Understanding how managers institutionalise sustainability reporting: Evidence from Australia and New Zealand

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Abstract

Purpose: The study explores how sustainability reporting managers (SRMs) institutionalise sustainability reporting within organisations.

Design/Methodology: 35 semi-structured interviews with SRMs in Australia and New Zealand were analysed using an institutional work perspective.

Findings: SRMs' institutional work can be categorised into four phases with each phase representing a different approach to sustainability reporting. Organisations transition from phase one to four as they achieve a higher level of maturity and a deeper embedding and routinisation of sustainability reporting. These include educating and advocacy work undertaken by engaging with managers (phase one), transitioning to a decentralised sustainability reporting process (phase two), transitioning to leaner, focused, materiality driven sustainability reporting (phase three), and using sustainability KPIs and materiality assessment reports for planning, decision-making, goal setting, performance appraisal, and incentives (phase four). However, SRMs face challenges including their inexperience, limited time and resources, lack of management commitment to sustainability reporting and low external interest in sustainability reporting. The study identifies ten reasons why material issues are not always (adequately) disclosed.

Practical implications: This study recommends more training and development for SRMs, and that regulation be considered to mandate the disclosure of the materiality assessments in sustainability reports.

Originality: This research extends the existing literature examining how sustainability reports are prepared and sheds further light on how a materiality assessment is undertaken. The study identifies 10 reasons for the non-disclosure of material matters, including but not limited to, legitimacy motives. Researchers can use these reasons to refine their methods for evaluating published sustainability reports. At a theoretical level, the study provides four observations that institutional researchers should consider when examining forms of institutional work.

Keywords: Sustainability reporting; Materiality assessment; Social and environmental reporting; Institutional work

Acronyms: SRM - Sustainability reporting manager

1   Introduction

Sustainability reporting has grown in popularity in recent years (KPMG, 2017). This new accounting technology can assist in embedding sustainability within organisations. The Global Reporting Initiative (GRI) describes sustainability reporting as the voluntary disclosure of information on the economic, social and environmental impact of organisational operations[1] (GRI, 2015). Researchers have explored who the reporters are, why they report, what is reported, and how organisations prepare sustainability reports[2].

Considerable academic attention has been directed at the "who" and the "why" of sustainability reporting and a range of micro- and macro-level drivers have been identified (Adams, 2002; Bebbington, Higgins, & Frame, 2009). Similarly, studies have examined the content of sustainability reports to evaluate whether organisations provide balanced accounts of their sustainability performance (Unerman & Zappettini, 2014). This typically involves a content analysis of published sustainability reports (e.g. counting words allocated to good and bad news) and comparison of the results with some proxy for sustainability performance, such as media coverage (Adams, 2004; Adams & Kausirikun, 2000; Boiral, 2013; Patten, 2002). These studies argue that sustainability reports are mostly self-laudatory, fail to disclose material bad news, and function as tools to support organisational legitimacy (Deegan, 2002). Indeed, legitimacy theory is the most popular explanation for voluntary sustainability reporting (Owen, 2008).

There have been few attempts to explain the "how" of sustainability reporting (Adams & Larrinaga, 2007; Owen, 2008). While there are "how" studies that provide useful insights, they do not fully address the matters dealt with in our paper. For example, Bellringer et al., (2011), Farneti and Guthrie (2009) and O'Dwyer (2002) focus on understanding the motivations driving organisations to undertake sustainability reporting. Belal and Cooper (2011) attempt to explain why companies based in developing countries (specifically Bangladesh) do not engage in sustainability reporting. Adams and Whelan (2009) explore the literature to understand what motivates individuals to act in certain ways and how organisational change occurs. They seek to provide guidance on the possible ways in which sustainability reporting can be used to promote greater organisational accountability. Adams and Larrinaga (2007) undertake a literature review and argue for greater engagement with managers in research. Adams and Frost (2006), examine how accessibility and functionality of company websites affects sustainability reporting. Adams and McNicholas (2007) adopt an action research approach to understand the reporting process adopted by a public sector Australian utility. Adams (2002) interviews managers working in three British and four German companies based in the chemicals and pharmaceutical sectors, seeking to understand how country and organisational level factors affect sustainability reporting

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[1] There is no international consensus on how best to define sustainability reporting (Farneti & Guthrie, 2009). The description provided by the GRI is preferred, given that 75% of the world's largest companies that publish a sustainability report made reference to these guidelines (KPMG, 2017). Also, for the purpose of this study the term sustainability report refers to both stand-alone sustainability reports as well as sustainability information published within a single annual report. However, the latter is not to be confused with an integrated report (or integrated reporting) which is beyond the scope of this study (De Villiers et al., 2017).

[2] See Deegan (2002) for a more comprehensive list of research questions in this area.

practices. However, the companies in the study had mature reporting processes, therefore the study could not compare reporting processes of organisations at different stages of maturity.

In addition, these studies predate GRI G4, which was introduced in 2013 (GRI, 2013a). The new guidelines place greater emphasis on materiality as a key stage in the sustainability reporting process. This is an area of increasing importance, which remains underexplored in the literature (Adams & Larrinaga, 2007; Higgins et al., 2014; Owen, 2008; Unerman and Zappettini, 2014). Further, how the sustainability reporting process is institutionalised within organisations has not been fully explored. If we are to understand how sustainability reporting becomes embedded within organisations' routines, we need to understand the work of those responsible, the sustainability reporting managers (SRMs).

Therefore, this study examines the research question: How do SRMs institutionalise sustainability reporting (including how they undertake a materiality assessment, i.e. selecting topics/issues for disclosure)? The study relies on in-depth interviews with 35 SRMs, based in 30 different organisations in Australia and New Zealand. The concept of institutional work, a branch of institutional theory (Lawrence, Suddaby, & Leca, 2011), is used to focus the analysis on SRMs' work and challenges. Lawrence and Suddaby (2006, p. 216) define institutional work as "the broad category of purposive action aimed at creating, maintaining and disrupting institutions".

The findings of this study offer insights into how SRMs prepare sustainability reports and how a materiality assessment is undertaken. This study reveals the variations in approaches to sustainability reporting, materiality assessments, and stakeholder engagement processes. Specifically, the study identifies four categories or phases, each reflecting a different approach to sustainability reporting. Organisations transition from one phase to the next as they achieve a higher reporting maturity and sophistication, and a deeper embedding of sustainability reporting. Phase one involves educating inexperienced managers and championing the sustainability reporting internally. In phase two, sustainability reporting moves from a centralised to a decentralised, embedded process. Phase three involves moving sustainability reporting towards a 'less is more' philosophy through leaner, more focused, materiality-driven reports. Finally, in phase four SRMs attempt to move sustainability reporting from a year-end exercise to fully embedded ongoing routines used to inform planning, decision-making, goal setting, performance appraisal, incentives and remuneration.

The paper builds on the extant literature, exploring how sustainability reports are prepared, the challenges SRMs face and how a materiality assessment is undertaken. In addition, the study identifies 10 reasons why material matters are not always adequately disclosed. These insights could help sustainability researchers evaluate published sustainability reports. At a practical level, this study suggests the need for academia to consider supporting the training and development of SRMs, and that greater regulation be considered requiring organisations to disclose information about their materiality assessment process. At a theoretical level, this study applies the concept of institutional work to a unique setting and provides four observations that institutional researchers could consider when using Lawrence and Suddaby's (2006) typology of forms of institutional work.

The remainder of this paper consists of a literature review, theoretical framework, methodology and method, findings and analysis, and conclusion.

2   Literature review

Reporters adopt a range of different approaches to preparing sustainability reports. For example, Adams (2002) noted that some reporters take an informal approach to sustainability reporting while others adopt a more structured formal reporting process, attributing the variations to organisations' size, culture and country of origin. Some companies adopt a more participative approach, however SRMs often complain a lack of participation, with the sustainability report sometimes prepared by the SRM with little input from others (Bellringer, Ball, & Craig, 2011).

