

UNIVERSITY OF CANTERBURY

Social and environmental reports and the notion of stakeholder engagement

Master's Thesis

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Abstract

Non-financial reports are being produced by large organisations with more frequency than ever before with stakeholders being central to them. Through a number of interviews and by analysing reports by organisations in New Zealand, this research provides an in-depth look at the relationships between several reporting organisations and their stakeholders.

Stakeholder engagement as a concept has been advocated as an ideal way for these relationships to manifest themselves. This research clarifies the concept of stakeholder engagement before describing some current practice in New Zealand and the character of the relationships described by interviewees and the organisations themselves through their reports.

Stakeholder engagement was largely absent from the relationships described with only one relationship matching the character that has been described in the literature. It was found that in New Zealand organisations tended to be very business focused in their organisational reports and in their relationships with stakeholders. This resulted in organisation dominated relationships with a narrow range of stakeholders being interacted with. The importance of the practitioners themselves was a prominent theme that emerged during the research. The values of the practitioners came through as being very strong as did a desire to persuade others of the importance of non-financial reporting and its related issues.

This research provides an insight into stakeholder and reporting practice in New Zealand and the degree to which stakeholder engagement is prevalent in organisations producing non-financial reports.

Table of contents

Acknowledgement	i
Abstract	ii
Chapter 1: Introduction	1
1.1 Introduction.....	1
1.2 Context for research.....	1
1.3 Importance of topic	3
1.4 Research questions.....	5
1.5 Structure of thesis	6
1.6 Conclusion	6
Chapter 2: Literature review	7
2.1 Introduction.....	7
2.2 Social and environmental accounting and the centrality of stakeholders	8
2.2.1 Demand for reports	10
2.2.2 Accountability.....	10
2.2.3 Theoretical perspectives.....	13
2.3 Stakeholder theory	14
2.4 Reporting for accountability	17
2.4.1 Stakeholder management and stakeholder engagement.....	18
2.4.2 Stakeholder dialogue.....	19
2.4.3 Differing terminologies.....	22
2.4.4 Summary	23
2.5 Reporting for profitability.....	25
2.5.1 Economic primacy	26
2.5.2 Stakeholder identification	27
2.5.3 Summary	28
2.6 Content of corporate social responsibility reports	29
2.7 Conclusion	33
Chapter 3: Research methodology	37
3.1 Introduction.....	37
3.2 Ontology and epistemology	37
3.3 Theoretical approach.....	38
3.4 Methods.....	39
3.4.1 Sampling strategy.....	39
3.4.2 Interviews.....	40
3.4.3 Social and environmental report analysis	45
3.4.4 Analysis of links between interviews and reports.....	46
3.5 Conclusion	48

Chapter 4: Findings	49
4.1 Introduction.....	49
4.2 Stakeholders.....	49
4.3 Rationale for production of reports.....	54
4.3.1 Business rationales.....	54
4.3.2 ‘The right thing to do’	61
4.3.3 CEO & senior management	62
4.3.4 Espoused Values	64
4.4 Stakeholder engagement and relationships	66
4.4.1 Communication.....	66
4.4.2 Barriers to engagement	69
4.4.3 Stakeholder relationships	70
4.4.4 Stakeholder engagement	71
4.5 Practitioners	76
4.5.1 Values	76
4.5.2 Sustainability champions	78
4.5.3 Future of non-financial reporting.....	80
4.5.4 GRI and IR frameworks.....	80
4.5.5 Assurance.....	82
4.5.6 Materiality.....	83
4.5.7 Peer groups.....	84
4.6 Conclusion	85
Chapter 5: Discussion	86
5.1 Introduction.....	86
5.2 Stakeholders.....	86
5.3 Rationale for production of reports.....	88
5.3.1 Business rationale	88
5.3.2 ‘The right thing to do’	90
5.3.3 The mix of motivations	91
5.3.4 CEO & senior management	93
5.3.5 Values	95
5.4 Stakeholder engagement and relationships	96
5.4.1 Communication.....	96
5.4.2 Barriers to engagement	97
5.4.3 Stakeholder relationships	98
5.4.4 Stakeholder engagement	99
5.5 Practitioners	105
5.5.1 Values and sustainability champions	105

5.5.2 Future of non-financial reporting, assurance and the GRI and IR frameworks	109
5.5.3 Materiality.....	114
5.5.4 Peer groups.....	115
5.6 Conclusion	116
Chapter 6: Conclusion.....	118
6.1 Conclusion and contributions.....	118
6.2 Limitations	120
6.2.1 Small number of reporting organisations.....	120
6.2.2 Organisational profiles.....	120
6.2.3 Scope of project	121
6.2.4 Non-genuine interviewee responses.....	121
6.2.5 Limitation of the human mind	122
6.2.6 Cross-sectional analysis	123
6.2.7 Summary	124
6.3 Future research.....	124
Reference list	126

Chapter 1: Introduction

1.1 Introduction

This chapter provides readers with an outline of the context in which the research has been undertaken. Once the context has been established the importance of the topic that this research investigates is presented. The structure of the thesis is then summarised in order to set the scene for the research allowing readers to understand material by presenting it in a succinct manner.

1.2 Context for research

Social and environmental accounting has been an area of research that has grown significantly over the past few decades. Social and environmental reporting is a mechanism by which organisational accountability and responsibility toward stakeholders can be acquitted (Gray, 2002). The idea of stakeholders being addressed as opposed to just shareholders is an important characteristic of this type of reporting (Gray, Dey, Owen, Evans, & Zadek, 1997).

As social and environmental reporting has developed some have drawn a distinction between stakeholder management and stakeholder engagement. Stakeholder management was popularised by Freeman's (1984) work and advocates a strategic view of stakeholders as means to the end which is organisational success (Phillips, Freeman, & Wicks, 2003). Stakeholder engagement is the view that organisations need to do more than just interact with stakeholders and that there should be no subordination of moral concerns to financial goals (Noland & Phillips, 2010).

The development of stakeholder engagement as a concept has been relatively recent. A lot of the research on stakeholder engagement has focused on normative arguments for what should

happen in practice as opposed to investigating practice itself. The aim of this research is to explore the effect of reporters' conceptions of stakeholder engagement on social and environmental reports. Reporters' conceptions are important as they help social and environmental reports to be better understood and potentially uncover an understanding of the quality of the reports. Stakeholder engagement is "recognised as a fundamental accountability mechanism" (AccountAbility, 2015, p. 6) showing its importance. The motivation for this research is to attempt to add to the knowledge of these reports and contribute to improving these reports in practice.

This research project was carried out by interviewing employees of organisations who have input into the social and environmental reports. Through this interviewing, conceptions of stakeholder engagement and the distinction of it compared to stakeholder management can be determined. Pedersen (2006) identifies consciousness as a key determinant in the effectiveness of stakeholder dialogue. "This is the levels of knowledge and awareness of managers and other prominent actors in a dialogue" (Golob & Podnar, 2011, p. 240). The level of consciousness was examined in interviews by looking at the process of stakeholder engagement. The social and environmental reports of the organisations that these reporters represent were then examined. Consciousness levels were also assessed through the relative understandings of interviewees themselves and the effectiveness of their dialogue with stakeholders. Consciousness was then examined for both the interviewees and organisations which included how aware senior managers were and whether the effectiveness of stakeholder dialogue was affected as Pedersen (2006) has suggested. Following this observations were made regarding any trends between reporter conceptions and the reports produced by the organisation they represent. Any trends identified were not subject to a quantitative review, rather, analysis was of a qualitative nature representing a subjective view of their effects.

This research adds value by exploring how stakeholder interests are balanced in practice. Exploring how stakeholder interests are balanced provided knowledge as to whether practice reflects what has been theorised in previous literature. It also highlights the diverse range of approaches taken in practice.

1.3 Importance of topic

Research in social and environmental accounting has been a fruitful area in recent years. In response to demands that companies be more accountable the extent of corporate social responsibility reporting (CSR) has been increasing (KPMG, 2011, 2013a, 2013b, 2015). Social and environmental reporting has become increasingly important as evidenced by the following; “the days when sustainability or corporate responsibility reporting was considered an ‘optional but nice’ activity are past. It has now become a mainstream business practice worldwide” (KPMG, 2013b, p. 18). A recent study in New Zealand also noted that non-financial and sustainability information in accounting is among the most prominent wants of users of financial statements (Lawsad, Redmayne, Stent, & Cai, 2016). Aras and Crowther (2009) echo this indicating that throughout the world CSR is becoming more relevant to corporations. The following shows the attention that social and environmental reporting now commands;

Companies should no longer ask whether or not they should publish a Cr report...the important questions now are “what?” and “how?” – or, in other words, it is now about the quality of Cr reporting and the best means to reach relevant audiences (KPMG, 2013a, p. 10).

The importance of social and environmental reporting is also observed by Breukers and Upham (2015) who show the trend is current and that stakeholder engagement is included in this trend. Gable and Shireman (2005) show companies now manage for stakeholders showing a movement away from debating whether this is the case to an acceptance stakeholders are an important part of the global environment. Stakeholder engagement “is now accepted as crucial to an organisation’s sustainability” (AccountAbility, 2015, p. 6).

Momin (2013) shows stakeholder engagement is becoming more important for corporations and their CSR agendas. The demand for disclosure is shown to be widespread as O'Dwyer, Unerman, and Hession (2005, p. 770) demonstrate with 96% of respondents agreeing Irish companies should engage in more extensive levels of corporate social disclosure. Aras and Crowther (2009) also showed that stakeholders are exerting their influence over organisations more frequently. In part, this could be attributed to the global financial crisis as Sundaram and Inkpen (2004a) observed the demand for these reports have often followed significant events such as the 1929 stock market crash and the Great Depression and the 2001/2002 stock market scandals. The importance of these reports are demonstrated by Bartels, Iansen-Rogers, and Kuszewski (2008) who show that readers made decisions on whether to buy products, work for, or invest in organisations, partner with organisations or initiate public action against organisations. Therefore, these reports can have a significant effect on an organisation's business.

Important to note is that whilst there have been a number of trends in non-financial reporting including employee, environmental and triple bottom line reporting (see for example Buhr, Gray, & Milne, 2014; Gray, 2002; Milne, 2013) the theme of stakeholders has been constant. Bartlett and Devin (2011) show "stakeholder theory as a central concept has also emerged" (p. 48) with stakeholder engagement being part of best practice reporting (Adams & McNicholas, 2007; Envirostate, 2015; KPMG, 2013a, 2013b). Marens, Wicks, and Huber (1999) note that best practices should be examined in future research. Stakeholder engagement has been recognised as an area for improvement globally and particularly in New Zealand (KPMG, 2013a, 2013b). Improvement is a priority because "stakeholder engagement is a core component of effective sustainability reporting" (KPMG, 2013b, p. 16). The importance of stakeholder engagement to social and environmental reporting shows the

relevance of this topic and also shows how these reports arise from societal demands and are therefore important.

