SAPs argue that the sustainability report should address the organisations strategy development while simultaneously sustainability reporting should drive strategy development. Similarly, the sustainability report should address key risks while at the simultaneously sustainability reporting should drive risk management. These findings build on existing studies (Park & Brorson, 2005) which find that SAPs recommend reporters introduce sustainability KPIs and report against these within their sustainability report.

9.2.3.1 Mechanisms used to affect institutional work

The primary mechanism used by SAPs to affect their institutional work is the management report. At the conclusion of the sustainability assurance engagement SAPs will provide reporters with a management report. This document contains issues identified by the reporter together with broad recommendations on how these issues can be addressed as noted within the extant literature (De Moor & De Beelde, 2005; Gillet, 2012; Moroney et al., 2012; Park & Brorson, 2005). Extending the literature, this study notes that the SAPs recommendations in the management report are in some

engagements published as part of the assurance statement in some engagements while in other engagements these findings are kept confidential. The former is more common in engagements undertaken by NASAPs while the latter is more common in engagements undertaken by ASAPs. These findings explain why sustainability assurance statements published by NASAPs are more likely to include recommendations than those published by ASAPs (Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012). However, while the existing literature concludes that since sustainability assurance statements do not contain recommendations ASAPs are less likely to engage in advisory services and therefore more likely to maintain their independence than NASAPs. However, this is incorrect as both ASAPs and NASAPs issue a management report and both ASAPs and NASAPs believe it necessary to do so in order to add value to the assurance engagement given its voluntary nature.

The SAPs will use the management report to provide a jolt to the reporting organisations and shaking senior managers and the board member's confidence in their sustainability reporting systems and sustainability report. The findings are in line with O'Dwyer et al., (2011) who note that reporters will often over-estimate the quality of their information systems and sustainability reports as well as underestimating the extent of assurance work required for even a low assurance opinion.

The findings of the management report are valued by inexperienced SRMs as they direct them to systems and processes that require attention and provide guidance on how to address these issues. The use of sustainability assurance as a tool to support internal learning and development has been noted by Sawani et al. (2010). SRMs note that the management report is valued by senior managers and the board and the findings are acted on, a point noted by Part and Brorson (2005). Additionally, this study finds that in some cases SRMs complain that the SAPs recommendations carry more

weight than the same recommendations provided by internal stakeholders such as the SRM. As a result, SRMs attempt to use the management report to support their institutional efforts. In order to do so SRMs will point out weaknesses in systems and processes at the start of the engagement to their SAP to focus on during the engagement. Subsequently, within the management report itself, SRMs will request their SAPs to use clear and unambiguous language to communicate issues to senior management and the board. In this way SRMs and SAPs appear to work closely together in an almost partnership manner to institutionalise sustainability reporting. Thus the management report supports SAPs in advocating (Lawrence & Suddaby, 2006) the investment of time and resources in sustainability reporting and in educating (Lawrence & Suddaby, 2006) organisations on what and how to improve their sustainability reporting.

As noted above, the voluntary nature of sustainability assurance forces SAPs to demonstrate the value addition from the engagement and has been highlighted by O'Dwyer et al., (2011). As a result, for many SAPs the management report is a key output from the sustainability assurance engagement. Building on these findings this study notes that the perceived value addition from sustainability assurance changes over time. Initially, reporters confident in their sustainability report and underlying systems and processes will not see much benefit from assurance other than credibility enhancement. Often reporters these reporters will also underestimate the demands of sustainability assurance. Management will demand narrow scope engagements focusing primarily on data verification. However, through the institutional efforts of SAPs aimed at promoting the value addition from sustainability assurance, the perceived value addition from the sustainability assurance engagement will begin to increase and organisational managers will begin to demand broader scope engagements. However, as reporters mature, SRMs gain experience, and the SAPs findings addressed in the management report are addressed, the perceived value addition from the sustainability assurance engagement begins to decline (i.e. reporters

experience diminishing returns from sustainability assurance). As a result, the same reporter will revert back to demanding narrow scope engagements focused on data verification and emphasising efficiency. These findings highlight the challenges SAPs face in institutionalising sustainability assurance as a value added activity.

The institutional work undertaken by SAPs raises questions around the SAPs independence. However, SAPs and SRMs argue that this institutional work (Lawrence & Suddaby, 2006) does not amount to the provision of consultancy or advisory services. These practitioners argue that they understand and appreciate the importance of maintaining the SAPs independence and that the recommendations provided are broad and generalist in nature as noted by existing studies (De Moor & De Beelde, 2005; Gillet, 2012; Moroney et al., 2012; Park & Brorson, 2005). Furthermore, by sharing their insights gathered from other engagements SAPs are not compromising their independence. Despite these arguments the study finds that there remains a tension between the need to maintain the independence of the SAP on the one hand and the need to maximise the value addition from voluntary sustainability assurance on the other.