The role of the SRM varies, with no clear preference for who should manage the reporting process (Adams & Frost, 2006; Farneti & Guthrie, 2009). Preparing the sustainability report is a significant task, which can take up the bulk of an SRM's time (Ball, 2007). However, the function is often under-resourced and SRMs complain of the difficulties they face in meeting the standards' requirements (Bellringer et al., 2011). Interestingly, little if any role is played by accountants in the process (Ball, 2007; Farneti & Guthrie, 2009).

It is also important to note that sustainability reporting is costly (Adams, 2002) and the lack of resources is one of the reasons for limited disclosure (Belal & Cooper, 2011). Without the support of powerful internal stakeholders such as the chief executive officer (CEO) or board chair championing the sustainability reporting agenda (Belal & Owen, 2007; Greco, Sciulli, & D'Onza, 2015), SRMs will face resistance from managers who perceive little purpose or value in the exercise (Bellringer et al., 2011). For example, Campbell (2000) found that changes in the board chair had an impact on the level of disclosure.

SRMs and managers may be inexperienced in preparing sustainability reports (Adams & McNicholas, 2007; Ball, 2007; Greco, et al., 2015). For example, Adams and McNicholas (2007) found that none of the SRMs had any experience in sustainability reporting, so they had to learn new concepts and study the standards, such as the GRI[3] guidelines (Bellringer et al., 2011). In some cases, this led to only a partial implementation of the GRI requirements (Farneti & Guthrie, 2009), while in others SRMs were unable to publish GRI-compliant reports in their first reporting year (Adams & McNicholas, 2007). SRMs must educate internal stakeholders on sustainability and sustainability reporting (Ball, 2007), but this requires SRMs to first develop their own sustainability reporting skills. This leads some to speculate that inexperience may explain the lack of balance in sustainability reports (Thomson & Bebbington, 2005).

Some reporters use sustainability key performance indicators (KPIs) that are integrated with planning, performance measurement, and risk management processes (Adams & Frost, 2008). However, there is considerable variation in how sustainability KPIs are developed and used. Some organisations develop KPIs through a structured process, while others rely on more informal monitoring of performance. The process of setting KPIs is far from simple (Belal & Owen, 2007)

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[3] The GRI is an international body based in the Netherlands which develops sustainability reporting guidelines for reporters (GRI, 2015).

and organisations will only gradually transition to using their reports for planning and decision making (Buhr, 2002; Greco et al., 2015).

In terms of materiality, the International Standard on Auditing (ISA) 320, states that "in the context of a financial audit, misstatements 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). Similar descriptions are offered by AccountAbility (2008) and the GRI (2013a, 2013b). AccountAbility, a global sustainability consultancy based in the UK (AccountAbility, 2015), defines materiality assessment 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, 2008, p. 12). Thus, the conceptualisation of sustainability materiality, similar to financial materiality, carries elements of subjectivity and requires professional judgement.

The GRI launched its G4 guidelines in 2013[4], placing greater emphasis on materiality as a key aspect of the reporting process (GRI, 2013b). Based on the results of the materiality assessment, reporters will select relevant GRI indicators (O'Connor & Spangenberg, 2008; Owen, Swift, & Hunt, 2001), promoting more meaningful disclosure (GRI, 2013a). Reporters are encouraged to draw on multiple internal and external sources of data (AccountAbility, 2006; GRI, 2013b) and to use their materiality assessment to support strategy development, improve understanding of the link between sustainability and organisational performance, and increase stakeholder engagement (AccountAbility, 2006).

However, there is a lack of research examining how a materiality assessment is undertaken (Unerman & Zappettini, 2014). Studies have focused on managers' intentions when selecting topics for disclosure (Adams, 2002; Bellringer et al., 2011; Buhr 1998; O'Dwyer, 2002; Solomon & Lewis, 2002). For example, the SRMs in Adams' (2002) study kept disclosure over material bad news minimal as they were afraid of the consequences of disclosure. The SRMs in O'Dwyer's (2002) study were concerned that discussing bad news would only generate more suspicion. Consequently, disclosure of negative performance was minimal (or zero) while the issue lost public attention. Senior managers remain reluctant to disclose sensitive information (Solomon & Lewis, 2002) and boards will review draft reports before publication (O'Dwyer, 2005). This explains why legitimacy theory is the most popular explanation for voluntary sustainability reporting within the literature (Owen, 2008).

Both AccountAbility and the GRI emphasize stakeholder engagement as a key component of materiality assessment (Belal, 2002; Kaur & Lodhia, 2014; Owen et al., 2001; Unerman, 2007). However, there is considerable variation in the extent of engagement. Dey (2007), found that the selection of stakeholders was driven primarily by the organisation's policies, resulting in the exclusion of certain stakeholder groups. Additionally, collecting data on stakeholders from disparate information systems was challenging, so reporters restricted themselves to stakeholder

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[4] The GRI has since introduced new sustainability reporting standards in 2016. The GRI 101 Foundation Standard adopts a similar definition of, and emphasis on, materiality.

groups with which they had a commercial relationship. These challenges are amplified for large, geographically dispersed organisations (O'Connor & Spangenberg, 2008).

Stakeholder engagement mechanisms identified include feedback forms, surveys, letters, phone and email (Adams, 2002); focus groups (Adams & Frost, 2008); website forums (Adams & Frost, 2006); and sustainability steering committees and informal verbal communication (Williams, 2015). However, SRMs appeared frustrated with the poor response rate from stakeholder surveys (Greco et al., 2015) and believed that the general public was not interested in their reports (Adams, 2002). SRMs also point out that most people do not have the expertise to provide constructive feedback, while specific stakeholder groups such as NGOs are able to access information from other sources.

3   Institutional work

Institutional theory argues that the behaviour of social actors (individuals and organisations) is influenced by their surrounding institutions. These institutions include socially acceptable and expected ways of doing things (Venter & De Villiers, 2013); taken-for-granted assumptions (Burns & Scapens, 2000); and rationalized myths (Greenwood & Suddaby, 2006). These institutions exert pressures that cause organisations to adopt similar patterns of behaviour (De Villiers & Alexander, 2014; De Villiers, Low, & Samkin, 2014; DiMaggio & Powell, 1983). However, social actors are not simply passive recipients of institutional pressure. Knowledgeable and skilled social actors can work towards creating, maintaining, and disrupting institutions (Lawrence, et al., 2011; Lounsbury, 2008). Reviewing the literature on institutional theory, Lawrence and Suddaby (2006) offered a typology of forms of institutional work that social actors might undertake to achieve their interests. These forms of institutional work can be grouped into three main categories: creating, maintaining and disrupting institutions (Table 1). This typology provides a useful tool with which to analyse the SRMs' work and understand how they attempt to establish/create and ultimately embed/institutionalize the practice of sustainability reporting within organisations.

<<< Place Table 1 about here >>>

For the purpose of this study the relevant forms of institutional work, under the category of creating institutions, include advocacy, mimicry, changing normative associations, and educating. Within the category of maintaining institutions, the relevant forms of institutional work include enabling work and embedding and routinizing. Within the category of disrupting institutions, the relevant forms of institutional work includes disconnecting sanctions.

Advocacy involves mobilizing social actors to support a new practice through persuasion (Lawrence & Suddaby, 2006). Legitimacy is created (Suchman, 1995)[5] for the new institution, involving a range of mechanisms including lobbying, advertising, litigation, leveraging relationships with powerful actors, developing alliances and cooperation, mobilizing key players

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[5] Suchman, (1995, p.574) defines legitimacy as "... a generalized 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".

(Battilana, Leca, and Boxenbaum, 2009) and appointing managers to champion the new institution (Sharma, Lawrence, & Lowe, 2014).