1.4 Research questions

The research questions which this project aims to answer are as follows:

1. How is stakeholder engagement practiced in New Zealand?

This research question necessitates that stakeholder engagement be defined in chapter 2 to determine whether and how engagement is practiced. As part of examining stakeholder engagement the nature of relationships between organisations and their stakeholders are considered. This gives rise to a second research question:

2. How do organisations interact with their stakeholders in New Zealand?

The rationale of organisations in their stakeholder interactions is also an important consideration in answering this question. The reports produced by organisations are a significant area of investigation and the following research questions relate to the reports;

3. Why are organisations producing social and environmental reports?
4. How are stakeholders represented in social and environmental reports?

Consideration of why organisations are producing social and environmental reports allows the determination of where the organisations are situated in the continuum of views of stakeholders and social and environmental reporting. The content of social and environmental reports is also influenced by those who are involved in their production. Therefore practitioners form an important part of the research and the following questions relate to them;

5. How do practitioners influence the production of social and environmental reports?
6. How do practitioners influence stakeholder relationships for their organisations?

1.5 Structure of thesis

This thesis begins by reviewing past literature in the area of social and environmental accounting and stakeholder relationships in chapter 2. Chapter 2 allows gaps in past research to be identified, justifying the need for this research project to be undertaken. Following this, the way the research has been carried out is discussed in chapter 3 to give readers a better understanding of how the research was conducted and the theories which guide the conclusions drawn in chapters 4 & 5. Chapter 4 discusses the results of the interviews and analysis of reports. Key themes are presented in each including any similarities and disparities between the messages that have been expressed. Following this, chapter 5 discusses these results in the context of past research and allows for more comprehensive answers to the research questions to be presented. Chapter 6 provides limitations of the research including the way in which it was conducted to provide balance to the conclusions presented in chapter 5 ensuring readers are fully informed of the entire research process. Chapter 6 also summarises the research and the contribution it makes to the body of knowledge and outlining areas where future research can be focused.

1.6 Conclusion

This chapter is designed to give an introduction to the topic of the thesis and outline the importance of the topic. This provides an understanding of why the research has been undertaken. An outline of the structure of the thesis is provided.

Chapter 2: Literature review

2.1 Introduction

The role of corporations in society has been long debated in academia. From this debate a number of perspectives have emerged ranging from Friedman's (1962) pure capitalist ideals that the only purpose of business is to maximise profit, to the non-strategic manner endorsed by Habermas (1990). From these extreme views, more moderate views have formed the mainstream. One such view is that presented by Freeman (1984) which popularised stakeholder theory where it was presented that organisations should be more responsive toward the society in which they operate. Another popular view has been that corporations should maximise profits, and that this is best achieved by managing their perception in the eyes of their society.

Accounting has been seen as a tool for organisations to carry out their ideals. In particular, social and environmental accounting and reporting has emerged as a tool to manage the perception of an organisation. The reports produced have been endorsed by the likes of Owen, Gray, and Bebbington (1997) as a way for organisations to demonstrate accountability in their respective societies. Others, such as Plaza-Úbeda, Burgos-Jiménez, Vazquez, and Liston-Heyes (2009), have found that the 'business case' for this reporting is what motivates organisations to produce these reports. Meanwhile Milne (2013) have offers a critical perspective which doubts the benefits of the business case and whether any accountability at all is being demonstrated through these reports.

This chapter explores the ideas presented in depth by reviewing past literature. Research questions have been derived from areas which have been under researched in the literature reviewed. This thesis then attempts to answer those research questions.

2.2 Social and environmental accounting and the centrality of stakeholders

Social and environmental accounting has deep roots with employee reporting emerging in the 1900's (Buhr et al., 2014). Social reporting then came into prominence during the 1970's with environmental reporting emerging during the 1980's and 1990's (Milne, 2013). Environmental reporting was known throughout Europe, Canada and the USA as corporate social reporting. Then in the 2000's a miscellaneous mix of social, environmental, economic all-in-one reports were popularised including movements such as triple bottom line reporting (Buhr et al., 2014). Gray (2002) notes this development has been sporadic and likens it to different fashions, however, he does observe interest has grown in line with the interest in corporate ethics. While these began as extra narrative in annual reports there has been a movement to standalone reports (Milne, 2013).

There have been various trends in this type of reporting and stakeholders have been a central concept in each. Bator and Stohl (2011) label the current trend 'third generation CSR' and characterise it as having an emphasis on collaboration with stakeholders. Golob and Podnar (2011) state "The notion of "stakeholders" is central to corporate social responsibility policy, and its communication" (p. 238). In describing ideal CSR strategy Maon, Lindgreen, and Swaen (2009) state continuous dialogue with stakeholders and their expectations are cornerstones of CSR communication. Bendell (2003) shows that social and environmental reports are key parts of stakeholder dialogue and vice-versa with stakeholder dialogue as part of social and environmental reports.

Increasing demands on business behaviours are consistent with environmental and social responsibility, sustainable development and sustainability (Milne, Tregidga, & Walton, 2009). This is shown as coming from stakeholders who demand "greater accountability, responsibility, and transparency about their activities" (Waddock & Googins, 2011, p. 23). Demands on organisations by stakeholders were found to be exercised with increasing

frequency by Aras and Crowther (2009). Palenchar, Hocke, and Heath (2011) state that CSR should be driven by good intentions and that the standards society agrees upon should be determined through stakeholder dialogue. Cantó-Milà (2009) also state “the legitimacy of CSR discourse and practices necessarily implies a multistakeholder development” (p. 165).

The legitimacy of CSR practices requiring multiple different stakeholders is a normative assertion expressing the view that organisations should be attempting to maximise positive impacts for society in their CSR activities. Stakeholder engagement is an important process in helping organisations to become sustainable (AccountAbility, 2015). What exactly AccountAbility means by becoming sustainable is unclear, although they cite the most commonly used definition for sustainable development (Byrch, Kearins, Milne, & Morgan, 2007) from Brundtland; “development that meets the needs of the present without compromising the ability of future generations” (World Commission on Environment and Development, 1987, p. 43). Brundtland’s definition in this form is described by Byrch et al. (2007) as one which is significantly narrower than others showing that AccountAbility may be endorsing the status quo as has been found by Milne et al. (2009). Nevertheless stakeholders are seen as important even for the more business centric view of being sustainable. Stakeholders are now demanding interactive communication built on relationships that go well beyond one-way communication (Morsing & Schultz, 2006; Waddock & Googins, 2011) further emphasising the importance stakeholders now hold.

Crane and Livesey (2003) outline the importance of the increasing stakeholder demands stating “Greater attention to stakeholder communication, in all its forms, is clearly vital” (p. 52). Maon et al. (2009) emphasise the importance of engaging stakeholders with regular and transparent dialogue to create deeper collaborations in order to improve organisational CSR performance. This is echoed by Raupp (2011) who in discussing normative approaches found “both the stakeholder and the publics approach argue that there should be a reciprocal

relationship” (p. 290). Bator and Stohl (2011) showed the changing structure of CSR relationships characterised by a movement from “asymmetrical and exchange based to symmetrical and interactive” (p. 412) relationships. This interactive and reciprocal type of relationship has been emphasised by many others (see for example Capriotti, 2011; Clarkson, 1995; Freeman, 1984; Golob & Podnar, 2011; Maon et al., 2009; Morsing & Schultz, 2006; Palenchar et al., 2011; Perret, 2003). Practice, however, does not always reflect the literature. Golob and Podnar (2011) found even proactive dialogue could be seen as informing rather than interacting and that whilst organisations would look to be equal in communication in practice it would often be more hierarchical than that suggested in the literature (See for example Pedersen, 2006 and those above).

2.2.1 Demand for reports

The increasing demands by stakeholders have led to standalone reports growing prominently with O'Dwyer, Unerman, and Hession (2005) finding organisations should disclose more in relation to corporate social responsibility. Crawford and Clark (2011) found that shareholder resolutions often called “for greater transparency and disclosure typically through a voluntary, firm-issued, social responsibility report” (p. 350). Breukers and Upham (2015) observe “societal expectations around stakeholder dialogue and engagement are increasingly widespread” (p. 255) showing the trend continues at present. These standalone reports have been found to be desirable by stakeholders, as well as some disclosure in annual reports (O'Dwyer, Unerman, & Bradley, 2005; O'Dwyer, Unerman, & Hession, 2005).

2.2.2 Accountability

The normative viewpoint states that ideally these reports are produced to improve accountability as Adams and McNicholas (2007) found was the case in their study and was outlined by Danastas and Gadenne (2006). This echoes Gray et al. (1997) who state accountability is “the fulcrum of social accounting” (p. 329). Owen et al. (1997) share this

view stating; “above all social accounting’s mission is to extend the accountability of organisations” (p. 176). This is much the same as traditional accounting reports which are to give economic accountability to interested parties (Shearer, 2002). Social and environmental reports can be seen as part of ‘transparency regimes’ as detailed by Nadesan (2011) who states they “have been seen as the most viable solution to the demands of diverse stakeholders for enhanced CSR” (p. 261).

Accountability in social and environmental reporting is for an organisation, enabling interested parties to access information about the organisation and its activities. The information is more than just economic information and encompasses organisation – group interactions (Gray et al., 1997). It has been seen as Habermasian in nature in the way it allows interested parties access to information and is “the duty to provide an account of the actions for which one is held responsible.” (Gray et al., 1997, p. 334) Gray et al. also show the overlapping nature of accountability and stakeholder theory as both focus on the interactions between organisations and their society. Whilst accountability is primarily concerned with the availability of information to the stakeholders, stakeholder theory is focused on the relationships and interactions between the organisation and its stakeholders. These can be seen as two elements of the ideological role of how an organisation should act in society, where the organisation’s role should be one of responsibility to society as a whole.

Key to this accountability then, is stakeholder engagement which is recognised as a fundamental mechanism of it (AccountAbility, 2015). The importance of stakeholder engagement has been expressed as a “cornerstone of sustainability and integrated reporting” (Envirostate, 2015, p. 11). Stakeholder engagement encompasses both accountability and stakeholder theory as it denotes a high standard which organisations should follow in their interactions with stakeholders. The high standard includes both how to interact with stakeholders and the sharing of information which accountability promotes. The interaction

between these views has also been noted by Unerman and Bennett (2004) showing the importance of stakeholder dialogue to accountability.

The view encompassing accountability and stakeholder engagement is an alternative to the traditional capitalist view that organisations should only be concerned with maximising value to their shareholders as advocated by Friedman (2007). This may explain why the accountability motivation is not always present as O'Dwyer (2002) noted “While some managers alluded to concerns for accountability to the wider society, there was little in the perspectives that suggested any motives outside those of a symbolic, self-interested nature” (p. 427). Similarly, in conducting interviews, KPMG (2013b) found transparency, although noted by academics, was not always referred to in interviews. Meanwhile Cantó-Milà (2009) warns that there is no communication that can be seen as innocent. Puxty (1991) notes that whilst social accounting flourished in the 1980's accountability did not. Danastas and Gadenne (2006) found that NGO's as users of corporate social disclosures overwhelmingly believed it had low creditability. O'Dwyer, Unerman, and Bradley (2005) also showed that, in an Irish context, there has been a corporate culture of secrecy leading to many colourful critiques of CSR practices (see O'Dwyer, Unerman, & Bradley, 2005, p. 27). Similarly O'Dwyer, Unerman, and Hession (2005) found when examining Irish perspectives; “a desire to demonstrate ‘true’ accountability to the wider society was not deemed to be a primary motivating factor” (p. 774). Further evidence is provided by Deegan and Rankin (1996) who found environmental reports were misleading with a reluctance to disclose negative environmental impacts. The views presented here cast significant doubt over why these reports are produced showing the need for more investigation of why reports are produced in practice. This gave rise to the following research question:

Why are organisations producing social and environmental reports?