9.2.3.2 Promoting reliable and balanced sustainability reporting

The lack of regulation has contributed to the diversity in the sustainability assurance market. As noted in existing studies (Deegan et al., 2006a, 2006b; O'Dwyer & Owen, 2005, 2007; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012) narrow scope engagements merely focus on the verification of information while broad scope engagements provide assurance over both information accuracy and information balance/relevance. In broad scoped engagements SAPs appear to have a perceived impact in promoting reliable and balanced sustainability reporting.

In terms of reliable sustainability reporting, SAPs using their policing work (Lawrence & Suddaby, 2006) seek evidence from reporters to support the claims made within their sustainability report. Claims which cannot be

supported by evidence are then either removed or revised to reflect the evidence available. As a result, SRMs and SAPs note that the language used within sustainability reports changes and reporters reduce their usage of superlatives such as “we are the best” to a more toned down narrative describing the reporter’s sustainability performance. In this way SAPs promote reliable sustainability reporting.

In terms of balance/relevant sustainability reporting, SAPs work towards promoting balance at three levels within a sustainability report. The first level of balance involves ensuring that a material issue (whether good or bad) is included within the sustainability report in the first instance. The second level of balance involves ensuring that a material issue, once included within the sustainability report, receives adequate coverage i.e. more than a few sentences. The third level of balance relates to how the material issue is presented in terms of font type, font size, and use of colour. SAPs will evaluate the reporters use of structure of sentences, make comparisons of the font used for discussing good news versus bad news or in comparison to the overall severity of an issue, and assess the overall placing of the issue within a page and the report as a whole. Despite these efforts, senior managers and board members remain reluctant to disclosing material bad news, and SAPs have had less immediate success in this area.

9.3 Contributions and implications from research

The insights from this study will prove useful for practitioners (including SRMs and SAPs), regulators and standard setters, academics in the field of sustainability accounting and those using an institutional work perspective.

9.3.1 Implications for sustainability reporting managers

For inexperienced SRMs the study highlights the institutional work that must be undertaken in order to institutionalise sustainability reporting within organisations. The findings offer detailed guidance on specific mechanisms that SRMs can leverage in order to affect their institutional work and

overcome the challenges that they face when performing their role (Lawrence & Suddaby, 2006). Furthermore, the study identifies nine issues which are potentially responsible for the lack of balance within sustainability reports. Identifying these issues allows SRMs to address them and thus work towards publishing balanced sustainability report. For example, of the nine issues identified, weaknesses within organisations materiality assessment process stands out as a key cause for the lack of balance in sustainability reports. By highlighting the differences between formal and informal materiality assessments this study offers guidance to inexperienced SRMs on how to undertake a formal rigorous materiality assessment. Given that an organisations materiality assessment process affects the level of balance within a sustainability report these findings should prove useful for practitioners.

9.3.2 Implications for assurance providers, regulators and standard setters

The study finds that SAPs have a clear role to play in promoting reliable and balanced sustainability reporting. These findings contradict those of earlier studies (Ball et al., 2000; Deegan et al., 2006a, 2006b; Gray, 2000; Manetti & Becatti, 2009; O'Dwyer & Owen, 2005, 2007) who express scepticism, arguing that sustainability assurance plays a limited role in enhancing the credibility of sustainability reports. This study finds that through a combination of institutional work supplementing their primary policing efforts (Lawrence & Suddaby, 2006) SAPs ensure that only claims that can be supported by evidence are included within the sustainability report. If there is no evidence, then the claim must be removed. If the evidence requires a modification to the claim, then this modification should be made. In this way SAPs cause reporters to review the language they use within the sustainability report which overtime changes from marketing language (full of superlatives) to more conservative fact based narratives. Furthermore, SAPs seek to promote three levels of balance within a sustainability report. SAPs ensure that a

material issues is included within a sustainability report in the first instance (level 1), that the issue receives adequate coverage (level 2), and that the issue is presented in a manner that reflects its severity and in accordance to other issues presented alongside it within the sustainability report (level 3).

However, this study notes that due to the voluntary nature of sustainability assurance the scope of the engagement is established based on the demands of reporting organisation. In this situation reporters will often request narrow scope assurance engagements which focus primarily on verifying the reliability of content and thus fail to promote balanced sustainability reporting. Furthermore, reporters may choose to remove certain sections of the sustainability report from the scope of the sustainability assurance engagement (i.e. partial assurance). Revisions to the scope of the engagement have been found to occur during the course of the sustainability assurance engagement where disagreements between the SAP and the reporter are found to conclude with the issue of contention being removed from the scope of the engagement.