Mimicry emphasizes the similarities between new practices and existing taken-for-granted ones (Lawrence & Suddaby, 2006), overcoming resistance to the introduction of the new practice (Lawrence & Suddaby, 2006). Hayne and Free's (2014) study shows how COSO (Committee of Sponsoring Organisations) introduced a new Enterprise Risk Management (ERM) framework to replace their existing Internal Control (IC) framework. COSO argued that their IC framework was not being replaced; instead the IC framework was a springboard to the new ERM framework, which incorporated many of the concepts used by the previous IC framework.

Hayne and Free (2014) provide an example of social actors using discursive strategies to achieve their institutional work. The use of analogies, similes, metaphors and rhetoric to achieve institutional change has also been noted by other scholars (Etzion & Ferraro, 2010; Oaks, Townley, & Cooper, 1998; Suddaby & Greenwood, 2005). For example, Etzion and Ferraro (2010), examine how the GRI successfully used analogy, highlighting the similarities between financial reporting and sustainability reporting, to support the rapid growth of their guidelines.

Educating work involves educating key social actors with "... skills and knowledge necessary to support the new institution" or practice (Lawrence & Suddaby, 2006, p.221). Sharma et al. (2014) highlight how management, in a newly privatized telecommunications provider, undertook a staff training programme to assist staff in transitioning from the old engineering-driven routines to accounting-based ones. This involved "re-making the connections between sets of practices and moral and cultural foundations for those practices" (Lawrence & Suddaby, 2006, p. 224). This may involve subtle covert mechanisms to introduce incremental change or more overt coercive measures that openly challenge the legitimacy of existing institutions. Knechel's (2007) study provides an example of the former with the Big Four attempting to introduce business risk auditing in response to the commoditization of financial audit services and the growing popularity of risk management. This was done to re-engineer the audit process from a traditional substantive testing and testing of controls to an approach that relied more on evaluating the broader business risks facing an organisation and how these could lead to misstatements in the accounts. However, the Big Four did not attempt to replace existing audit procedures, but rather to introduce this new technology as an additional tool in the auditor's took kit.

Enabling work is "the creation of rules that facilitate, supplement and support institutions, such as the creation of authorizing agents or diverting resources" (Lawrence & Suddaby, 2006, p. 230). For example, Brown, de Jong, and Lessidrenska (2009) examined the institutionalisation of the GRI, noting the key role played by the GRI secretariat in ensuring that interest in sustainability reporting and the GRI guidelines is kept alive.

Embedding and routinizing indicates that an organisational structure, process or practice has become institutionalized; the practice can, over time, underpin the "taken-for-granted" ways of thinking and doing in a particular organisation (Burns & Scapens, 2000, p. 5). 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.

4   Methodology & method

This study is interpretivist in nature (Bryman, 2012; Denzin & Lincoln, 2013) and relies on 35 semi-structured interviews (Silverman, 2013) with SRMS based in Australia and New Zealand. Purposeful sampling (Patton, 2002) was used to restrict interview participants to SRMs (i.e. managers responsible for preparing sustainability reports).

4.1   Data collection

Research participants were recruited using the researchers' networks of professional contacts (Bryman, 2012), snowball sampling (Patton, 2002) with new participants suggesting new ones, and a web search. The web search identified the GRI website, which includes a sustainability reports database (GRI, 2015). Using this database, a list of assured sustainability Australian and New Zealand[6] reports was developed. This led to the identification of 30 organisations, including multinationals corporations (MNCs), small to medium sized enterprises (SMEs), listed and unlisted private sector companies, and public sector organisations. The following sectors are represented: banking and finance, mining and exploration, power generation, business consultancy and telecommunications. The organisations also had differing levels of experience with sustainability reporting, with one publishing their tenth sustainability report and others far less experienced. The objective behind selecting a diverse range of organisations was to secure diverse perspectives. This objective was further supported by selecting SRMs working in Australian and New Zealand based organisations. The KPMG (2011) survey ranked Australia as a country where generally organisations were leaders in sustainability reporting, while New Zealand as a country where generally organisations were starting on their sustainability reporting journey[7]. This diversity allows for a more comprehensive understanding of the work involved in sustainability reporting in different settings. This also assisted in evaluating the degree of institutionalisation of sustainability reporting within different organisations.

The SRMs of the organisations on the list were initially contacted through email and/or telephone, followed by an email outlining the proposed interview protocols, including data confidentiality, participant anonymity, a consent form, and an outline of the scope and aims of the study.

Prior to the interview itself (and where possible) the researcher achieved rapport by engaging with participants in a friendly yet professional pre-interview telephone conversation [8] (Hermanowicz, 2002; Chapple, 1999). During the interview itself the researcher initiated the conversation using politeness, routines, and short, easy-to-answer questions aimed at encouraging participants to open up and start talking (Hermanowicz, 2002).

The interview guide was loosely structured using a series of primary open-ended questions (Rowley, 2012) supported by a series of probes and prompts (Fontana & Frey, 2005). The

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[6] The search was restricted to organisations that had published an assured sustainability report in 2012, 2013 and/or 2014. Organisations that did not receive assurance over their reports during these years, despite having received assurance in previous years, were not included in the sample.

[7] KPMG (2011, p.4) ranking is based on the quality of the sustainability reports published and the maturity of reporters' underlying sustainability reporting processes.

[8] A pre-interview telephone conversation was not used in all cases as some participants were contacted via email.

questions were ordered according to the flow of the conversation. A reflexive approach was used to revise the interview guide and if necessary identify new sub-themes of interest. The interview guide (Gubrium & Holstein, 2003) aimed to explore how SRMs prepare their sustainability reports. All 35 SRMs were asked to reflect on the previous year's reporting cycle and explain the various stages of the reporting process (see appendix 1 for details).

The interviews revealed how each of the 30 organisations represented by the 35 interviewees prepared their sustainability report, including all aspects of the process. The interviewees explained their own work as SRMs at each stage of the sustainability reporting process, including how their work affected other managers and the process and *vice versa*, as well as their challenges. The interviews revealed the different approaches followed in organisations by different SRMs and how these differences influenced the outcomes. When describing the various stages of their sustainability reporting process, SRMs would explain how they approached a particular stage (for example collecting content from managers) in previous years, why they had decided to change their approach and how they were currently undertaking that particular stage (or were planning to undertake it going forward). In this way the authors were able to identify and classify the different approaches to preparing a sustainability report into four phases.

The research used the telephone, Skype (audio only) and face-to-face modes of interviewing. Studies comparing the telephone and Skype in semi-structured interviews with the face-to-face interview mode indicate that the telephone can support rapport and that there is not much difference in either the quantity or quality of the data collected by telephone or Skype (Chapple, 1999; Deakin and Wakefield, 2014; Farooq and De Villiers, 2017; Holt, 2010; Stephens, 2007; Sturges & Hanrahan, 2004).

The interviews were conducted between February and August 2014. The average interview time was 63 minutes, with the shortest lasting 29 and the longest 99 minutes. Table 2 provides a summary of interview characteristics.

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4.2   Thematic analysis

The interviews were recorded and transcribed. The transcripts were analysed to identify themes (Bryman, 2012). Thematic analysis identifies patterns of meanings from a set of data (Braun & Clark, 2013; Miles et al., 2014). The data were first coded by allocating names/labels. An inductive or bottom-up approach was taken to allow matters to emerge from the interviews. Code names were based on the emerging matters (Miles, Huberman, & Saldana, 2014) and related to the sub-themes and main themes that were developed from the interview guide. The qualitative analysis software, "Atlas.ti 7," was used to facilitate this process (Gubrium & Holstein, 2003). The software was useful for code creation, editing code names, maintaining a code database, retrieving codes from the database, collapsing multiple codes, tracing codes to transcripts, recoding transcripts, collapsing multiple codes into a single code and grouping codes into categories/themes and sub-themes for analysis. While the software improved the efficiency of

the coding process, there was still a need for direct involvement by the authors. After the data were coded, themes were developed by collating the data into groups that reflected the sub-themes explored in the interviews, which were then grouped into major themes (Braun & Clarke, 2013). The write-up then involved interpreting the phenomena in light of the extant literature and the institutional work theoretical lens. The write-up involved using vivid and compelling extracts identified in the codes and themes to provide a flavour of the participants' understanding of matters.