Ihlen, Bartlett, and May (2011b) state “corporations readily admit that they see CSR primarily as a vehicle to enhance or protect their reputation” (p. 11). Reputation enhancement as a motivator is reflected in the findings of Cho, Guidry, Hageman, and Patten (2012) who found that increased disclosure was associated with poor environmental performance. Alternatively, Owen et al. (1997) are optimistic in stating social accounting “can be used to develop greater level of accountability” (p. 187). KPMG (2013a) do note that negative views of CSR are becoming outdated. The inconsistencies discussed above have naturally led to significant debate in academia regarding the reasons for why and how organisations do and should produce these reports (Milne, 2013).

2.2.3 Theoretical perspectives

The debate in this area is ongoing. For example, Cooper and Owen (2007) state that reputation building appears to provide a primary motivating factor for companies going down the CSR path. Eisenegger and Schranz (2011) also stress CSR’s importance for reputation stating it prevents bad representation and is seen as a risk management tool. O’Dwyer (2002) has attributed the production of these reports to legitimacy theory and in response to social pressures. There are a number of theories that have been suggested to explain the production of these reports. For example, Jain, Keneley, and Thomson (2015) attribute political cost theory, legitimacy theory and stakeholder theory as possible motivators, whilst Harrison and van der Laan Smith (2015) examine reporting through institutional theory.

These theories have also had their detractors. For example, Guthrie and Parker (1989) did not endorse legitimacy theory in their analysis of CSR reports and called for a more robust theory to be developed, although this has since been disputed by Deegan, Rankin, and Tobin (2002) in a replica study who found legitimacy theory was supported.

The different theories can be categorised into a continuum of sorts with the “business case” identified by Milne et al. (2009) and Cooper and Owen (2007) at one end. Plaza-Úbeda et al.

(2009) also find in their study of firms that “the bulk is attracted by the business case” (p. 489). Delfgaauw (2000) although writing about his own reporting, does indicate that organisations can exhibit a mixed rationale. At the other end is the ‘best practice’ identified by Adams and McNicholas (2007) who included stakeholder engagement as a key part of this type of reporting. ‘Best practice’ here refers to the normative ideals of transparency, responsibility and accountability. Stakeholder engagement has also been identified by others as part of best practice for these reports (see for example Envirostate, 2015; KPMG, 2013a; KPMG, 2013b). Stakeholder theory has been used to describe organisations behaviour toward stakeholders and has often been applied to social and environmental accounting. Thus I will discuss stakeholder theory and its origins, followed by the two main perspectives which make up each end of the continuum of why and how reports should be produced.

2.3 Stakeholder theory

The large number of social and environmental reports being produced often include stakeholders and wider society as endorsed by stakeholder theory rather than traditional shareholder wealth maximisation. This is shown by Phillips (1997) stating;

“for some years now there has been a movement to counteract the widely held belief that business has no obligation other than to maximize shareowner wealth constrained only by the customs and mores of society and the letter of the civil law.” (p. 51)

This idea is the assumption upon which social accounting has been predicated (Gray, Owen, & Adams, 1996). There have been a number of criticisms of the traditional shareholder value perspective with most highlighting the negative social effects that this perspective can entail (see for example Bakan, 2004; Kelly, 2003; Korten, 1995). These negative effects were also examined by Mathews (1984) when exploring the philosophical elements of social accounting with alternative forms of accounting being a proposed solution to offset these effects.

One alternative to the shareholder value perspective is stakeholder theory which was popularised by Freeman's (1984) work. Stakeholder theory does, however, date back much further than this as "Consideration of stakeholder and stakeholder participation is as old as discussions of society and practices of governance" (Palenchar et al., 2011, p. 197). Freeman's (1984) work states that organisations should consider more than only shareholder interests and take into account the interests of all stakeholders. Also stated is "the point of a stakeholder approach to organizations is to force organizational managers to be more responsive to the external environment" (p. 216). This external environment includes the social environment and the various social issues that occur within it.

The idea that managers consider multiple stakeholders rather than just shareholders has led to debate with Sundaram and Inkpen (2004a) stating the corporate objective must continue to be "maximise shareholder value" (p. 350). In their article they argue against stakeholder management stating it will cause confusion and that there is no evidence of stakeholder oriented economies such as Japan having more responsible corporations.

Freeman, Wicks, and Parmar (2004) respond directly stating "Economic value is created by people who voluntarily come together and co-operate to improve everyone's circumstance" (p. 364). Also noting various firms who have operated successfully and profitably under the stakeholder perspective. Freeman et al. demonstrate confusion occurs under the shareholder value perspective and that various scandals have occurred under it. they state at worst this perspective "involves using the prima facie rights claims of one groups -shareholders- to excuse violating the rights of others" (p. 365). Whereas stakeholder theory separates morals and the economic perspective which, Freeman et al. claim, Sundaram and Inkpen (2004a), incorrectly, do not separate in their article. Freeman et al. also state that Sundaram and Inkpen (2004a) have mischaracterised stakeholder theory and that many of Sundaram and Inkpen's arguments are negated by the work of Phillips et al. (2003).

Finally Sundaram and Inkpen (2004b) reply directly to Freeman et al. (2004) discounting their argument that morals were not separate and state that the scandals are against shareholder maximisation. They do however, agree there is no need for the perspectives to be oppositional and believe the shareholder perspective will enhance stakeholder wealth leaving the door open for a possible stakeholder view in the perspective if proven with empirical evidence.

Further evidence that some kind of amalgamation between the shareholder and stakeholder perspectives may be possible is provided by Jensen (2001) who in promoting shareholder value maximisation states “A firm cannot maximise value if it ignores the interests of stakeholders” (p. 298). This reflects what Freeman, Harrison, Wicks, Parmar, and De Colle (2010) observe, who state that if an organisation looks only to maximise shareholder returns it is unlikely to succeed. Foster and Jonker (2005) show stakeholder relationships contribute to organisational success and that “every organisation must therefore learn to engage with these stakeholders” (p. 51).

Shearer (2002), however, notes that mainstream accounting has been informed by neo-classical economics and so cannot be expected to provide accounts other than for economically interested parties under this model. Thus Shearer concludes the moral standing of economic entities must be changed for social and environmental accounting to be successful.

The popularity of stakeholder reporting shows that this may have occurred. This would be the case if, as Schweiker (1993) suggests, giving an account of this type constitutes the communicator as a moral agent and creates a broader accountability and helps establish the ethical justification for social accounting. There is, of course, an opposing view to this presented by Cooper and Owen (2007) who state when discussing both voluntary and mandatory social and environmental reporting; “both forms of disclosure offer little in the

way of facilitating action on the part of the organisational stakeholder, and cannot therefore be viewed as exercises in accountability” (p. 649). These ideas have been identified by Greenwood (2001) and labelled a spectrum by Alon and Vidovic (2015). Each end of this spectrum will now be discussed; reporting for accountability and reporting for profitability.

2.4 Reporting for accountability

Donaldson and Preston (1995) denote that stakeholder theory can be split into two main approaches; normative stakeholder theory and instrumental stakeholder theory. Normative stakeholder theory is where firms are viewed as having a moral commitment to treating stakeholders in a positive way and this commitment is seen as shaping the firm’s strategy and financial performance (Berman, Wicks, Kotha, & Jones, 1999). The moral element of stakeholder theory is credited as being an expansion of classical stakeholder theory occurring through Freeman’s (1984) work (Greenwood, 2001). The expansion of classical stakeholder theory is expressed through the following statement; “the firm should consider and balance relevant interests of stakeholders beyond a strict economic calculation; by doing so, managers will act ethically” (Cennamo, Berrone, & Gomez-Mejia, 2009, p. 491). The view of Cennamo et al. (2009) reflects the position taken earlier by Freeman et al. (2004). Golob and Podnar (2011) demonstrate that stakeholder dialogue is important in stakeholder engagement, which acts as a pillar of normative stakeholder theory. Miles (1986) found the most socially responsible firms pursued collaborative and problem-solving strategies. Miles also found a failure to establish and maintain long term relationships was associated with poor performance, showing that a normative approach may be desirable.

The normative approach has received a degree of criticism. For example, Cennamo et al. (2009) argue that by serving all stakeholders a manager is given further discretion meaning there is a further chance of a manager acting in their own self-interest. Cennamo et al.’s (2009) assertion, however, contradicts the earlier work of Armstrong (1977) who, whilst

finding acts made in self-interest common among managers also found “the stakeholder role led to a reduction in irresponsibility” (p. 205).

Another criticism is that stakeholder theory "effectively destroys business accountability . . . because a business that is accountable to all, is actually accountable to none" (Sternberg, 1998, p. 51). The assertion that stakeholder theory reduces accountability has subsequently been strongly contested by Phillips et al. (2003). Phillips et al. (2003) contest that the supposed increased discretion will not eventuate as the claims that the manager is acting in the interest of certain stakeholders will not be convincing. Phillips et al. (2003) also claim the normative approach will actually enhance accountability as the increased number of stakeholders will mean self-serving managers will be acting against the interests of more stakeholders. Stakeholder theory increasing accountability has also been shown by Aras and Crowther (2009) who noted “stakeholders are both demanding more information and are also demanding accountability for actions undertaken” (p. 283).

Different notions of stakeholder theory are reflected in more general terms by Kendall, Pavez, and Bao (2014) who discuss instrumental, normative and integrative logics of business. The logics of business are similar to the different notions of stakeholder theory with the instrumental logic being profit oriented, the normative logic placing social needs above profits and the integrative being a mix between the two. Kendall et al. (2014) note that if an organisation was to adopt the normative logic they would then be crossing the ‘ontological threshold’ to a truly social firm. Crossing the ontological threshold may not be common as Greenwood (2001) discovered that it was only very occasionally that business leaders considered society at large.

2.4.1 Stakeholder management and stakeholder engagement

The instrumental and normative stakeholder theories explaining why stakeholders are considered will also influence how they are treated. The differing theories have contributed to

the large amount of debate on the nature of the relationship between stakeholders and organisations (Greenwood, 2001). Stakeholder management and engagement relate to this relationship and the question of how stakeholders should be treated. May (2011) shows the evolution of stakeholder engagement stating; “Recently, organizational scholars have begun to expand the conception of stakeholder management to engagement, acknowledging a more active, collaborative role for communication in CSR programs” (p. 94). Stakeholder engagement’s emergence as an expansion of stakeholder management does not mean that stakeholder management does not include collaboration. For example, Savage, Nix, Whitehead, and Blair (1991) advocate for co-operation and collaboration when attempting to bring a practical guide to stakeholder management. Savage et al.’s guide to stakeholder management was very instrumental, and collaboration was limited to when the stakeholders were not threatening. Stakeholder engagement emphasises collaboration in a much wider and less hierarchical sense. Raupp (2011) notes that instrumental stakeholder management may be less prevalent today than in the past stating “One-sided stakeholder management thinking has been extended and sometimes even replaced by the concept of stakeholder engagement” (p. 288). The idea that stakeholder management is not enough for organisations to be socially responsible is supported by Raupp (2011) who states “stakeholder management alone does not help to answer the larger questions on the role of business with regard to socially responsible behaviour” (p. 283). Raupp’s assertion highlights the need for stakeholder engagement being more comprehensive than stakeholder management.