Narrow scope engagements will typically occur either in tick the box reporters that are attempting to minimise assurance costs. Such engagements are also found in reporters new to sustainability reporting and where underlying systems and processes are weak and thus incapable of standing the rigorous external testing. Consequently, this study argues in favour of the introducing regulation mandating sustainability assurance over the entire sustainability report and aimed at providing assurance over both reliability and balance (with suitable exceptions for reporters of small size).

Additionally, regulation should require disclosure of disagreements between reporters and SAPs (especially over materiality) with the issue being fully disclosed within the sustainability assurance statement and sustainability report. For example, if a SAP perceived an issue as material and worth disclosing within the sustainability report, and if these recommendations are ignored, then the reporter should provide an explanation of this within the

sustainability report. Similarly, the SAP should address the issue within the sustainability assurance statement stating how it has influenced the SAPs assurance opinion. Introducing these measures would also reduce pressures on the SAPs to demonstrate how the sustainability assurance engagement has added value to the reporter. The need to show value addition undermines the independence of the SAP and limits the ability of sustainability assurance to enhance the credibility of sustainability reports.

Finally, sustainability reporters should be required to adopt a clear policy on materiality assessment. Subsequently, readers should be provided with a detailed and clear discussion over how the reporter undertook the materiality assessment, when the materiality assessment was undertaken, the criteria used to identify material issues, the stakeholders engaged during this process and the channel or channels used to undertake this engagement within every sustainability report. This would allow readers to assess if the reporter has undertaken a rigorous materiality assessment and whether the results of this assessment can be relied on to drive balanced sustainability reporting.

9.3.3 Implications for sustainability accounting researchers

This study builds on the limited existing research (see Gillet, 2012; Park & Brorson, 2005; O'Dwyer, 2011; O'Dwyer et al., 2011) which uses in-depth interviews to understand sustainability assurance engagements and the efforts of SAPs. This new form of voluntary assurance is still evolving and the market continues to be shaped by the market forces of demand and supply. From a demand-side this study sought to contribute to our understanding how the institutional efforts (Lawrence & Suddaby, 2006) of SAPs are aimed at achieving three inter-linking objectives of; promoting relevant and balanced sustainability reporting (Deegan et al., 2006b; Jones et al., 2014; Park & Brorson, 2005); creating auditable environments (Power's, 1997 1994, 1991); and promoting the sustainability assurance engagement as a value added activity (O'Dwyer et al., 2011). The study examined the specific mechanisms

used by SAPs to affect these efforts and achieve the objectives outlined above.

From a supply-side the study examines competition playing out between ASAPs and NASAPs in the market for sustainability assurance services. Both SAPs have different preferred approaches (based on different sustainability assurance standards) to sustainability assurance. As a result, SAPs undertake efforts to promote their preferred approach while simultaneously undermining the efforts of competitors in promoting an alternative approach to sustainability assurance. These findings build on the existing literature (Deegan et al., 2006a, 2006b; Dillard, 2011; Gillet, 2012; Kolk & Perego, 2010; Manetti & Becatti, 2009; Manetti & Toccafondi, 2012; O'Dwyer & Owen, 2005, 2007; O'Dwyer et al., 2011; Park & Brorson, 2005; Perego, 2009; Perego & Kolk, 2012; Smith et al., 2011) why SAPs have different preferences in sustainability assurance standards and how this impacts their approach to sustainability assurance.

Studies examining sustainability reporting have tended to provide a dismal portrayal of sustainability arguing that these documents are primarily designed to promote the organisations image and fail to provide a transparent and balanced account of the reporting entity (e.g. Adams, 2004; Bewley & Li, 2000; Boiral, 2013; Cormier & Gordon, 2001; Deegan & Gordon, 1996; Deegan et al., 2002; Guthrie & Parker, 1990; Milne & Patten, 2002; Moermon & Van Der Laan, 2005; O'Donovan, 2002; Wilmshurst & Frost, 2000; Patten, 1992; Patten 2002a, 2002b). This study finds that while resistance to senior management and board's disclosure to balanced sustainability reporting exist there are nine other reasons that explain the lack of balance within sustainability reports and thus contribute to the literature. Thus this study argues that reasons of legitimacy (Suchman, 1995) alone are not the sole cause of the lack of balance within sustainability reports.

Finally, and as noted by (Unerman & Zappettini, 2014), there is little if any research examining how organisations undertake a materiality assessment in

sustainability reporting. This study provides a detailed exploration of how organisations undertake a materiality assessment for the purpose of sustainability reporting with a comparison of formal rigorous materiality assessment processes and those which are undertaken in a more informal manner. Furthermore, the issues associated with formal materiality assessments are also explored thus providing researchers examining sustainability reporting with detailed guidance on issues to consider when evaluating sustainability reports.