5   Findings & analysis

The findings and analysis is divided into three parts. Section 5.1 explores the institutional work undertaken by SRMs, including the mechanisms used to achieve this institutional work. Section 5.2 discusses the challenges SRMs face in their role. Section 5.3 examines the reasons why reporters fail to disclose all material issues within their sustainability reports.

5.1   SRMs institutional work and mechanisms used

SRMs' institutional work can be categorised into four phases with each phase characterised by a different approach to preparing a sustainability report (including the approach to materiality assessments and stakeholder engagement). Transitioning from phase one to four reflects a higher level of maturity, more complexity and sophistication, and a deeper embedding and routinisation of sustainability reporting within the organisation. However, organisations do not automatically transition from one phase to the next, i.e. it is not simply a matter of time before organisations move from phase one to two. Instead, the institutionalisation of sustainability reporting is attributed to the active efforts of SRMs. Although SRMs face challenges (discussed in section 5.2) and some of these challenges require specific actions to overcome (e.g. learning through experience).

5.1.1   Phase one: Getting started

In phase one, SRMs focus on getting sustainability reporting started. Managers working in organisations new to sustainability reporting will often have a limited understanding of sustainability (often associating the concept with being green) and sustainability reporting:

> "... some people think it's just about trees and forests and green stuff ..." (SRM21).

> "So it definitely isn't entirely environmental... we need to have a conversation with them about how it looks different..." (SRM7).

As a result, there is a need to address this deficiency by educating and guiding managers, a role often fulfilled by the SRM.

> "I was responsible for following up with each of these content owners and making sure that they understood what they needed to provide..." (SRM23).

> "So my guidance to them is always about the content that we need... to meet the GRI requirements, to meet the framework..." (SRM16).

SRMs act as the organisations sustainability reporting expert and ensure that managers understand "what" sustainability reporting is, "how" the sustainability report will be prepared.

The need to educate inexperienced managers in sustainability reporting is a key challenge facing reporters (Adams & McNicholas, 2007; Belal & Cooper, 2011). This educating work (Lawrence & Suddaby, 2006) is designed to equip managers with the skills necessary to support the new institutional practice. Additionally, SRMs perform the role of sustainability reporting champions, advocating (Lawrence & Suddaby, 2006) sustainability reporting amongst managers. The focus is on addressing questions relating to "why" the organisations has to prepare a sustainability report and "what" the benefits of sustainability reporting are.

Educating and advocacy work is achieved primarily by engaging with managers via one-to-one or group meetings, workshops, presentations and the circulation of documents, reports and other material on sustainability reporting:

> "... we contacted them [managers] 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).

At the start of the process SRMs will provide content owners (i.e. junior to mid-tier managers responsible for sustainability report content) with an information pack containing guidance on reporting objectives, scope and plan. Later, guidance will be provided on the information content owners need to provide, the requirements of standards (e.g. the GRI) and external assurance. In comparison, senior managers and board members are given a broader overview of what sustainability reporting is and how the report will be prepared. When engaging with managers, SRMs avoid using the term sustainability and any related jargon. Managers are often reluctant to participate because they do not understand sustainability as a concept:

> "... 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).

Instead SRMs prefer to use terms such as risks, fines, and prosecution, which managers are familiar with:

> "... they won't even talk about the environment because it's too vague ... I'll say if you put that down the storm water drain we're going to get fined ..., it's going to affect our brand, our sales, or whatever ... and people understand that and go oh yeah ok" (SRM24).

These discursive strategies (Etzion & Ferraro, 2010) allow SRMs to engage in mimicry work (Lawrence & Suddaby, 2006), making the new practice look similar to existing institutionalized routines that managers are familiar and comfortable with, thereby overcoming managers' resistance to participation.

In phase one SRMs rely primarily on secondary data sources and management insights to identify and understand who their key organisational stakeholders are and what their concerns are. Practitioners call this an 'informal' materiality assessment.

> "... so you can do it informally by looking at your existing data sources ..." (SRM6)

SRMs make do with using data and information collected from existing stakeholder engagement mechanisms (e.g. employee surveys, customer surveys, discussion/feedback forums the organisation's website and social media sites such as Facebook and Twitter etc.) to identify and assess key material issues, whereas these channels were designed to provide feedback on an organisations commercial performance.

Phase one is characterised by an informal, surface level institutionalisation of the sustainability reporting process.

5.1.2 Phase two: Decentralising the sustainability reporting process

In phase two SRMs focus less on educating[9] and more on improving managerial participation and commitment (i.e. advocacy work). While advocacy efforts in phase one are effective in getting the sustainability reporting process started, managerial participation and commitment remains low as managers prefer to invest as little time and effort as possible in the sustainability reporting process. Consequently, in phase one, the process is relatively centralised with minimal participation from managers and SRMs taking responsibility for the bulk of the work, including undertaking the materiality assessment (including stakeholder engagement), collecting and analysing data, drafting sections of the report and providing sustainability assurers with evidence to support external assurance:

> "... we write the report centrally here at our head office and... we get case studies, we get data, we get information from the business groups and consolidate that ..." (SRM5).

In phase two, SRMs encourage a transition from a centralised to a decentralised sustainability reporting process involving line managers taking more responsibility and the SRM taking on the role of coordinator and facilitator:

> "... our role is just to oversee the process, we don't own any of the information that goes into any of our reports. ... we really just act as a facilitator ..." (SRM30).

> "... 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 ..." (SRM28).

In a centralized sustainability reporting process (phase one) the SRM is responsible for undertaking the materiality assessment while the results are reviewed and approved by senior managers and the board. In a decentralized process, this task is undertaken in a participative manner with managers from different functions and operations participating in the exercise. SRMs run materiality assessment meetings or workshops. In initial years, these meetings are designed to educate managers on materiality as well as encourage managerial participation and ownership. The following quotes provide examples of firstly, a relatively centralized approach and secondly, a more decentralized participative approach to undertaking the materiality assessment:

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[9] External environmental (e.g. new standards and regulatory requirements) and internal organisational (e.g. recruitment of new managers, changes in operations and organisational structure) change mean that SRMs must continue to perform the role of a sustainability reporting expert.

"So it's conducted by myself internally and it's a proposal which is then forwarded through to our management team for endorsement …" (SRM34).

"… for our materiality assessment we have a workshop … 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).

In phase two, SRMs begin to establish new stakeholder engagement channels, as well as embedding sustainability within existing engagement channels. For example, SRMs may request survey owners to include additional questions around sustainability while also introducing new engagement channels, including stakeholder surveys, social media forums on the organisation's website, and stakeholder councils (Adams, 2002; Adams & Frost, 2006; Belal & Owen, 2007; O'Connor & Spangenberg, 2008; Owen et al., 2001):

"… included doing a survey of investors and included getting data from our sales teams" (SRM25).

Content owners are responsible for collecting and analysing data and writing up content, which is sent to the SRM for editing and collation into a draft sustainability report. The draft report is forwarded to senior management and the board for review and approval. Finally, content owners provide evidence to support assurance directly to the assurer. This approach reduces the burden on under-resourced part-time SRMs and encourages greater participation and ownership as well as promoting greater awareness and understanding in sustainability reporting amongst managers (and the functions/operations they represent).

"… 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 … 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).

A centralized approach is typically used by inexperienced reporters where content owners require greater guidance and encouragement to participate:

"… in previous years I would write the sections and then ask some people to contribute towards others, whereas in the most recent I actually ask them to write the sections. … so I talked them through what needs to be done, what they should include …" (SRM18).

These efforts result in a deeper embedding and routinisation of sustainability reporting within the organisations operations (Lawrence & Suddaby, 2006). Sustainability reporting is no longer perceived as the responsibility of a separate SRM manager (or function) but rather an implied part of managers' responsibilities and job description.