2.4.2 Stakeholder dialogue

Noland and Phillips (2010) state that to practice stakeholder engagement organisations need to do more than just interact with stakeholders. Waddock and Googins (2011) define stakeholder engagement as “an interactive way to communicate in a two-way format with a variety of stakeholders” (p. 37). Tregidga and Milne (2006) observe that as organisations

move from stakeholder management towards engagement they will be more proactive, alluding to the distinction between the two approaches. Noland and Phillips also note that stakeholder engagement comes from a Habermasian way of thinking which states that interaction with stakeholders should not involve a strategic dimension. This Habermasian thinking could be what would lead an organisation across the ontological threshold (see Kendall et al., 2014). However, even Habermas himself has indicated that this non-strategic assumption may be 'too idealistic' (Noland & Phillips, 2010). What this does show is that engagement is more aligned with a normative approach with stakeholder interaction being seen as more than simply a means to an end.

Noland and Phillips further classify stakeholder engagement into moral and strategic engagement. It should be noted that even this strategic engagement position is one in which there is no subordination of moral concerns to financial goals. Noland and Phillips endorse bringing moral considerations into all business decisions. The moral engagement is considered ideal. However, Noland and Phillips consider that this may not be palatable to business leaders. They endorse strategic stakeholder engagement as a realistic possibility for businesses which incorporates both the firm's strategy and the moral concerns of stakeholders in decision making. Noland and Phillips show that moral considerations and the non-subordination of stakeholders will be present in all instances of stakeholder engagement and that stakeholder engagement may be realistic in practice, although this is likely to be strategic stakeholder engagement rather than moral engagement.

The work of Gray (2002) also provides an explanation of stakeholder engagement stating it is a mechanism by which organisational accountability and responsibility toward stakeholders can be acquitted. Gray et al. (1997), discussed earlier, highlight accountability's importance in social accounting, also stating it is synonymous with Habermasian thinking. They also allude to the importance of stakeholders describing how organisations are accountable to

stakeholders and they define the level of accountability organisations demonstrate through their demands. Unerman and Bennett (2004) found stakeholder dialogue to be a cornerstone of accountability and that Habermasian communication is how accountability in CSR can be achieved. Gray et al. (1996) show optimism in noting “achievable” best practice CSR mechanisms can “move current accounting towards a more accountability centred focus” (p. 295). Crawford and Clark (2011) give evidence of this being achievable with shareholder resolutions calling for greater transparency and disclosures. Bartels et al. (2008) show that reports can be an important starting point for stakeholder dialogue demonstrating the importance of these reports to stakeholder engagement.

This accountability to stakeholders focus echoes the earlier work of Gray, Owen, and Maunders (1988) who state if investors are the main users of CSR it “denies any *raison d'être* for CSR” (p. 11). This has been labelled the normative approach to CSR by Bebbington, Larrinaga, and Moneva (2008). Smith, Ansett, and Erez (2011) indicate stakeholder engagement has a more long term focus in that it is about building long term successful relationships with stakeholders for mutual benefits. This echoes Gable and Shireman (2005) who show stakeholder engagement is about aligning company and stakeholder views and creating understanding, later emphasising the importance of building relationships with stakeholders. This is also reflected by Parmar et al. (2010) who note that stakeholder theory focuses on the creation and alignment of stakeholder relationships. Bartels et al. (2008) show the importance of transparent stakeholder engagement as being a major theme that readers would like to see in these reports. This idea can be traced back to Freeman’s (1984) work stating that a win-win philosophy is a key to success and each party must compromise to achieve this. The need of each party to compromise can be seen in the work of Habermas (1990) and was also emphasised later by Marens et al. (1999) demonstrating dialogue to be two way between an organisation and its stakeholders to be successful. The emphasis on the

nature of interactions with stakeholders means the following research question is very pertinent in determining whether stakeholder engagement is being achieved:

How do organisations interact with their stakeholders in New Zealand?

Many of the ideas of stakeholder engagement are not limited to just accounting. For example, Hemmati (2002) outlines multi-stakeholder processes for governance and sustainability promoting stakeholder inclusion, relationship building, accountability and transparency to be included to create strong sustainable governance. This can also be seen in the book by Ihlen, Bartlett, and May (2011a) where a proliferation of fields are examined with stakeholder engagement and related concepts a recurring theme. Bartlett (2011) shows the concept in public relations; “Public relations literature has long touted the normative value in engagement and the inclusion of multiple perspectives as an ethical approach” (p. 79). The inclusion of multiple perspectives was also discussed by Gray et al. (1997) using the term polyvocal social accounting in describing a normative form of accounting more in line with the work of Habermas (1990) than mainstream social and environmental reporting. The relevance to other areas shows the strength of the stakeholder engagement concept and how it is increasingly relevant for business practices and not limited to social and environmental reporting.

2.4.3 Differing terminologies

Non-subordination is what separates stakeholder management and stakeholder engagement. Important to note is that the use of the term stakeholder engagement in the literature has not been applied uniformly (Miles, 2012). The variety of terms used is also seen in the work of Marens et al. (1999) who, when describing practices in line with stakeholder engagement, state that only if this practice is achieved can there be a stakeholder relationship. The misuse of the term stakeholder engagement is evident in the papers of Greenwood (2007), Owen, Smith, and Hunt (2001) and Owen, Swift, Humphrey, and Bowerman (2000) who all refer to

stakeholder engagement when describing practices more akin to stakeholder management and simple interaction.

The variation in terms is not uncommon in the field as Leitch and Motion (2011) demonstrate with the many different meanings ‘social’ can have for different individuals and organisations (see also Buhr et al., 2014). Variation can also be seen in the work of Carroll (1979) with a number of different definitions of ‘social responsibility’ detailed and certainly many more used since then. Similarly sustainability definitions academically have been different to managers and organisations in CSR reporting (Aras & Crowther, 2009) showing the importance of understanding the views of those in practice rather than looking purely at academic views. It is also noted by KPMG (2013a) who note a number of different terminologies including sustainability and CSR reporting which they see as interchangeable. Cantó-Milà (2009) also details the many different definitions that CSR possesses within Spain alone. Maon et al. (2009) also show a number of different CSR concepts which are outlined in their paper. It is for this reason that, whilst stakeholder engagement has been defined here, one must look at the description and practices of stakeholder engagement in reports to determine whether true stakeholder engagement is being described. Similarly it may be that managers themselves struggle with these sorts of terms, as was found by Harris and Crane (2002) where managers were confused as to what having a ‘green focus’ actually meant. Confusion may also be present regarding the meaning of stakeholder engagement and represents an important line of enquiry.

2.4.4 Summary

Stakeholder engagement has been distinguished from stakeholder management through a range of literature and the distinction is summarised here. Stakeholder engagement is more collaborative than stakeholder management, one way that collaboration between organisations and their stakeholders can be achieved is through dialogue. Dialogue with

stakeholders from organisations displaying stakeholder engagement entails a two way communication process rather than the organisation talking to stakeholders without feedback which is typical of stakeholder management. Stakeholder engagement is achieved where the communication between organisations and their stakeholders is equal or close to equal showing that just having some feedback from stakeholders is not enough if the organisation still dominates the communication. In order to achieve stakeholder engagement organisations also need to be less dominant in their relationships with stakeholders and not just in communication. A way in which organisations can show they are not dominating stakeholder relationships is by making compromises. Stakeholder engagement is achieved where relationships are not strategic or hierarchical in nature which leads to a wider range of stakeholders being identified and interacted with by organisations.

Stakeholder management is instead strategic and focused on achieving organisational objectives leading to organisations dominating relationships with a small range of stakeholders who directly affect the organisation. The pursuit of organisational objectives present in stakeholder management also means relationships are focused on short term goals whereas stakeholder engagement has a long term focus without an organisation's strategic goals being dominant. This summary shows a clear conceptual distinction between stakeholder engagement and management allowing a determination to be made of whether the relationships examined in this project can be considered instances of stakeholder engagement or stakeholder management.

The question that arises here then, as already asked by Sundaram and Inkpen (2004a), is how does stakeholder engagement get practised in reality. This question, whilst it has been touched on by the likes of O'Dwyer (2002) and Adams and McNicholas (2007) is still left unanswered. Gable and Shireman (2005) look to provide a guide to stakeholder engagement

in their article, however they fall short of implementing their system. This gap in the literature needs to be addressed and has formed the basis for the following research question:

How is stakeholder engagement practiced in New Zealand?

Some guidance was provided by Gray et al. (1997) showing stakeholder voices were central to the two reporting organisations they examined. As there has been a lot of desk-based research in the area of social and environmental accounting (Owen, 2008), research pertaining to how stakeholder engagement might be practiced in reality is lacking.

2.5 Reporting for profitability

Stakeholder management is characterised by Freeman (1984) stating some benefits of this approach are to avoid lawsuits and damaging your reputation. Reputational benefits are also present in the work of Eisenegger and Schranz (2011) who state that increased integration of stakeholders improves reputation. Reputational benefits being the reason for working with stakeholders represents the instrumental view where stakeholders are viewed as means to an end of achieving organisational goals such as profit or shareholder wealth maximisation (Phillips et al., 2003). Greenwood (2007) states that stakeholder management is morally neutral with support from Cennamo et al. (2009). However, L'Etang, Lugo-Ocando, and Ahmad (2011) contest that CSR is but ethically neutral and in most cases is unethical and will continue to be if the profit motive continues to dominate. The idea of firms commonly being insincere is demonstrated by Bakan (2004) and Kelly (2003) who raise concerns with the short term profit focus prevalent in society today.

Under the instrumental approach a cost-benefit analysis (not always a formal calculation) is often used to determine the standards of accountability an organisation will undertake (Rasche & Esser, 2006). Rasche and Esser (2006) indicate that these analyses often identify only a small range of stakeholders. The cost-benefit approach has been termed the 'business case' approach to reporting by Owen et al. (2000) and Milne et al. (2009). Ihlen et al. (2011b)

give an overview stating “The business case for Corporate Social Responsibility has been summarized as reducing costs and risk, gaining competitive advantage, developing reputation and legitimacy, as well as creating win-win situations through synergistic value creation” (p. 7). The business case benefits are also outlined by Little (2001) although this article lacked sufficient balance and data to be convincing. Kuruppu and Milne (2010) found in their experiment that these business case benefits were not present in their results showing scepticism of claims such as Little’s is necessary. Philippe (2006) found legitimacy to be a motivating factor for organisations, however, could not find data to support disclosures improving legitimacy. Concern over the validity of these benefits has also been raised earlier by Marens et al. (1999) and Salzmann, Ionescu-somers, and Steger (2005) in their work indicating that these benefits do need to be verified.