9.3.4 Implications for institutional researchers

The study contributes to the scarce literature using an institutional work perspective to understand how social actors affect institutional change (Lawrence & Suddaby, 2006). First, the study provides examples of how SRMs and SAPs leverage a combination of forms of institutional work, affected through a combination of mechanisms, and designed to achieve in some cases more than one objective. For example, the findings from chapter six highlights how ASAPs and NASAPs resort to different forms of institutional work (Lawrence & Suddaby, 2006) as they compete in the market for sustainability assurance. These institutional efforts serve to promote the SAPs preferred approach to sustainability assurance while simultaneously undermining the institutional efforts of competitors. Thus while both SAPs wish to institutionalise sustainability assurance they have different agendas on how (i.e. the scope and objectives) sustainability assurance should be institutionalised. The findings from chapter seven highlight how SRMs use a range of mechanisms to affect their institutional work of educating, advocating, and changing normative associations. Similarly, the findings from chapter eight highlight how SAPs use a range of mechanisms to affect their institutional work which in turn is driven by three inter-related objectives.

As Lawrence et al. (2013) note that research using an institutional work perspective has focused primarily in exploring a single form of institutional work and academic efforts aimed at identifying the multiple potential

institutional efforts social actors may engage has been limited (exceptions include Garud et al. 2002 and Sharma et al. 2014). There is a need to further develop understanding of the relationship between different forms of institutional work in more integrative models (Lawrence et al., 2013).

This study attempts to address these gaps developing the relationship between the forms of institutional work as identified by Lawrence & Suddaby, (2006) in their typology. The mechanisms used to affect this work and the objectives behind undertaking these institutional efforts. In order to explain the relationship between these three variables this study identifies seven observations that researchers are encouraged to consider when using Lawrence and Suddaby's (2006) typology to guide their analysis. These are:

1. **Social actors may undertake both creating and disrupting forms of institutional work simultaneously in an attempt to achieve their institutional objectives.** For example, in chapter six, ASAPs adopt creating forms of institutional work to promote their preferred approach to sustainability assurance while simultaneously using disrupting forms of institutional work to undermine the institutional efforts of NASAPs (and vice versa).
2. **Social actors may need to undertake a combination of sub forms of institutional work to achieve another sub form of institutional work.** For example, in chapter eight SAPs leveraged advocacy and educating forms of institutional work in order to support a change in the normative associations underlying sustainability reporting (a third sub form of institutional work).
3. **Social actors facing difficulties in affecting one or more sub forms of institutional work may need to first undertake another sub form of institutional work, within the same category.** For example, in chapter seven, some SRMs were found to be facing difficulties in championing sustainability reporting (advocacy). As a result, these SRMs were quick to adopt GRI G4 and in an attempt to

the change the normative associations underlying sustainability reporting from bigger is better to more focused materiality driven sustainability reporting. This supported SRMs in creating pragmatic (Suchman, 1995) for sustainability reporting and thus assisted efforts directed at championing/advocating sustainability reporting.

4. **Social actors may use a single mechanism to affect multiple forms of institutional work.** For example, in chapter seven, SRMs used engagement as a mechanism to undertake educating, advocating, and changing normative association's forms of institutional work.
5. **Social actors may need to use multiple mechanisms to affect their institutional work.** For example, in chapters seven and eight, SRMs and SAPs leveraged multiple mechanisms to affect their institutional efforts. For example, some of the mechanisms used by SRMs to advocate/champion sustainability reporting include engaging with organisational managers, adopting a decentralised approach to sustainability reporting, and introducing sustainability KPIs. Similarly, SAPs undertook their educational work using a combination of management interviews and the management report.
6. **Social actors will often undertake multiple forms of institutional work simultaneously in order to achieve their institutional objectives.** All three findings chapters reveal how SRMs and SAPs undertake multiple forms of institutional work to affect their institutional objectives. For example, SAPs must supplement their policing work with advocacy, educating and changing normative association's forms of institutional work in order to achieve their institutional objectives.
7. **Social actors undertake institutional work to achieve certain institutional objectives, understanding these objectives assists in understanding the form of institutional work undertaken.** Understanding the intended objectives of social actors assists in understand why particular forms of institutional work are being undertaken. For example, in chapter six it was observed that ASAPs

undertook mimicry as it; allowed them to enter the sustainability assurance market while satisfying internal and external stakeholder requirements; take advantage of senior managers and board members comfort with accounting standards; and leverage their social capital of experts in the field of audit and assurance.