As part of these efforts, SRMs attempt to establish management supervisory teams/groups and/or board level steering committees to monitor and guide the reporting process:

"… and then there is a senior management team that gives guidance and overseas that they're happy with the content" (SRM16).

These groups are typically responsible for reviewing the sustainability reporting plan and objectives, discussing relevant material issues/topics for inclusion within the sustainability report, and reviewing and approving the draft sustainability report. In some reporters, supervisory groups are overseen by board committees responsible for sustainability and sustainability reporting. The introduction of these structures is a gradual process and in some cases, SRMs need to convince senior managers and boards of the need for these structures and their participation.

> "… 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 … to make sure its pulled, it's much more integrated into our operations, so that's what where we're moving towards …" (SRM24)

In other cases, these structures are introduced by management rather than the SRM, to monitor and control what is reported, a point noted by O'Dwyer (2005):

> "… 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" (SRM11).

These structures are examples of enabling work (Lawrence & Suddaby, 2006), i.e. roles and structures assist in carrying out institutional routines and support the institutionalisation of sustainability reporting. Over time these groups and committees begin to meet on a more frequent basis, receive reports on progress and provide their own guidance and decisions ultimately leading to a deeper embedding and routinisation (Lawrence & Suddaby, 2006) of sustainability reporting within an organisation.

These findings explain why previous studies find some organisations adopting a more participative, or decentralised, approach (Adams, 2002; Bellringer et al., 2011). Thus phase two is characterised by a more diffused and widespread institutionalisation of sustainability reporting within the organisation.

5.1.3   Phase three: Leaner, more focused, materiality-driven reporting

Despite the above efforts, SRMs find that a certain degree of sustainability reporting fatigue begins to set in as managers begin to question the wisdom in investing significant time and resources in a document which does not enjoy high levels of external readership. In this context the GRI have launched their latest reporting guidelines, G4 in 2013 and many SRMs were in a transitional phase:

> "… 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 argue that reporting under older variants (i.e. G3 and G3.1) involved disclosure over a greater number of GRI indicators. G4 encourages more focused disclosure covering only relevant material issues. Furthermore, greater emphasis is placed on the materiality assessment as a key stage in the reporting process, which is used to identify material issues and relevant GRI indicators.

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

G4 allows SRMs to reduce the size (and cost) of their reports. This appeals to SRMs struggling in the face of low external, and consequently internal, interest in sustainability reporting.

> "... this year we're kind of reducing our report, we've found that it's been far too much effort for the benefit... so this year we won't be printing the report and we will be reducing its scope in line with 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 ..." (SRM12).

Thus, SRMs are changing the normative associations (Lawrence & Suddaby, 2006) underlying their sustainability reporting from "bigger is better" to leaner focused materiality-driven sustainability reporting targeting only relevant GRI indicators.

In order to provide a normative foundation for this transition, the materiality assessment takes an increasingly important spot in the overall sustainability reporting process. In phase three, the materiality assessment is a more sophisticated, formal process i.e. input is received from numerous internal and external sources. There is more direct engagement with external stakeholders using different communication channels (Lodhia, 2018), with some organisations undertaking this engagement themselves, while others outsource the process to a market research company or a sustainability consultancy.

> "... we have quite formal processes in place for engaging with different stakeholder groups ... 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 materiality assessment meetings and workshops introduced in phase two become embedded and routinized, occurring more frequently (on a quarterly or monthly basis) and in a more formalized manner. Titles such as sustainability work group are assigned and gradually these groups become a permanent part of the organisational structure and the materiality assessment process. The assessment may identify hundreds of major and minor issues. These are then ranked on what some refer to as a materiality matrix:

> "... in doing the materiality assessment I could come up with literally hundreds of little mentions of things ... So once the materiality matrix is put together you know there is generally 15 or 20 issues on the table ..." (SRM35).

The exercise generates materiality assessment reports which are submitted to senior management and the board for review and approval.

> "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).

As with the meetings these reports are prepared on a more frequent basis (quarterly or monthly) and become embedded in organisational practices.

Phase three is characterised by the establishment of a formal and robust sustainability reporting process. However, the process remains disconnected from core organisational processes, such as strategic planning and risk management, and management views sustainability processes as primarily an external communication exercise.

5.1.4   Phase four: Promoting the internal use of sustainability reporting information

SRMs' phase four institutional work involves introducing sustainability KPIs, as noted by Adams and Frost (2008). This study finds that in some cases sustainability KPIs are linked to a broader set of sustainability objectives and strategy. Performance is monitored and results are sent to senior managers and the board for review. SRMs aim to generate greater interest in the sustainability reporting process by presenting it as a useful management tool for senior managers and board members.

> "... less about having a marketing document, more about being a ...report on strategy and how do we execute upon that" (SRM27).

> "... 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).

A further step is to link these KPIs to managers' rewards and remuneration. Introducing such measures would lead to a disruption in traditional business norms, which reward managers primarily for maximising shareholder wealth. This provides an example of institutional work referred to as disconnecting sanctions (Lawrence & Suddaby, 2006), i.e. social actors disconnect rewards and sanctions from a set of practices, technologies or rules. Managers are no longer penalised for undertaking measures which would have a negative impact on the bottom line i.e. by investing time and resources on improving sustainability performance. However, there are few examples linking sustainability KPIs with management remuneration.

Additionally, SRMs are encouraging their organisations to engage in more frequent (quarterly or even monthly) internal sustainability reporting:

> "... 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 ..." (SRM12).

In comparison, in organisations where the sustainability reporting is less well institutionalised a report is published only biennially:

> "... something which is picked up and dropped, rather than being integrated, so every two years we kind of build up to delivering it again ..." (SRM24).

The primary driver for this is the materiality assessment. The materiality assessment reports are sent to senior management and the board for review and approval. Over time, these reports are

prepared on a more frequent basis (quarterly or monthly) and become embedded and routinized within the organisations internal practices.

In some organisations, SRMs integrate their materiality assessment process with existing, more central organisational processes, such as risk assessment and organisational strategy development:

> "… looking at the materiality process and the risk assessment process and seeing how one might inform and check the other …" (SRM19).

> "… 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)

However, in order to achieve this change in reporting norms SRMs must first educate managers and advocate introducing such measures to support performance appraisal, setting of rewards and remuneration and planning and decision making. In this way the materiality assessment acts as a useful management tool that supports planning and decision making, and creates pragmatic legitimacy for the sustainability reporting process amongst senior managers and board members. Through these efforts SRMs are attempting to change the normative associations (Lawrence & Suddaby, 2006) underlying sustainability reporting from a one-off year-end exercise aimed at primarily communicating performance to external stakeholders, to a year-round activity that provides information to both internal and external stakeholders. Over time these efforts result in the embedding and routinisation of the sustainability reporting process within the organisation. Table 3 provides a summary of the forms of institutional work carried out by SRMs.

<<< Place Table 3 about here >>>

5.2   Challenges faced by SRMs

SRMs face five main challenges which impact their ability to perform their roles effectively. First, and as Ball (2007) suggests, many SRMS are inexperienced when they start out in their role. As a result, these SRM's often struggle with such things as interpreting the requirements of sustainability reporting standards, locating data and information, meeting the requirements of external sustainability assurance providers. As a result, inexperienced SRMs will often find it hard to publish sustainability reports that comply with guidelines in their initial years. Often these SRMs learn how to prepare a sustainability report simply through trial and error:

> "… 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 …" (SRM22).

In some cases, this hands-on learning is supplemented with training seminars and workshops. In mature reporters, an incoming inexperienced SRM may receive some guidance from his predecessor. The following SRM quote shows these sources of educating and training are often

insufficient, meaning that inexperienced SRMs require guidance from expert consultants and even the assurer:

> "… we have done seminars and courses on the GRI and the G3 … 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).