2.5.1 Economic primacy

Prasad and Elmes (2005) discuss the normative rationale for environmental management (EM) which advocates collaboration, compromise and eco-efficiency, much like the business case stated above. In discussing EM they raise significant concerns on the practicalities of issues such as collaboration and compromise noting it is usually those without power that make the biggest compromise and gain the least from collaboration. Newton and Harte (1997) also observed this in their examination of the language in green business. They found conflicts and resistance were not covered at all and the evangelistic language appealed to the hearts rather than heads of managers. They raised the concern that managers may be more “hard headed” (p. 83) when it came to business decisions. The dominance of a traditional economic rationale is shown by Prasad and Elmes (2005) in their concern over the economic utilitarianism where economic concerns were very much primary as opposed to the secondary concerns of the environment. Economic goals were found to be dominant by Crane (2000) in most organisations and even those with a social mission showed that economic concerns

meant there was no time to consider the environment. Fineman and Clarke (1996) showed managers displaying an instrumental view to stakeholders with economic considerations being the primary motivation as was the case in Fineman (1997). Phillips (2010) showed managers believed economic ends to be a 'must' whereas environmental concerns were only a 'should'. Economic priorities were also present in the work of Cragg and Greenbaum (2002) where managers showed only an instrumental rationale in responding to stakeholder demands. Harris and Crane (2002) in examining managers found economic concerns were of a higher priority and that green movements within organisations often lacked sufficient detail for managers to understand how to apply it in their day-to-day work.

The priority of economic concerns is reflective of the gap in the stakeholder engagement literature regarding what happens in practice when an organisation is in a position where a win-win situation cannot be achieved. Fineman (2001) highlights the importance of rhetoric in this area and Higgins and Walker (2012) in evaluating the rhetoric employed in three New Zealand social and environmental reports found that the business case or middle way was strongly emphasised. The business case included the use of persuasion and was seen as weak sustainability giving insight into the rationale organisations may follow. Higgins and Walker's (2012) analysis, while useful was not critical in understanding what this business case entailed in terms of actions for these organisations.

2.5.2 Stakeholder identification

Ihlen et al. (2011b) in giving an overview of the business case for CSR describe synergistic value creation. Synergistic value creation refers to stakeholders, the definition of what is a stakeholder has been largely debated. Miles (2012) demonstrates this with more than ten different definitions described including clusters around certain definitions. One of the definitions, around which others have been clustered is Freeman's (1984) definition "any group or individual who can affect or is affected by the achievement of the organization's

objectives” (p. vi). Rasche and Esser (2006) state management will choose the stakeholders they want to communicate with rather than addressing the concerns of all relevant stakeholders. This may lead to those stakeholders “without a voice” not being identified. This is because only those stakeholders that are linked to performance will be identified and served (Cennamo et al., 2009). Momin (2013) when looking at NGO’s in Bangladesh found that the incorporation of the views of non-managerial stakeholders should be a priority.

The difficulty of identifying stakeholders has been a common criticism of the stakeholder approach as was raised by Sundaram and Inkpen (2004a) as well as the difficulty of balancing their needs once identified. Mitchell, Agle, and Wood (1997) attempt to overcome this by designing a framework using the key criteria of power and legitimacy so the most salient issues can be addressed. There have been many other similar frameworks proposed as outlined by Miles (2012) (see for example Buysse & Verbeke, 2003; Goodpaster, 1991). The many different approaches lead to a “maddening variety of signals” (Mitchell et al., 1997, p. 853) making the topic very complex (Greenwood, 2001). These frameworks, in general, effectively reinforce the instrumental view of stakeholder theory as stakeholders are subordinated through being ranked in importance and align with the stakeholder management approach rather than stakeholder engagement approach.

The way that stakeholders are identified can therefore help us understand why organisations are interacting with stakeholders. The importance of identifying stakeholders brought about the research question of:

How are stakeholders represented in social and environmental reports?

2.5.3 Summary

The instrumental view therefore can be summarised as one in which the profit oriented goals of the firm have priority over stakeholders consistent with the dominant economic culture of Western society (see for example Bakan, 2004; Kelly, 2003; Korten, 1995). It is also

expressed by Berman et al. (1999) stating stakeholders are treated as means to the end of shareholder wealth and although stakeholders may be part of an organisation's strategy, they will not drive it. These differing rationales for reporting also offer insight to the differing views of the reporting itself which will now be discussed.

2.6 Content of corporate social responsibility reports

The content of CSR reports has been an area of growing interest for researchers as the reports are produced more often. Milne (2013) provides a study of the content of CSR reports showing that stand alone reports have been an improvement on the extra narrative included in annual reports.

The research in this area has included criticisms with Milne (2013) labelling some of the reporting as 'sustain-a-babbling' reflecting the practice of organisations reporting only positive views of their non-financial performance in CSR reports. This has also been shown by Cooper and Owen (2007) stating that the disclosures are not effective for facilitating action on the part of the organisational stakeholders and cannot therefore be viewed as exercises in accountability. Milne notes that despite the label of CSR there has been a lack of social and environmental context with mainly organisational impacts being reported.

As Greenwood (2007) states, social reporting has been seen by some as exercises in accountability although others have observed that the reports are full of meaningless jargon and that they are about stakeholder perceptions not the stakeholders themselves. The observation of jargon being prominent in reports without real meaning may be attributed to the number of different meanings for similar terms. Adams (2004) found there were a number of instances of failings of accountability in reports and a reluctance to report negative findings (see Adams, Coutts, & Harte, 1995; Adams & Kuasirikun, 2000; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Deegan et al., 2002; KPMG, 2013a). This is shown in (KPMG, 2011) where it is noted "data quality appears to be a significant issue" (p. 26).

Deegan and Gordon (1996) noted this is likely due to organisations viewing the negative effects of negative disclosures being greater than the benefits of their reports appearing credible. The lack of negative disclosures reported are likely due to organisations following the business case which tends to avoid such issues (Milne et al., 2009).

There has been some evidence of the CSR reports improving in terms of their accountability and relevance to stakeholders. This is shown by Milne (2013) with the average scores from the Global Reporting Initiative (GRI) increasing. Tregidga and Milne (2006) followed how the social reporting of an organisation changed over time with evidence of the organisation balancing more than just economic factors in its operations. Cooper and Owen (2007) also note that the GRI guidelines and AccountAbility1000 (AA1000) standard contribute to stakeholder dialogue and influence both stakeholder and company decisions. Looking at the AA1000APS (2008a) standard itself it is stated; “an organisational must accept it is accountable to those it has an impact on and central to this is listening and responding to stakeholders” (p. 16). Cooper and Owen (2007) also found that stakeholders are recognised in most GRI reports, showing that the GRI guidelines could be a factor in an improving CSR reporting environment.

These standards have not been without criticism either. Rasche and Esser (2006) show that the AA1000 standard allows organisations the choice of audits and their scope, with no way to identify stakeholders prescribed. Similarly Adams (2004) noted the GRI guidelines did not have a guide for how to do it and that both the GRI and AA1000 have a number of disclosures missing. This allows for an instrumental approach to be followed even under these standards meaning they do not ensure the reports demonstrate accountability. Sherman (2009) criticises the one-size-fits-all approach of the GRI and Lu and Abeysekera (2015) provide a stakeholder oriented alternative index. Further evidence of the instrumental perspective being pursued under these frameworks is provided by Owen et al. (2000) who

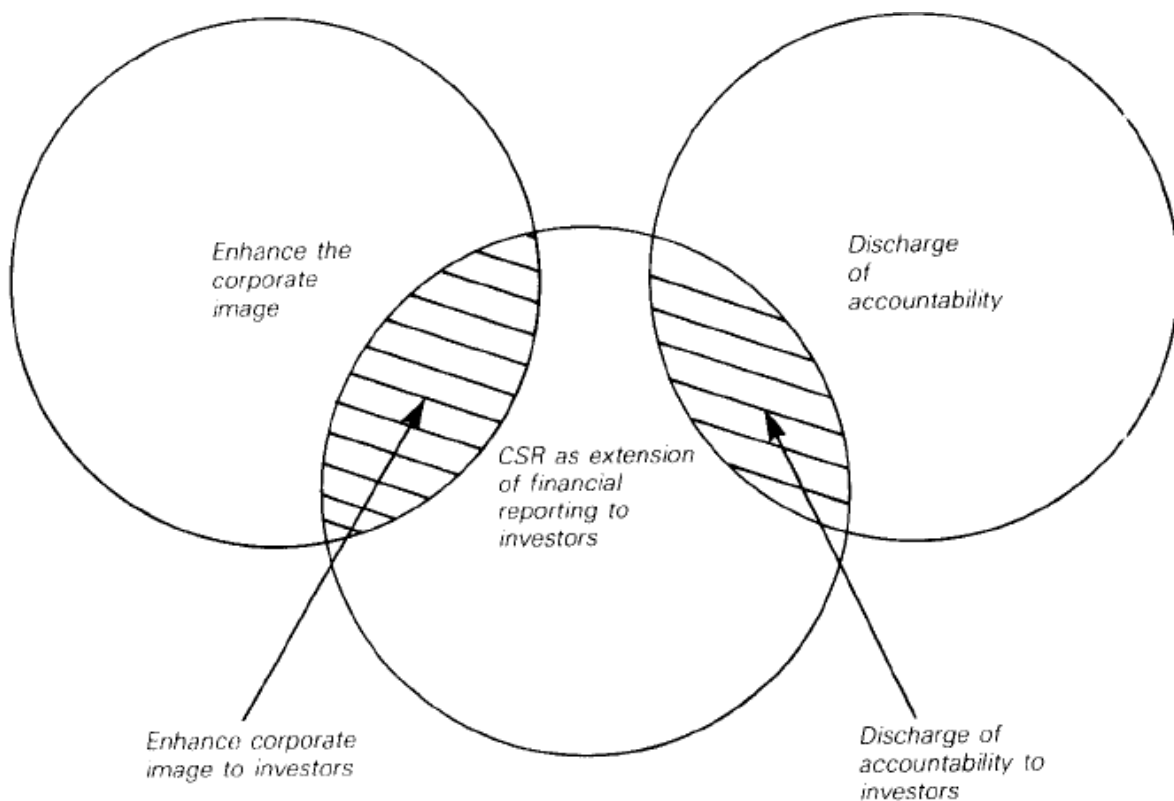
demonstrate the standard SA8000 promotes an advantage of reporting being protecting brand image and company reputation. Returning to the standards themselves it is again evident that a managerial approach could be accepted under the guidelines as the AA1000 SES (2015) standard states stakeholder engagement must have purpose and that the purpose should be based on strategy or operations management (AccountAbility, 2015).

However, these initiatives have been given credit by Cooper and Owen (2007) for their role in contributing to stakeholder dialogue and including stakeholder views in company decisions. Bartels et al. (2008) in their survey conducted jointly by KPMG and SustainAbility note the purpose being “to provide better context to reporters, to increase accountability for meeting reporters’ and readers’ needs” (p. 1). This demonstrates that the standards may have some positive influence on reporting practice and the above survey shows they intend to improve practice, however, they do still allow an instrumental view on reporting to prevail. An example of such a positive impact on reporting through standards is that of the WWF-Australia and their scorecard which was found to improve environmental reporting in the Australian mining industry (Deegan & Blomquist, 2006).