These observations highlight how the relationship between forms of institutional work is not as simple as the life-cycle model presented in section 4.1.4. This study proposes that instead of adopting a cycle depiction of institutional work, institutional researchers should attempt to identify, understand and connect:

- Institutional objectives: why/motivations behind social actor's institutional efforts
- Mechanisms: tools and channels used to affect institutional work
- Institutional work: the forms of institutional work undertaken by social actors

9.4 Limitations

The study examined the institutional efforts of ASAPs and NASAPs and noted that these efforts are driven to promote the SAPs preferred approach to sustainability assurance (chapter six). The study identified a number of factors which drive this preference for ASAPs and NASAPs. However, this study does not claim to provide a complete or exhaustive list of all possible factors influencing a SAPs preference for a particular assurance standard and methodology. Similarly, this study has highlighted a number of the mechanisms used by SRMs and SAPs to affect their institutional work. However, this study does not claim to provide readers with a complete or comprehensive list of all possible mechanisms these social actors leverage as part of their institutional efforts.

Additionally, and as is the case in many qualitative interpretive investigations (Lillis, 2008), restricted access to organisations meant that the views of reporting organisations were limited to SRMs as researcher was unable to secure access to senior managers and board members. Still, obtaining these views would provide an additional perspective from a separate group of stakeholders that would facilitate in developing a more in-depth understanding of the phenomena of sustainability reporting and sustainability assurance.

9.5 Future research

This investigation raises a number of additional avenues for research. First, the new GRI's G4 guidelines have been welcomed by SRMs and SAPs who view the change from big bulky sustainability reports to more focused materiality driven sustainability reporting as a better approach to sustainability reporting. However, the emphasis on reporting only relevant material issues raises certain questions:

- Certain issues may be immaterial locally but material globally. For example, water shortage may not be an issue within one country however it may be a global issue which requires concerted effort of all countries to address. If an organisation was to decide that given that its country of residence does not face water challenges, the issue of water scarcity is not a material/relevant issue and thus does not need to be reported on within its sustainability report. As a result, that organisation may also fail to account for and potentially manage its water consumption in a more efficient and effective manner. Organisational managers may remain oblivious to the issue and fail to develop an appreciation of the value of water. A normative strain of research involves evaluating whether the introduction of materiality driven sustainability reporting will assist in promoting sustainability at an organisational level.

- Materiality driven sustainability reporting may result in ever changing sustainability reports that are neither comparable year on year nor from one reporter to another. The lack of comparability may hamper reader's ability to evaluate if an organisations sustainability performance is improving or deteriorating and in what areas or GRI indicators.

Second, researchers are encouraged to undertake content analysis aimed at comparing draft sustainability reports before and after sustainability assurance to ascertain if and to what extent the language used to describe claims made by organisations within sustainability reports changes. Such comparisons should be made against sustainability reports that have not received assurance in an attempt to isolate the degree of change attributable to sustainability assurance and that which arises due to the maturity of the reporter and experience of SRMs.

Third, studies should explore the role of SRMs in further depth. The focus should be on assessing the skills and competencies which sustainability reporting professionals require in fulfilling their role effectively. Such research would assist in developing the profession of sustainability reporting managers.

9.6 Conclusion

The publication of an assured sustainability report has grown in popularity in recent years. This study examines the phenomena of sustainability reporting and sustainability assurance. These new accounting technologies have been offered as potential tools to facilitate the introduction of more sustainable behaviour within organisations. Guided by interpretive ontological and epistemological underpinnings, this research uses hermeneutic theory to interpret and understand the experiences of SRMs and SAPs.

The overarching research objective guiding this study aims to understand the forms of institutional work (Lawrence & Suddaby, 2006) SRMs and SAPs

undertake as they perform their roles and how this institutional work affects the institutionalisation of sustainability reporting and sustainability assurance engagements. From this overarching research objective the following three research questions were developed. These research questions were addressed in chapters six, seven, and eight of this thesis.

Chapter six examined how ASAPs and NASAPs compete in the market for sustainability assurance services. The study explains why SAPs prefer to use certain assurance standards. Furthermore, SAPs undertake institutional work directed at promoting their preferred approach to sustainability assurance while simultaneously disrupting the institutional efforts of their competitors. Chapter seven focuses on the institutional efforts of SRMs, the mechanisms they use to affect this institutional work, and the challenges they face in doing so. Chapter eight explored how the voluntary nature of sustainability assurance leads SAPs to pursue the dual objectives of promoting credible sustainability reporting and promoting sustainability assurance as a value added activity. In order to achieve these objectives SAPs, leverage the management report as the primary mechanism to affect their institutional work and in order to achieve their institutional objectives.

The study builds on the limited interpretive styles studies examining sustainability reporting and sustainability assurance. The findings will prove insightful for practitioners, regulators and standard setters, sustainability accounting researchers, and institutional researchers.