Thus, SRMs first have to educate themselves and develop their own skills before they can be effective in their role of sustainability reporting expert. Second, the organisational position of SRMs varies with some organisations choosing to create a new position while others allocate the role to an existing manager:

> "… 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).

This under-resourcing of the sustainability reporting function has also been noted by Bellringer et al. (2011). 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 their sustainability reporting role (as also found by Farneti & Guthrie, 2009):

> "… there's just some areas I'm not going to get to 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).

Third, reporters fall somewhere on a continuum ranging from tick-the-box reporters at one end, to organisations committed to embedding sustainability within their operations at the other.

> "… given that there aren't a 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're trying to do is really get something which is, we can write, get audited and then get published" (SRM7).

> "… 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).

Some reporters view sustainability reporting as a compliance exercise and aim to prepare a sustainability report at the minimum possible cost. This mentality often permeates the organisation from a powerful senior officer, often the Chief Executive Officer (CEO) or board chair. Thus, with a change in CEO, the importance an organisation gives to sustainability reporting may change. However, it is among less committed reporters that SRMs face the greatest resistance and challenge to their efforts at institutionalising sustainability reporting. Without senior management and/or board support for sustainability reporting, SRMs struggle to perform their role effectively (a point also noted by Belal & Owen, 2007; Bellringer et al., 2011; Greco et al., 2015).

Fourth, and as noted by Adams (2002) and Greco et al. (2015), SRMs also complain that low levels of external readership, coupled with the voluntary nature of the exercise, force senior managers and boards to question the wisdom of allocating precious time and resources to sustainability reporting:

> "… 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 …" (SRM33).

Finally, in some cases it was noted that transitioning to a decentralised sustainability reporting process led senior managers and board members to perceive the role of SRM as redundant. In one reporter, this resulted in the sustainability reporting function being scaled down, in terms of number of staff, to a single manager to ultimately the SRM position being removed and the role absorbed into that of more traditional positions such as corporate communications manager. One SRM pointed out that these days, organisations are preferring to simply outsource the role to a consultant:

> "… ,all companies do it nowadays where it seems to be outsourced to consultants … back then we ran it as an in house project ..." (SRM31).

These findings explain why earlier studies have found considerable variation in the role of SRMs (Adams & Frost, 2006; Adams & McNicholas, 2007; Farneti & Guthrie, 2009). The potential downside, is that the momentum behind sustainability reporting may begin to slow down. In the long run this may serve to weaken and ultimately de-institutionalise sustainability reporting. Additionally, SRMs may themselves lose interest in sustainability, if they do not foresee good career prospects.

In summary, inexperienced, under-resourced SRMs, working for less committed reporters, will struggle to establish and institutionalise a practice, which neither internal (i.e. managers) and external stakeholders (i.e. users of sustainability reports) fully appreciate.

5.3   Reasons for not disclosing all material issues

The efforts of SRMs help to embed and routinize a formal and robust sustainability reporting process (including materiality assessment) within organisations. However, there remain challenges which explain the lack of adequate disclosure of material issues. This includes both material good (i.e. where sustainability performance has been better or improved) and material bad news (i.e. where sustainability performance has been poor or worsened). This study identifies ten reasons that explain why an organisation may fail to provide disclosure (or adequate disclosure) over a material issue:

1. First and foremost, senior managers and board members remain reluctant to disclose material bad news (Adams, 2002; Bellringer et al., 2011; Buhr 1998; O'Dwyer, 2002; Solomon & Lewis, 2002):

> "… it's self-promoting language and I think that the sustainability report should be a warts and all view. I have to say after it's been through review, by a million different people, most of the warts end up getting removed." (SRM26).

Thus legitimacy theory continues to offer a suitable explanation for reporter's non-disclosure over material issues. While the legitimacy motive weakens as reporters transition from phase one to phase four it continues to affect disclosure quality. However, the good news is that as reporters transition into phase four their sustainability reporting (and materiality assessment) influences their planning and decision making.

2. Inexperienced reporters do not fully understand what sustainability is and tend to relate the concept to being "green". As a result, they inadvertently fail to disclose information on material issues (as suggested by Thomson and Bebbington, 2005). This is common amongst phase one reporters where SRMs and other managers are inexperienced and new to sustainability and sustainability reporting.

3. An organisation's ability to identify material issues depends on the robustness of the underlying materiality assessment process. An informal assessment will fail to identify key material issues. However, a formal materiality assessment in itself does not guarantee the reporter publishes a balanced sustainability report. The reliability of a formal materiality assessment depends on the quality of the data collected; i.e. the number of stakeholder interviews conducted or the response rate to a survey, as noted by Greco et al. (2015).

> "... so it's not obviously perfect and you know you can't force people to participate ... this year we got 54 responses ..." (SRM35).

Furthermore, reporters may choose to survey only certain stakeholder groups and thus the results may not provide a representative sample of stakeholders. However, this can be a difficult exercise:

> "... you need to get a representative sample of what the issues are in the different countries. do you base it on where most of your sales is or on where your strategy is saying you should get ahead in the emerging markets?" (SRM6).

As O'Connor and Spangenberg (2008) comment, stakeholder engagement for a large geographically dispersed organisation is a complex and challenging process. This study finds that SRMs note that there is a risk of unintentionally excluding certain stakeholder groups for which data is not available. The prioritisation of issues in the materiality matrix is also a subjective exercise with considerable variation in how it is undertaken. Finally, some reporters will undertake a formal materiality assessment once and subsequently rely on it for preparing sustainability reports for numerous subsequent reporting cycles.

> "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. We have formal structures for engaging with stakeholders, our climate change council, our customer council, but if you didn't have those mechanisms set up, I think you would need to do it more often, because how else are you engaging with stakeholders" (SRM8).

Given these issues there is a need for organisations to establish a clear policy on materiality assessment, which should be disclosed within each published sustainability report. This would

allow stakeholders to evaluate the quality of the reporter's materiality assessment and decide whether the process adopted can be relied on to identify relevant material issues. However, few reporters have chosen to do so:

> "There's no strict policy on that, it would be done if the assessment really showed up that there was a need to do that. We haven't struck that point" (SRM34).

Additionally, organisations should subject their sustainability reports to external independent assurance and a review of the materiality assessment should be part of the engagement scope.

However, reporters often prefer the cheaper informal assessment. This is more common amongst smaller organisations, reporters facing economic challenges and less committed tick-the-box reporters:

> "… 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).

In other instances, SRMs argue that they know who their stakeholders are and are well aware of which issues are material:

> "… 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).

Some SRMs state that since they operate in a relatively stable environment an informal annual review is sufficient:

> "… it's our view that we operate in a mature industry, in a mature economy, … 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, one SRM simply stated that a formal stakeholder engagement is not mandatory, merely encouraged:

> "No you don't have to and that's one of the reasons we didn't do it" (SRM14).

4. Low/declining senior management and board support for sustainability reporting places pressure on SRMs to adopt an efficient and economical reporting process. 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.

5. SRMs argue that the lack of external interest in the sustainability report means that external stakeholders do not exert pressure or simply are not interested in what the reporter discloses. If stakeholders are not interested in the issue, then the reporter has no motivation to spend time and money reporting on that issue:

> "… 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 (issue X) …" (SRM20).

SRMs efforts in phase four assist in addressing issues four and five by motivating greater commitment in sustainability reporting amongst senior managers and board members.

6. 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 data that meets the requirements of rigorous external assurance. For example, one SRM stated that she was working with her organisations procurement and legal function to ensure that once third party contracts expired, the revised contracts would include clauses that required sustainability data and information to be provided by the third party to the reporter as a condition for receipt of payment. Thus as reporters transition to phase two, SRMs will begin to undertake efforts in this direction. However, given that some such contracts may be long term in nature these issues may continue despite the reporter transitioning to phase four.