In a New Zealand context Milne et al. (2009) examined the influence of the New Zealand Business Council for Sustainable Development (NZBCSD) on the reports of its members. They found that the NZBCSD advocated a ‘middle way’ that was neither highly instrumental in nature nor enforcing the high level of engagement described earlier. They noted this may be in effect reinforcing the status quo, although one organisation did demonstrate a wider meaning of sustainability. This middle way appears to be similar to that of the GRI and AA1000 standards. Evidence of this can be seen in the NZBCSD ‘Business guide to sustainable development reporting’ (2002) publication. For example, it aims to “develop a business case” (p. 4) and advocates stakeholder engagement stating it makes business sense. However, the NZBCSD also endorse building trust and relationships with stakeholders in the

stakeholder engagement process. This is similar to the AA1000 series indicating these also advocate a middle way to stakeholder engagement. This middle way is also seen in reports based on current practice by commercial organisations who seek to assist organisations in their reporting with business benefits as well as accountability benefits emphasised (see for example Envirostate, 2015; KPMG, 2011, 2013a; KPMG, 2013b). One example, the report by KPMG (2013a) notes CSR is a business issue but more transparency and balance are required. Gray et al. (1988) show that there is a middle ground in these reports with CSR being an extension of financial reporting between the two extremes of discharging accountability and enhancing the corporate image. This is illustrated in figure one below, showing some degree of crossover between perspectives.

Figure one source: Gray et al. (1988, p. 9)



Another important factor is the influence of individuals on these reports. Miles (1986) found in his studies executive leaders had a significant impact on the level of corporate responsibility of an organisation. Kendall et al. (2014) also showed that top management

were important in determining business responsibility. Similarly Bansal and Roth (2000) found individual concerns influenced the level of organisational concern in relation to ecological responsibility. Henriques and Sadosky (1999) demonstrate that managers' perceptions of stakeholders are very important to the environmental performance of organisations which was also proposed by Harris and Crane (2002). These studies demonstrate that individuals can influence the style and motivations of reporting organisations and their reports forming the basis of the following two research questions:

How do practitioners influence the production of social and environmental reports?

How do practitioners influence stakeholder relationships?

2.7 Conclusion

As noted by Owen (2008) there has been a lot of desk based research in the area of CSR reporting. Gray (2002) also notes the “absence of field work is striking” (p. 697). Ihlen et al. (2011b) explain transparency and accountability, whilst often encouraged has lacked a practical guide. This has also been the case in the studies of stakeholder engagement and management which are crucial to both transparency and accountability. Smith et al. (2011) do provide one analysis of stakeholder engagement in practice in the format of a case study and is set in the very specific context of one company. Rodrigues and O'Dwyer have also attempted to fill the gap (see for example Goodman, Castelo Branco, & Lima Rodrigues, 2006; O'Dwyer, 2002) although the area is still under researched with Marens et al. (1999) calling for more attention to be paid to stakeholder relationships and Greenwood (2001) specifically mentioning that the qualitative nature of these relationships has had little attention illustrating the contribution this research project aims to make.

Also illustrated has been the large amount of research on ideal reporting. Normative academic arguments, and frameworks and standards designed to influence practice are all based on ideal reporting and stakeholder relationships and what they should be rather than

looking at the practice itself. There has also been a number of studies outlined which critique current practices in social and environmental reporting (see for example Gray & Milne, 2002; Milne, 2013). The critiques of reporting come from ideas of what ideal reporting should include. Reporting practice has also been looked at by authors critiquing the frameworks and standards that reports have followed (see for example Buhr et al., 2014; Milne & Gray, 2013) once again looking to compare these to ideal frameworks. In contrast there has been very little investigation into the practice of social and environmental reporting itself and what factors have influenced it without the authors having a view to impose their ideal views of reporting. This research will be an investigative study which will attempt to fill this gap by looking at reporting practice rather than looking at ideal reporting which does not exist in practice.

This review illustrates a continuum of views on why and how to produce social and environmental reports. A high level summary of the themes explored in the literature review are presented in Table 1. The business case, stakeholder-accountability and critical perspectives have been outlined by Brown and Fraser (2006). Meanwhile a mix of perspectives have been shown by Milne et al. (2009) showing the development of the hybrid approach. The importance of stakeholders is demonstrated by Gray et al. (1997) who state organisations should be accountable to their stakeholders. This importance is also shown by Gable and Shireman (2005) who show that many companies now manage for stakeholders, moving on from debating whether or not this is the case. Differing motivations are also apparent in other areas such as organisations and their level of ecological responsibility (Bansal & Roth, 2000). This review consistently demonstrates a lack of consideration of how stakeholder engagement, or the balancing of stakeholder needs, is achieved in practice. It demonstrates a gap in the knowledge of whereabouts on the continuum organisations are in reality and where organisations themselves believe they are. Stakeholder engagement was

outlined as best practice (Adams & McNicholas, 2007; Envirostate, 2015; KPMG, 2013a, 2013b) which Marens et al. (1999) have outlined as needing to be examined. Also demonstrated was the importance of key individuals in relation to this area (see Bansal & Roth, 2000; Henriques & Sadorsky, 1999; Kendall et al., 2014; Miles, 1986) justifying the focus on individuals in this research with their rationales for such activity being under researched in the past (Salzmann et al., 2005).

Table 1: Different perspectives on reporting

Perspective	Pure Capitalists	Business Case	Practitioner/Institution perspectives	Accountability	Critical
Purpose of reporting	Do not report as you don't have to – it is an unnecessary expense	Increase profits	Increase profits Improve stakeholder relationships	Meet stakeholder needs	Reporting is a waste of time as its not effective at meeting stakeholder needs
Theoretical Perspective	Shareholder wealth maximisation	Instrumental stakeholder theory	Hybrid approach	Normative stakeholder theory	Socialism
Nature of stakeholder relationships	Not interacted with if possible	One way information flow	Business dominated communication with stakeholder feedback	Two way dialogue	
Stakeholder priority	Shareholders above all else	Hierarchical, stakeholders as means to end of profitability	Hierarchical with strategic partnerships with key stakeholders	Egalitarian, stakeholders are ends in themselves	Society as a whole
Examples	Friedman (2007)	Cantó-Milà (2009)	GRI, AccountAbility IR	Gray et al. (1997)	Milne (2013)

Chapter 3: Research methodology

3.1 Introduction

This chapter outlines the research methods that were employed throughout the writing of this thesis. The outline includes the interpretive mind set which has guided all parts of the research process. The reasoning for using the chosen methods is discussed as well as the theoretical basis for the methods. How participants and organisations have been chosen is also discussed, as is how the findings were determined. The chapter allows for readers to understand the way in which the research was conducted and appreciate the reasoning for the methods employed.

3.2 Ontology and epistemology

I believe reality is formed through individual perceptions of a given phenomenon that is, individuals make sense of an issue which becomes reality (Ryan, Scapens, & Theobald, 2002). This reality is made through verification with others, meaning it is created through a process of social exchange (McKerchar, 2009). As Milton (1996) notes, this constructionist model depends on recognition of a reality which human actions can modify.

This is an appropriate ontology for the area of non-financial accounting as Gray et al. (1997) observe social accounting is essentially socially constructed. Also in advising researchers in this area Gray et al. (1996) note “as researchers, we all need to be conscious of the social construction of knowledge” (p. 300). This ontology is one which I identify with and incorporates a non-positivist epistemology (Gaffikin, 2008) as knowledge is not seen as independent of the researcher (Andrews, 2012). This study will involve my own interpretations of others’ views as well as organisational reports. Therefore my observations will be guided by the implicit theories I use in conducting this research (Gray et al., 1996). This research will examine the ‘internal’ mental states of practitioners under the guise of

social science (Ryan et al., 2002). The beliefs that I hold will guide my research and the methods used to conduct this will be informed by these beliefs (Bryman & Bell, 2011).

3.3 Theoretical approach

There are a number of different theories which can and have been applied to social and environmental accounting including political cost theory, legitimacy theory and stakeholder theory (Jain et al., 2015). Deegan and Blomquist (2006) noted these theories can overlap each other, therefore I will not consider just one approach. Further they note that, for the qualitative and interpretive approach which I will be following, hypothesis driven methods are not appropriate so I did not hypothesise about whether certain theories may or may not have applied. This qualitative research is also particularly important when concepts are ill defined (Maon et al., 2009) as stakeholder engagement is shown to be in the literature review. Whilst these theories are discussed in the analysis they did not explicitly and specifically guide this research.

Instead I attempted, as much as possible, to begin my research how Marginson (2004) suggests with no pre-conceptions. Of course, the suggestion of Marginson (2004) is not possible as I had already analysed prior literature and considered the theories already mentioned. This literature has influenced my research and as such it was revised once data had been collected (Marginson, 2004). I instead followed an exploratory approach as can be seen in the sampling strategy discussed shortly. This approach is where theory is developed as the research progresses as opposed to conducting the research in order to test a theory (Draucker, Martsolf, Ross, & Rusk, 2007).

I chose this approach as I believe it to be the most practical way to begin research with as few preconceptions as possible. Also as mentioned already there are a large number of theories that have been applied to this area of research meaning it may be unwise to consider a single theory. Related to this is that “CSR can take a potentially infinite range of forms” (Gray et al.,

1996, p. 3) and that there is “little sense to talk about CSR as if it possessed a definition that is stable and fixed and only has to be discovered and applied” (Cantó-Milà, 2009, p. 158). Cantó-Milà (2009) also note CSR is “a dynamic field within which reality is constructed as people communicate and act in consequence” (p. 158). This clearly agrees with my social constructivist epistemology and reinforces that it would have been inappropriate to begin my research with only a single theory to test. It would also be unwise to assume the findings of this research will be explained by a well-known theory. Importantly, Gray (2002) notes “if social accounting is anything, it is the opening up of new spaces, of new accountings, not simply reacting to old ones” (p. 698) meaning there was a potential for new phenomena to be observed, or at least new interpretations to be made. Therefore this research does not look to explicitly test theories, rather, it attempts to explore current practice and determine what is happening through my eyes and those of my participants. Whether this fits a theory or not was determined once the data had been gathered, but was not the objective of the research.

3.4 Methods

The research approach undertaken comprised of three main phases. First was the process of interviewing participants, following that there was the analysis and collection of social and environmental reports by organisations that the informants represent, finally the links between participant’s perceptions and their organisation’s reports were determined.

3.4.1 Sampling strategy

I used theoretical sampling for this project, that is, collecting data that is directed by an evolving theory (Draucker et al., 2007). Theoretical sampling is where one identifies populations for investigation as they conduct research and gather findings, this is distinguished from selective sampling where populations are identified prior to research being conducted.