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Appendices

Appendix 1: Interview guide for sustainability reporting managers

Q1. Can you please provide me with some background information about yourself and your role? This main question was supported by the following sub-questions, probes, and prompts?

- How many sustainability reports has your organisation published?
- What sustainability reporting standard was used in preparing the sustainability report?
- What is the difference between GRI G3 and GRI G4?
- When did you start to receive sustainability assurance?
- Who (ASAP or NASAP) undertakes your sustainability assurance?
- What sustainability assurances standards do they use?
- What is the difference between AA1000AS and ISAE3000?

Q2. How is the sustainability report prepared? SRMs were asked to reflect on their previous years reporting cycle and explain the various stages of the reporting process (including the stages in which they interacted with the SAPs). This main question was supported by the following sub-questions, probes, and prompts?

- When does your sustainability reporting process start?
- Do you have a kick off meeting and if so can you tell me about that meeting and who attends that meeting and what is discussed?
- How do you conduct your materiality assessment? What is the difference between a formal and informal materiality assessment?
- Do you write the sustainability report or do people within the organisation write it and send it to you for review and editing?
- What was the purpose of the SAPs site visit?
- Did the SAP conduct management interviews? If so what preparation did you undertake for these interviews?

- Was there a close out meeting with the assurance providers?
- Did the SAP present their management report to the board of directors in a meeting?
- Did the assurance providers present their management report to the board of directors in a meeting?

Q3. What is the impact of the sustainability assurance engagement? This main question was supported by the following sub-questions, probes, and prompts?

- What changes did you experience as a result of the sustainability assurance engagement? Big or small, formal or informal?
- Does the sustainability assurance engagement assist in raising the profile of sustainability reporting?
- What was the impact, if any, of the sustainability assurance engagement on the information system?
- What was the impact, if any, of the sustainability assurance engagement on your materiality assessment?
- What was the impact, if any, of the sustainability assurance engagement on your materiality assessment?
- What was the impact, if any, of the sustainability assurance engagement on your sustainability report?
- What was the impact, if any, of the sustainability assurance engagement on your sustainability strategy and broader corporate strategy?"
- What recommendations, if any, did your assurance providers give you?
- What recommendations did you implement?
- Which recommendations did you not implement?
Why did you not implement those recommendations?
- Can you provide an example? (this probe was used for each of the above questions)

Q4. Well I've run out of questions to ask! Is there anything else, any point that you feel is important, that I may have missed and that you think should be included in the research?" Each interview was concluded on a positive note stating:

- Thank you, this was really helpful! I've got some good points here!

Appendix 2: Interview guide for sustainability assurance providers

Q1. Can you please provide me with some background information about yourself and your role? This main question was supported by the following sub-questions, probes, and prompts?

- What is your role in your organisation?
- Which sustainability assurance standards do you follow and why?
- What is the difference between AA1000AS and ISAE3000?
- What is the difference between assurance engagements performed using AA1000AS and ISAE3000?

Q2. How do you conduct the sustainability assurance engagement? SAPs were asked to discuss the various stages of the assurance engagement. This main question was supported by the following sub-questions, probes, and prompts?

- Which sustainability assurance standards do you follow and why?
- What is the difference between AA1000AS and ISAE3000?
- What assurance procedures
- When does your sustainability reporting process start?
- Do you have a kick off meeting and if so can you tell me about that meeting and who attends that meeting and what is discussed?
- Do you conduct site visits? What is the purpose of these site visit? Who do you meet with and what procedures do you perform?
- Do you conduct management interviews? If so what is the purpose of these interviews and who is interviewed?
- Was there a close out meeting? Who was present during the meeting and what was discussed?
- Did you present your assurance statement to the senior management and/or the board of directors in a meeting?
- Did you present your management report to the senior management and/or the board of directors?