7. 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 shows how one organisation, despite pressure from its assurer, chose not to disclose a material issue (its investment in an affiliate entity) as management believed that the responsibility to report on sustainability lay with the parent company that had a controlling interest:

> "In [location A], we own [X%] of [organisation B]. We don't operate it, 51% is owned by [organisation C] from Australia, they operate it. We don't have any staff here, sitting in this office who's called the [B manager] … we are simply a [X%] shareholder … and we take [X%] of the [product C] and [product D] … that we sell and we earn revenue from but … the assuror would go, well you should include more about [organisation B] from a sustainability point of view in your report … and we go well we're not the operator … and, if anyone should be disclosing those kind of sustainability impacts at [organisation B] it should be [organisation C] as the 51% shareholder" (SRM20).

These issues are independent of the degree of institutionalisation of sustainability reporting within organisations and will take more time as the practice becomes diffused at a field level (i.e. amongst organisations).

8. Reporters may not have evidence to support assurance over the material issue and may decide to exclude the issue, temporarily, in order to secure a clean assurance statement. Once robust systems are in place, the issue may then be reported on.

> "We're trying to get to the point where we have sufficient rigour 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 …" (SRM32).

As reporters transition to phase three systems and processes underlying sustainability reporting improve thereby supporting external assurance needs.

9. Reporters are hesitant to provide a balanced report when their competitors are not doing so, as this places them at a competitive disadvantage:

"… obviously there's sensitivity about anything that our competitors can use against us" (SRM15).

As with issue seven above, this challenge is independent of the degree of institutionalisation of sustainability reporting and will take time to resolve, as the practice becomes diffused at a field level (i.e. amongst organisations) and more organisations transition to phase four.

10. Reporters will review media coverage on issues when performing their materiality assessment. However, not every issue that receives media coverage (articles in a newspaper) or hits on the internet (a viral video) constitutes a material issue worth reporting:

> "… 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).

It is thus a matter of professional judgement, whereby SRMs evaluate an issue against a range of factors (in addition to media coverage) to assess its significance:

> "… 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 we knew the media was going to report on that" (SRM11).

Patten (2002) and Unerman and Zappettini (2014) note that certain issues, despite receiving considerable media coverage, may not be material or may have a low impact on stakeholders. Other issues may receive little or no media coverage, but may be material, having a high impact on stakeholders. It can therefore be argued that using a single proxy such as media coverage to assess the materiality of an issue is unreliable. Thus, the lack of disclosure of a material issue can be due to any one of the 10 reasons provided and cannot be attributed purely to management's desire to use sustainability reporting as a legitimacy tool, which is the most popular explanation for voluntary sustainability reporting.

6   Contribution to institutional work theory and research

According to Lawrence et al. (2013), there is a need to further develop understanding of the relationship between different forms of institutional work. This study contributes to this call through the following four observations:

1. **Social actors may undertake both creating and disrupting forms of institutional work simultaneously to achieve their institutional objectives.** This occurs in two situations. First, when social actors compete against each other to promote their preferred institution (creating and maintain forms of institutional work), they simultaneously undermine the institutional work of competitors (disrupting forms of institutional work). Second, when social actors try to introduce a new institution (creating forms of institutional work), but realise that this will require first disrupting existing institutions to make way for the new institution. For example, introducing sustainability KPIs challenges existing business norms which prioritise shareholder wealth maximisation. This

observation highlight the relationship between the different categories of institutional work (i.e. creating, maintaining and disrupting).

2. **Social actors may need to undertake one or a combination of forms of institutional work to achieve another form of institutional work within the same category.** For example, SRMs need to undertake educating and advocacy work to encourage a change in the normative associations underlying sustainability reporting, from sustainability reporting as purely an external communication tool to sustainability reporting a tool to support external and internal stakeholder information needs. This observation highlights the relationship between the different types of institutional work within the same category. Another example from the category of maintaining institutional work, is that once sustainability committees, an example of enabling work, are established, these structures perform policing work and deterring work by ensuring that managers participate in the sustainability reporting process and support the SRM. Over time the creation of these structures leads to the embedding and routinisation of sustainability reporting within the organisation.

3. **A discussion of forms of institutional work requires an examination of the specific mechanisms used by social actors to implement the different forms of institutional work.** Examining the mechanisms used helps develop a more nuanced understanding of the institutional work performed, by shedding light on how, when, where, and to whom they direct their efforts.

   a. **Social actors may use a single mechanism to undertake multiple forms of institutional work.** For example, SRMs used engagement as a mechanism to undertake educating and advocacy, i.e. when SRMs engage with managers they attempt to explain what sustainability reporting is (i.e. educating work) and why it is important (i.e. advocacy work).

   b. **Social actors may need to use multiple mechanisms to achieve a single form of institutional work.** For example, advocacy work (i.e. to promote the new institutional practice) undertaken by SRMs is affected using a combination of engaging with managers, adopting a decentralised reporting process, and encouraging the use of sustainability reporting for planning and decision making. It is also likely that the greater the institutional change a social actor seeks to bring about or the greater the resistance to institutional change a social actor faces, the more likely it is that a single mechanism will not be sufficient to achieve the institutional objective.

   c. **Social actors may repeatedly perform a single form of institutional work at different stages using different mechanisms.** The above example highlights how SRMs used engagement in phase one and decentralised sustainability reporting in phase two to champion (i.e. advocacy work) sustainability reporting. This observation highlights how social actors undertake one particular form of institutional work in different ways by using different mechanisms deployed at different stages of the institutionalisation process.

d. **Social actors may need to undertake one or combination of different mechanisms in order to support the implementation of other mechanisms.** For example, SRMs need to first engage with managers to educate them with the skills necessary to support sustainability reporting (i.e. educating work), before they can get managers to transition to a decentralised sustainability reporting process (thereby achieving embedding and routinisation forms of institutional work). Thus, similar to point two above (which focuses on forms of institutional work) mechanisms deployed in the first phase support the implementation of mechanisms in the second phase.

e. **Social actors will use different forms of institutional work and/or different mechanisms to target different social actors.** Social actors need to understand who the key players are, their power, and their motivations, in order to develop effective mechanisms to co-opt them. For example, SRMs institutional work (and related mechanisms) undertaken in phase one and two focus more on junior to mid-tier managers while SRM efforts in phase three and four focus more on senior managers and board members.

4. **Social actors often find it necessary to undertake multiple forms of institutional work simultaneously to achieve their institutional objectives.** For example, SRMs undertake a combination of educating, advocacy, embedding and routinizing, disconnecting sanctions and changing normative associations to institutionalise sustainability reporting. As discussed above, the greater the institutional change being sought or the greater the resistance to institutional change, the more likely it is that social actors will need to use multiple forms of institutional work in attaining their institutional objective.

It is important to note here that these observations do not suggest that social actors are always methodical and calculative in their planning and execution of institutional work. This study finds that SRMs learn through trial and error, experimenting with one approach and later trying another, hence the different stages of institutionalisation. In some cases, SRMs were not conscious of their influence or clear about their objectives. However, if institutional researchers keep these four observations in mind, this will serve to provide a more refined analysis of social actors' institutional work. The focus on mechanisms allows institutional researchers to understand how various types of institutional work are being performed and the relationship between them. It also assists institutional researchers in planning their research, including developing research questions, and analysing the data.

7   Conclusion

SRMs play a key role in institutionalising sustainability reporting within organisations by performing institutional work. This work can be categorised into four phases. Each phase highlights the different approaches organisations adopt to preparing their sustainability report (including how they undertake materiality assessments and stakeholder engagement). As an organisation transitions from phase one to four, this reflects a higher level of maturity, more complexity and sophistication, and deeper embedding and routinisation of sustainability reporting.