I first identified a number of possible organisations to investigate being a range of businesses that are part of the Sustainable Business Council. The Sustainable Business Council is an organisation comprising of over 70 members aiming to catalyse “the New Zealand business community to have a leading role in creating a sustainable future for business, society and the environment” (Sustainable Business Council, 2015). From this selective sample I then used theoretical sampling in order to investigate in “all directions which seem relevant and work” (Glaser, 1978, p. 46). As I was looking at stakeholder engagement in practice and social and environmental reports, all organisations which produced these reports were deemed relevant. The small number of reporting organisations in New Zealand and the availability of organisations resulted in a focus on five organisations comprising ASB Bank (ASB), Fuji Xerox, Genesis Energy, KiwiRail and Z Energy (Z). One interview was conducted with a representative from each organisation and the most recent non-financial reports, or non-financial sections of annual reports and integrated reports were analysed.

3.4.2 Interviews

As part of this research, interviews were carried out with one key individual from each of the organisations investigated. For the purposes of this research the organisation and individual were considered to be interchangeable in line with previous research in this area (Greenwood, 2001). Interviews are appropriate under the theoretical approach I have taken as interviews allow for alternative explanations not just expected explanations (Ferreira & Merchant, 1992a).

Multiple organisations were chosen because, as Yin (1994) suggests, multiple case studies provide a stronger base for theory building. As Miles (1986) found in his research, comparative case studies contributed a large proportion of knowledge and thus would be desirable if possible. In choosing my interviewees I attempted to interview the ‘reality definers’ of the organisation’s report (Fineman, 1997) and I believe this was achieved with

the interviewees being heavily involved in the writing and formulation of the reports. The small number of organisations (five) meant more of an emphasis was placed on the stories of the organisations which is the strength of using a smaller number of organisations (Eisenhardt & Graebner, 2007).

I made it clear before interviews were conducted that I was seeking reporter perceptions and opinions. I asked for reporter perceptions because asking in a business context narrows down the range of responses and makes it less likely that individual thoughts can be extracted (Byrch, Milne, Morgan, & Kearins, 2015). My interviews were, however, intertwined with business as they looked at organisations that produce social and environmental reports so this distinction was inevitably blurred. I chose to interview identified individuals because “CSR practitioners who, by what they do and also what they affirm, believe, write and present, decisively contribute to the creation of the reality of CSR” (Cantó-Milà, 2009, p. 160). The interviews were conducted using a semi-structured format so that I could ask interviewees to clarify anything that was unclear and follow up any important points. The format was important as my research is qualitative and I wanted to gather rich information. Interviews are a highly efficient way to gather rich information (Eisenhardt & Graebner, 2007). Rich information would not have been able to be gathered through a simple survey or a strict schedule of questions, the rich information was instead uncovered through the explanations provided by interviewees, which in-depth interviews provide (Momin, 2013; O'Dwyer, Unerman, & Bradley, 2005).

A question guide rather than a strict set of questions was used in order to make sure the interviews covered all the desired topics but it was not strictly followed ensuring any repetition was avoided. The guide was produced to use open-ended questions to facilitate conversation as recommended by Maykut and Morehouse (1994, as cited in O'Dwyer 2002). My interview guide was not used as a set of questions but rather as a topic list that should be

covered in the interview. In line with this I asked between two and six introductory questions before asking interviewees for their stories in regards to non-financial reporting. From here I facilitated conversation and asked questions regarding topics that interviewees mentioned only resorting to questions from the interview guide when conversation was stalling or becoming off topic. Due to this style the interviews were not uniform in nature and resulted in the five interviews ranging between the shortest interview of 35 minutes which was followed up by an 11 minute phone call and the longest being one hour and 40 minutes long with the remaining three interviews taking between 45 and 70 minutes. I also had to be careful not to put ideas into the interviewee's mind ensuring I could access their perspective (Patton, 1990, as cited in O'Dwyer 2002). In order to do this I did not ask about stakeholder engagement specifically, rather I focused on motivations, processes and results only talking about stakeholder engagement if the interviewee mentioned it. This is the approach taken by Crane (2000) and ensures a more naturalistic response. The question guide was adjusted after the first interview and afterwards if needed in keeping with the exploratory approach (Draucker et al., 2007).

The interviews were all recorded with an audio-recording device, including the follow up phone call, after which I transcribed all of them. This ensured the transcripts were readable and useful, as shown by Pinch, Mulkay, and Ashmore (1989) using a transcriber can cause transcripts to be very difficult to understand. All interviews except one were conducted face to face at the work premises of the interviewees to ensure minimal distractions and that the interviewees were at ease. The one other interview was conducted over Skype and recorded using software on my computer. This malfunctioned and only the last 10 minutes were recorded, I therefore instead wrote a summary immediately following the interview based on the field notes I had taken including as much detail as I could. This did not hinder analysis as

all of the ideas expressed by the interviewee were still written down, although this was without the exact dialogue of the interview.

I also took field notes during interviews in order to record my thoughts rather than rely solely on the recording. This was useful as it meant I was actively listening which ensured the interview flowed more smoothly. Immediately following the interview I wrote down all of my thoughts and impressions that I could remember. The field notes provided a summary of the broad ideas to complement the audio-recording transcripts and my personal reflections on the interview. These personal thoughts and reflections as well as broad ideas formed part of the analysis and interpretation throughout the research process as has been exhibited by O'Dwyer (2002).

Once the interviews were completed and transcribed I interpreted them to try and understand the general themes of each interview. The transcription of interviews was done progressively as soon as possible at the end of each interview. This allowed for learning from interviews and questions to be adjusted before following interviews were conducted.

Once transcription was completed I used coding to categorise interviews and the responses. Coding is “the process of putting tags, names or labels against pieces of the data” (Punch, 1988, p. 204), and was used because it reduces “the sheer massive volumes of information” (Patton, 1990, p. 297).

This coding was not a strict categorisation such as that advocated by Beck, Campbell, and Shrives (2010), but a map of ideas I perceived to be important. This provided for comparison between different reporter perceptions and the finding of key themes in interviews. If an important concept came about in a later interview earlier interviews were re-examined for these concepts which I may have missed earlier, or dismissed as unimportant. In this way my coding developed over time. This was also the case in Bansal and Roth (2000) and I followed

their lead in making sure the final coding categories still described the early data collected. This ensured a theme had not developed itself to no longer reflect practice.

These categorisations were subjective and any identified categories and evidence related to them were based on my perceptions of interviewee responses. I did, however, consult my supervisor to make sure the codes were appropriate as was done in Bansal and Roth (2000). This was to make sure that the codes, and inferences from them, were reasonable and reflect the data collected. The analysis was an interpretive analysis where I attempted to understand messages through the way that words were spoken and the context in which they were discussed. Interpretive analysis is difficult to define and is not a unified body of theory method and practice (Punch, 1988). Interpretive analysis therefore fits with the theoretical approach followed. Discourse is produced by speakers who are ineluctably situated in a socio-historical matrix and the discourse itself is intertwined in this matrix (Gee, Michaels, & O'Connor, 1992; Punch, 1988). The integration of discourse into context also meant that coding had to be wide enough to reflect the various ideas implicit in interviewee's responses and shows the necessity of the interpretive methods used. Also important to note is that the context can influence a discourse (Byrch et al., 2015; Jupp, 1996; Punch, 1988) so it was important that interviewee's were asked for their own opinions as well as discussions about the organisations themselves to see how responses changed according to the different contexts.

The coding was done using the NVivo program which allowed for parts of text to be assigned to different codes and, where appropriate, a single sentence could be assigned to multiple codes. This was very convenient and was ideal for the qualitative, broad coding that I employed.

Analysis was fluid as O'Dwyer (2004) shows "analysis should originate and be ongoing during the data collection phase" (p. 393). He also notes it is likely that reflection and

analysis will occur in all phases and the project will likely be immersive. A device to record my thoughts was useful as O'Dwyer demonstrates these may come to mind at odd times. This was indeed my experience as I would often find myself recording thoughts on my cell phone when doing something unrelated to my research.

3.4.3 Social and environmental report analysis

Social and environmental reports of organisations were analysed as soon as it was practical. Ideally the reports would have been analysed separately from the interviews and the themes from interviews and content of reports brought together after separate analyses. This was unrealistic as I was both the conductor of interviews and reviewer of reports. This may have meant that I was able to find links between interview themes and reports faster, however, it could also have led to false associations being deduced because of preconceptions that had developed. This was overcome with the help of my supervisor in order to make sure that any associations were plausible to the outside viewer.

The analysis of these reports was more in line with a discursive analysis such as that used in O'Dwyer (2002); and Tregidga and Milne (2006) where broad themes were identified through subjective coding. This method of analysis was used as it agrees with the interpretive nature of the research conducted. I do not believe that the models developed by others (see Beck et al., 2010; Clarkson, Overell, & Chapple, 2011; Jain et al., 2015) represent the interpretive side of analysis sufficiently hence I chose to follow the example of O'Dwyer (2002).

The discursive analysis involved reading social and environmental reports for their overall messages and meaning. To discover the overall messages and meanings of reports I first read over them in full without making specific notes until I had completed a full reading. Once I had finished my first reading I recorded my overall impressions and thoughts of the report. Following this I re-read the reports and coded them using NVivo. The coding was done in order to identify parts of reports that related to specific themes such as stakeholders. Once

coded, I then read what had been coded and wrote down my reflections of what themes were present. Once all my reflections on each code had been written down I began to analyse the document for the overall meaning of and narratives that were present in each report. The analysis was a subjective analysis with the meanings discovered being as a result of my own interpretations. It is important to note that these were not the same categories as during interview analysis. Some categories were present in the analysis of both the interviews and reports, however, this was not of design.

3.4.4 Analysis of links between interviews and reports

The analysis of the links between interviews and reports was completed once an interview and report had been analysed for a single organisation. This necessitated the process being the last one to be finished. These findings ultimately provided the answer to the primary research questions. Therefore this was one of the most important parts of my research. However, it was also dependent on the first two parts of this process being carried out competently and on time. The end result of this research phase was the finding of links (or not) between perceptions and reports.

The links were found subjectively utilising the earlier coding and analysis, however, this was not a simple match-up exercise. The coding only provided links to certain thought patterns and categories were not concrete. A potential hindrance of this process which Marshall (1981) outlines is that coding may “rob the individual case of its wholeness” (p. 396) as only small parts of each interview or report are looked at through coding. Marshall states this can be overcome through looking at each case as a whole and keeping this context in mind. I endeavoured to do this and explicitly considered whole cases during my analysis to ensure this was done.

Where certain ideas appeared to be associated with others, there was no statistical analysis of these relationships, rather the relationships were based on my own perceptions. When looking

for links between the previous two research phases some new ideas were discovered. This resulted in re-coding according to the new idea, and in this sense, the research process was relatively fluid in nature, keeping in line with the exploratory approach. This could have become an iterative process, however, this did not eventuate as coding was broad enough to encompass multiple concepts in a theme.

The two different analyses that had already been undertaken were brought together in this phase, although if certain themes were not present in one of the phases this did not preclude them from being part of the final analysis. Themes were included that were present in only one part of the research because they were still seen as important, further, some themes such as the importance of CEOs were not present at all in reports because reports were largely written from the perspective of the CEOs. On other occasions results of one phase of the research would clarify the findings of another part. For example if a report mentioned a relationship with stakeholders being significant but the interviewee did not identify the stakeholder as important the information in the report was not seen as credible as it would have been if the interviewee had supported what was said in the report. The triangulation here enabled for some themes to come through more strongly than others and allowed for more credible results.