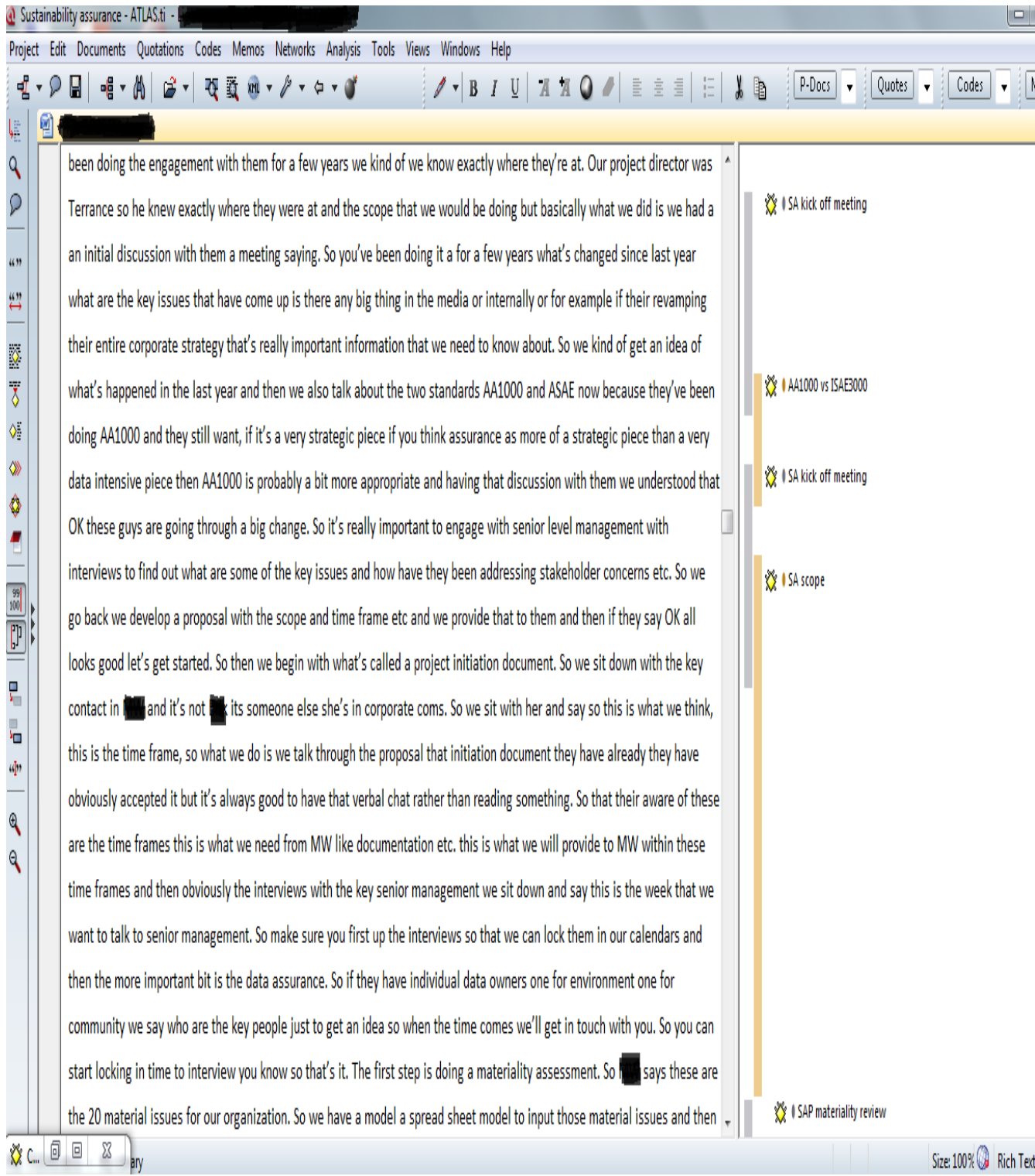
Q3. What is the impact of the sustainability assurance engagement? This main question was supported by the following sub-questions, probes, and prompts?

- What changes did you experience as a result of the sustainability assurance engagement? Big or small, formal or informal?
- Does the sustainability assurance engagement assist in raising the profile of sustainability reporting?
- What was the impact, if any, of the sustainability assurance engagement on the information system?
- What was the impact, if any, of the sustainability assurance engagement on your materiality assessment?
- What was the impact, if any, of the sustainability assurance engagement on your materiality assessment?
- What was the impact, if any, of the sustainability assurance engagement on your sustainability report?
- What was the impact, if any, of the sustainability assurance engagement on your sustainability strategy and broader corporate strategy?
- What recommendations did your assurance providers give you?
- What recommendations did you implement?
- Which recommendations did you not implement?
- Why did you not implement those recommendations?
- Can you provide an example?" This was an especially effective probe and was used often. Examples help to focus the answers of interviewees and provide excellent extracts to include during the write up stage of the research.

Q4. Well I've run out of questions to ask! Is there anything else, any point that you feel is important, that I may have missed and that you think should be included in the research?" Each interview was concluded on a positive note stating:

- Thank you, this was really helpful! I've got some good points here!