In phase one, SRMs play the role of sustainability reporting experts and sustainability reporting champions, educating inexperienced managers and advocating sustainability reporting. This is achieved by engaging with managers using discursive strategies to make the new practice appear less alien by associating sustainability and sustainability reporting with managers' normal work/responsibilities (i.e. mimicry work). Materiality assessments are informal, with SRMs relying on secondary data and management insights to identify and understand external stakeholders and their concerns. In phase two SRMs seek to decentralise reporting by involving line managers and committees in the sustainability reporting process. This encourages greater ownership and interest and embeds sustainability reporting into line managers' business routines. A more formal materiality assessment process with greater direct stakeholder engagement is adopted. Phase three efforts involve changing the normative associations underlying sustainability reporting from 'the more the better' to leaner, more focused, materiality-driven sustainability reports. To support this transition, the materiality assessment is promoted to the first activity in the sustainability reporting process and becomes a sophisticated, formal process, with inputs from numerous internal and external sources.

Finally, phase four efforts involve introducing sustainability KPIs (for performance appraisal and fixing rewards and remuneration) and materiality assessment reports (integrated with risk assessment and strategy development) to support planning and decision making. These efforts involve a disruption to the existing traditional business norms, which emphasise shareholder wealth maximisation, as managers' performance appraisal is no longer focused solely on shareholders' wealth maximisation. These efforts result in a change the normative associations underlying sustainability reporting from a one-off year-end external communication exercise that is soon forgotten until the next year, to a continuous process, which supports the information needs of internal (i.e. managers) and external (i.e. users of the sustainability report) stakeholders.

SRMs face considerable difficulty when performing these forms of institutional work to institutionalise sustainability reporting. First, SRMs are often themselves inexperienced when they start off in their role (Adams & McNicholas, 2007; Ball, 2007; Greco, et al., 2015). Second, SRMs often have limited time and resources at their disposal. Third, in organisations with a compliance mentality, sustainability reporting often lack senior management and board level support (Bellringer et al., 2011). Finally, SRMs express frustration that external stakeholders appear uninterested in their published sustainability reports (Adams, 2002; Greco et al., 2015), making it more difficult for them to justify their activities to managers in their organisation.

These findings address calls for more research examining how sustainability reports are prepared (Adams & Larrinaga, 2007; Higgins et al., 2014; Owen, 2008) and how a materiality assessment is undertaken (Unerman & Zappettini, 2014). With the launch of GRI G4 in 2013 and the increased emphasis on materiality within sustainability reporting, this study offers valuable insights into how organisations are transitioning towards a materiality-driven approach to sustainability reporting.

The study also identifies 10 reasons why material matters are not always adequately disclosed. Legitimacy theory continues to offer an explanation (Owen, 2008), but the study lists nine others. These findings will prove useful to sustainability researchers, who are, among other matters, cautioned against using single proxies, such as media coverage (as used by Adams, 2004; Adams

& Kausirikun, 2000; Boiral, 2013; Patten, 2002) when evaluating whether matters are material and should be included in sustainability reports.

At a practical level, the study recommends greater improved training options by universities, the profession, and consultants to equip SRMs and accounting professionals with the skills necessary to support sustainability reporting. The study also recommends that regulators consider mandating the disclosure of detailed descriptions of reporters' materiality assessment processes in sustainability reports (including when the materiality assessment was undertaken). As Unerman and Zappettini (2014) suggest, doing so would allow stakeholders to evaluate whether organisations are providing a fair and transparent account of their performance.

Finally, at a theoretical level, this study applies the concept of institutional work to the unique context of sustainability reporting, thereby shedding light on how this practice is institutionalised within organisations. Furthermore, the study provides four observations that institutional researchers should consider when using Lawrence and Suddaby's (2006) typology of forms of institutional work.

The findings from this study reflect the experiences of SRMs based in Australia and New Zealand. However, the path to institutionalising sustainability reporting may vary for organisations based in different countries. As a result, we encourage researchers to explore how sustainability reporting is embedded and routinised within organisations based in countries located in different settings. SRMs based in different countries may (1) undertake their institutional efforts in a different order/sequence, (2) may use innovative mechanisms for institutionalising sustainability reporting and (3) may combine these efforts and mechanism in different ways at various stages of their sustainability reporting journey. Future studies in this area could enhance our understanding of the sustainability reporting process (and the process for preparing other non-financial reports – e.g. integrated reports) and how new accounting technologies become embedded in the fabric of organisational life.

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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 (accounting or non-accounting sustainability assurance providers) 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 how they interacted with the sustainability assurance providers). 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?

When do you bring on the sustainability assurance providers?

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 sustainability assurance providers site visit?

Did the sustainability assurance provider 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 sustainability assurance provider 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?

Table 1: Typology of forms of institutional work

	Form of institutional work	Description
	Creating institutions	
1	Advocacy	The mobilization 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 actor's field
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	Theorizing	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	Valourizing and demonizing	Providing for public consumption positive and negative examples that illustrate the normative foundations of an institution
14	Mythologiziing	Preserving the normative underpinnings of an institution by creating and sustaining myths regarding its history
15	Embedding and routinizing	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)

Table 2: Summary of SRM interviews

Reporting organisation	SRM ref code	Designation	Loca-tion	Interview mode	Interview 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,	AU	Telephone	57
	SRM11	Corporate communications &	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	AU	Telephone	78
22	SRM27	Implementations specialist: External	NZ	Telephone	53
23	SRM28	Sustainability Coordinator Sustainability communications consultant Director sustainability	AU	Telephone	60
24	SRM29	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	AU	Telephone	90

Table 3: Institutional work undertaken by SRMs

Mechanism	Description	Institutional work (Lawrence & Suddaby, 2006)
Phase one: Getting started		
Getting the sustainability reporting process started	Engaging with managers to address questions and overcome resistance. Leveraging discursive strategies, avoiding using sustainability and related jargon, which are replaced with more familiar terms e.g. risks, penalties and litigation. Conducting an informal material assessment.	**Educating work:** guiding inexperienced managers on how to prepare a sustainability reporting to equip managers with the skills necessary to support the new institution. **Advocacy work:** explaining the importance of sustainability reporting. **Mimicry work:** presenting sustainability and sustainability reporting as something which relates to each manager's day to day work/responsibilities.
Phase two: Decentralising the sustainability reporting process		
Adopting a decentralised sustainability reporting process	Delegating responsibility for materiality assessment, data collection and report drafting to content owners (junior to mid-tier level managers). Creating supervisory groups and sustainability committees to oversee sustainability and sustainability reporting.	**Advocacy:** encouraging greater participation and commitment in sustainability reporting **Embedding and routinizing:** embedding sustainability reporting in the day to day routines of operational managers and the functions/operations they represent. Sustainability reporting becomes an implied part of the job descriptions of content owners. **Enabling mechanisms:** these structures oversee sustainability reporting and provide authority as well as allocating resources for the process. **Embedding and routinizing:** groups and committees meet frequently to review sustainability reporting.
Phase three: Leaner, more focused, materiality-driven reporting		
Transitioning to focused materiality driven sustainability reports	Reducing the size and cost of sustainability reports by focusing on only material issues (reporters currently transitioning to G4). Establishing a formal and sophisticated materiality assessment process which draws on numerous internal and external sources of data.	**Changing the normative associations:** changing the norms underlying sustainability reporting from "bigger is better" to leaner focused materiality-driven sustainability reporting targeting only relevant GRI indicators.
Phase four: Promoting the internal use of sustainability information		
Use of sustainability KPIs and materiality assessment reports	Using sustainability KPIs and materiality assessment reports for performance appraisal and rewards and remuneration. Encouraging more frequent internal sustainability reporting supporting management planning and decision making. However, use of sustainability KPIs for performance appraisal less common.	**Advocacy:** using sustainability KPIs and materiality reports to motivate senior managers and board members to monitor their sustainability performance and sustainability reporting **Disconnecting sanctions:** managers (and functions) performance appraisal and rewards and remuneration should no longer focus solely on shareholders wealth maximisation. **Embedding and routinizing:** preparation of monthly or quarterly internal management reports providing information on sustainability KPIs and material issues. **Changing normative associations:** changing the norms underlying sustainability reporting from external communications to the provision of information for both internal stakeholders (i.e. managers) and external stakeholders (i.e. report users).