Appendix 3: Atlas ti coding of transcripts



Appendix 4: Atlas ti code manager

Code Manager [HU: Sustainability assurance]

Codes Edit Miscellaneous Output View

Search (Name) X

Families	Name	Grounded	Density	Author	Created	Modified	Families
Show all Codes	Implementing MR recommendations	51	0	Super	09/28/20...	01/13/2016 10...	Management
1_SR kick off meeting (10)	Management response to MR	7	0	Super	10/14/20...	07/27/2015 11...	Management
2_SA kick off meeting (3)	MR and reporters maturity level	5	0	Super	10/15/20...	11/25/2014 06...	Management
3_Materiality assessment (3)	MR carries weight	27	0	Super	10/14/20...	12/13/2014 11...	Management
4_SAP materiality review (4)	MR circulated to	37	0	Super	10/14/20...	07/27/2015 11...	Management
5_Data collection and SR drafting (3)	MR discussed with SRM during SA process	4	0	Super	10/06/20...	07/27/2015 10...	Management
6_SAP pre site visit (2)	MR examples	28	0	Super	09/20/20...	11/20/2015 12...	Management
7_SAP site visit (6)	MR on risk management	7	0	Super	10/15/20...	02/24/2015 04...	Management
8_SAP post site visit (2)	MR on sustainability targets & KPIs	28	0	Super	10/15/20...	11/20/2015 12...	Management
9_Close out meeting (3)	MR on sustainability strategy	8	0	Super	07/10/20...	12/13/2014 01...	Management
GRI (2)	MR yielding diminishing returns	7	0	Super	09/20/20...	07/27/2015 11...	Management
IA (1)	SA leveraged by SRMs	27	0	Super	07/12/20...	11/19/2015 07...	Management
LBG (2)	Value addition from SA	42	0	Super	10/14/20...	01/13/2016 09...	Management
Management report (14)	What is the MR	40	0	Super	06/14/20...	01/25/2016 01...	Management
Mandatory data & reporting (5)							
SA impact on data collection (1)							
SA impact on other areas (13)							
SA impact on SR (6)							
SA scope (11)							
SAP educational role (5)							
SAP independence (1)							
SRM institutional work (7)							

14 Codes No item selected All Name - Title

Appendix 5: Ethics approval

23rd October 2013

Muhammed Farooq

6/36 Hogan Street t

Hillcrest

Hamilton

Dear Muhammed

Ethical Application WMS 13/142

Towards understanding the influence of third-party sustainability assurance on client accounting systems, internal controls, risk management and culture

As per my earlier email the submitted modifications to the above research project, have been granted Ethical Approval for Research by the Waikato Management School Ethics Committee.

Please note: should you make changes to the project outlined in the approved ethics application, you may need to reapply for ethics approval.

Best wishes for your research

Regards,

Amanda Sircombe

Research Manager

Appendix 6: Participant information sheet

Participant information sheet

PhD thesis: Towards understanding the influence of third-party sustainability assurance practitioners impact on client accounting systems, controls, risk management and culture

University: University of Waikato
Bilal Farooq

PhD student: Muhammad

1. Objectives of research

The purpose of this research is to complete a PhD thesis at the University of Waikato. The research focuses on gaining the experiences of third-party sustainability assurance practitioners and their client staff involved in the assurance engagement. The research focuses on understanding how the sustainability assurance engagement may influence change in assuree organisations information systems, internal control systems, risk management processes and organisational culture.

2. Rights of participants

There is no obligation to participate in the interviews and, even if you do agree to participate, you are free to withdraw at any time during the interview and up to one week after the date of the interview.

Please email Muhammad Bilal Farooq (mbf8@waikato.ac.nz) to withdraw. You may also contact the researcher's supervisor Professor Charl de Villiers, who can be contacted at:

Email: cdev@waikato.ac.nz

Tel: 8384466 – extension 4236

3. Data security

Interviews will be transcribed and securely stored to ensure confidentiality. The data will be stored for the duration of the PhD thesis. The interview data

will be used to write academic manuscript(s) intended for publication in a refereed journal.

4. Participant anonymity

The manuscript will not reveal the names of interviewees and the organisations that they work for. The name of the journal will be mentioned in the manuscript and may be removed depending on the feedback obtained. A draft of the manuscript will be provided to interviewees for comment. The manuscript will be changed upon request to ensure identities are protected.

If you have any questions about the research project or the procedures to be followed, please ask the interviewer now.

Consent Form for Participants

Waikato Management School

Te Raupapa



THE UNIVERSITY OF
WAIKATO
Te Whare Wānanga o Waikato

Towards understanding the influence of third-party sustainability assurance on client accounting systems, internal controls, risk management and culture

Consent Form for Participants

I have read the **Information Sheet for Participants** for this study and have had the details of the study explained to me. My questions about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I also understand that I am free to withdraw from the study at any time up to one week after the interview, or to decline to answer any particular questions in the study. I agree to provide information to the researchers under the conditions of data confidentiality and participant anonymity set out on the **Information Sheet**.

I agree to participate in this study under the conditions set out in the **Information Sheet** form.

I agree to the audio recording of this interview.

Signed: _____

Name: _____

Date: _____

Researcher's Name and contact information: Muhammad Bilal Farooq
(mbf8@waikato.ac.nz)