The links that were found were used in answering my fundamental research questions and as such these needed to be carefully considered and, where possible, links were complemented with outside evidence. This evidence came from theory, previous literature and, where applicable, from fields outside the domain of social and environmental accounting. This triangulation was used wherever possible for links that had been found, however, some links were new or unique so this could not occur. These findings were the most valuable due to their originality and being areas where more research can be directed in future.

3.5 Conclusion

An interpretive approach was chosen in line with the personal beliefs of the researcher to ensure that methods could be followed consistently throughout the research. The research was exploratory as this was seen most appropriate given the nature of the inquiry. Semi-structured interviews were chosen to ensure that rich information was gathered from participants and a style of analysis consistent with past research in the social accounting sphere was used enhancing the credibility of the findings. This chapter enables readers to fully understand the way that the research has been conducted so that meaningful conclusions can be drawn.

Chapter 4: Findings

4.1 Introduction

This chapter provides a summary of the responses of the five interviewees as well as content of the reports examined. Consistencies and inconsistencies between these two sources of information are outlined. The findings are grouped into the key areas of stakeholders, rationale for producing reports, instances of stakeholder engagement and the practitioners themselves. Brief reference and comparison to past research is made in relation to each of the themes with more in depth discussion reserved for the next chapter. These findings begin to form answers to the research questions before they are more fully answered in the next chapter.

4.2 Stakeholders

Stakeholders and how they are defined are very important to non-financial reporting and as such represent an important portion of the findings of this project. Stakeholders were defined by interviewees very widely both when talking about stakeholders generally and when discussing stakeholders specific to their respective organisations. Three of five respondents defined stakeholders as being “*anyone with an interest in the business*” whilst the other interviewees did not provide generalised definitions. All interviewees when listing more specific stakeholders discussed a very wide range of different people, groups and systems. One example from an interviewee which encompasses most identified stakeholders is provided here;

“We’ve got internal stakeholders which are the people that work here and we’ve got external stakeholders where you’ve got customers, we’ve got suppliers, we’ve got NGO’s, we’ve got the government, we’ve got peers, we’ve got other industry business partners, we’ve got media, people broadly, not just direct customers but New Zealand in general, investors, everyone in the world is divided into the chunks that you deal with”

Whilst these definitions and examples were very wide it became clear through both the reports and in discussions with interviewees that often such wide definitions were narrowed down in everyday life. With this narrower definition there were a number of stakeholders which appeared to be identified and considered more often than others. For all organisations their customers were discussed frequently as an important stakeholder, this was consistent through the reports and the interviews. For example, the KiwiRail report shows the primary importance of customers in the following *“This includes engaging with our customers and other relationships we value.”* This is also evident in exhibit A from the KiwiRail report;

Exhibit A Source: page 21, KiwiRail Sustainability Report 2014

Engaging in Key Relationships

KiwiRail understands that listening to and responding to customers' requirements will ensure that service delivery meets their expectations. This also holds true for the various people and organisations that have an interest in our business. However, we acknowledge that to truly achieve shared value and have 'sustainable' relationships will require proactive engagement.

The reference to customers specifically and then “various people and organisations” shows the primacy of customers and indicates there may be a hierarchy in stakeholders with customers at the top.

Suppliers were also discussed often in both the interviews and the reports. Shareholders were seen as important stakeholders by all interviewees, however, in the reports this was less frequent. In many cases, in particular with those organisations producing integrated style reports, shareholders were the primary audience for the reports. Shareholders being the primary audience outlines their importance although they are not discussed heavily in the

reports. The lack of shareholder discussion is likely due to the reports discussing the benefits to the business which then translate to shareholder benefits. Also the reports are focused on the organisations and their activities which is consistent with the small amount of discussion of both shareholders and senior management.

Whilst community groups and NGO's were often talked about, this was to a lesser extent than the suppliers, customers and shareholders. This shows that there may be some sort of implicit distinction between these different groups of stakeholders or a hierarchy of stakeholders. This was also reflected with a moderate amount in reports relating to these stakeholders. Z Energy did have a significant section on community in their report through their 'good in the hood' program which was also discussed in interviews. This was discussed more than by other organisations, however, a similar emphasis was used by each organisation in regards to community. Community was covered by all reports and discussed more frequently than in interviews, however, the coverage in reports was often very brief. Community typically referred to a small number of programs from various regions of the country in which the organisation operates both in reports and when interviewees discussed how they interacted with their communities. The programs which were reported under community also tended to be of a small scale limited to one locality although there were a small number of exceptions where large programs were reported under the heading of community. Overall communities as stakeholders were identified commonly although they were not discussed in great detail.

The environment was seen as a stakeholder by most as was the social system of New Zealand. These two stakeholders were talked about significantly less by the interviewees and in the reports with the environment being talked about more than the social system. One notable exception to this was Genesis Energy who as a company operating in the energy sector has obvious effects on the environment and therefore the interviewee discussed this

frequently. The environment was present in all interviews and reports, with the reports detailing a higher proportion regarding the environment than was discussed in the interviews. Iwi was discussed by Genesis Energy in detail, however this stakeholder group was not discussed by ASB or Z Energy and very briefly by KiwiRail in interviews. This can again be attributed to the amount of impact that Genesis Energy has on local Iwi through their power stations and the way their operations affect rivers with significant cultural importance. Māori were mentioned in all organisations' reports apart from Fuji Xerox's global report with Genesis Energy having the most detail in their report followed by KiwiRail with ASB and Z Energy both covering Māori less than the other organisations. Fuji Xerox's global report did not have a section specific to New Zealand and as a result Māori were not mentioned in it. The interviewee did discuss Māori however showing that they are still a stakeholder considered by the organisation in New Zealand.

Overall the stakeholders that were identified by the interviewees and within the reports analysed were very consistent, both with who was identified and the frequency with which they were discussed. There were some differences, which have been discussed earlier and are summarised in Table 2;

Table 2: Identified stakeholders

<u>Organisation / Stakeholder Group</u>	<u>Z Energy</u>		<u>Genesis Energy</u>		<u>KiwiRail</u>		<u>Fuji-Xerox</u>		<u>ASB</u>	
	I	R	I	R	I	R	I	R	I	R
Employees	R	R	S	S	S	R	R	S	R	R
Environment	R	R	S	R	S	R	R	R	O	S
Community	R	R	R	R	S	S	R	O	S	R
Iwi	O	N	R	O	O	S	N	N ¹	N	N
Government	O	S	S	O	R	R ²	N	R	O	N
Financial Stakeholders ³	R	R	R	R	R	R	O	R	R	R
Social System	R	O	S	R	O	S	S	R	R	S
NGO's	S	O	O	O	S	N	O	S	S	O
Peers ⁴	S	N	O	N	R	N	R	O	R	N

Key:

N	Not identified	Blue	Not important
O	Identified occasionally	Yellow	Somewhat important
S	Identified semi-regularly	Orange	Important
R	Identified regularly	Red	Very important

As can be seen from the table above stakeholders with direct links to the traditional business goals of maximising profits and shareholder wealth are the most commonly identified (employees, and financial stakeholders) and seen as very important. The environment was

¹ The Fuji-Xerox report was not based on New Zealand hence no mention of Iwi.

² KiwiRail is a government owned enterprise and government here also fits into the financial stakeholder category.

³ Financial stakeholders here refers to suppliers, customers and shareholders

⁴ Peers refers to other individuals or groups with a focus on sustainability

also seen as important by organisations as were peers. Others were more varied and not identified as regularly indicating an instrumental view to stakeholders may be prevalent.

4.3 Rationale for production of reports

Rationales for reporting were discussed with interviewees with various rationales being provided. This is an area where significant work has been done in the past in terms of attempting to explain or predict why an organisation would produce non-financial reports. The most discussed rationales were those which had direct benefits for the business and their operation. Other less direct rationales were also discussed and all will be detailed here. Other factors which were seen to be contributing variables to the production of the non-financial information are also discussed. Also important to note is that whilst there is no section solely looking at the content of the non-financial reports themselves, the content has been examined. The themes present in the reports are also present in interviews and as such discussion centres around both the interviews and reports concurrently.

4.3.1 Business rationales

Business rationales were the most commonly provided rationales by interviewees, with the ‘business case’ of reporting appearing to be a major motivation for organisations to report. An example of this was provided by an interviewee who stated; *“If you don’t measure and you don’t report it then you don’t manage it and so that whole thing goes on and on”* alluding to the internal efficiencies that can be gained through management of issues reported. The internal benefits were demonstrated in Z Energy’s report as detailed in exhibit B;

Exhibit B Source: page 12, Z Energy Annual Report 2015

Health, safety, security and the environment

Luck doesn't get you far when it comes to HSSE and few things have the potential to impact the bottom line more profoundly than getting HSSE wrong. So before we discuss financial performance, we need to discuss our HSSE performance.⁵

One key benefit that was expressed as coming about through reporting was staff engagement and well-being. This was demonstrated by one interviewee who stated;

“it is one of the primary places that potential staff members look for information so that they A; know what kind of company we are to decide if they want to work with us and B; so they can get information so that they answer questions and formulate their own questions and that's super important because that's a massive element of our business is we've got to get the right people through the door and keep them.”

This was also reflected in the report itself which stated;

“Our people are the key reason we are a successful business. We aim to attract the right mix of talent to grow a successful diverse culture where people are encouraged to develop their skills with a wide variety of opportunities.”

This was a prominent theme in all of the interviews with staff engagement being the most commonly cited internal benefit associated with reporting. Z Energy in their report state; “*We know that increasing engagement is a long game and, even given our current strong results, we reckon increasing employee engagement is a game worth playing for.*” Another example of this business rationale came from one interviewee who stated that some environmentally harmful operations were being shut down. The interviewee made it clear that this was not an environmental decision whatsoever and came down purely to economic reasons as the operations were not profitable at present. The economic reasoning for the decision shows the importance of business benefits and the way that the business rationale seems to dominate practice currently.

The dominance of a business rationale was not reflected in the interview at Fuji Xerox, this is because only an international report is produced. This report was not seen as affecting the

⁵ HSSE is defined by Z Energy as health, safety, security and the environment.

New Zealand operations by the interviewee because it was not relatable and raises an interesting point with regards to single international reports and the absence of a ‘local’ report. Due to this inadequacy Fuji Xerox are going to produce a New Zealand only report. This New Zealand only report would be produced in a more ‘kiwi way’. The international report by Fuji Xerox was the only report which did not have business benefits or results frequently. This difference is interesting. However, it is outside of the scope of this project. The primary audience for this first New Zealand only report will be staff and its purpose would be to motivate staff and get them engaged. This again shows that employees are a key part to the rationale of producing these reports in New Zealand.

A business rationale was also displayed in respect to expected external benefits. Investors and shareholders were seen as benefitting from extra information in reports as demonstrated by this interviewee;

“Investment decisions should be based on the total value of the company to the world because the companies that are doing better in sustainability are actually generally performing better financially as well. So investors should want all that information in there even if they don’t know they do at the moment.”

This claimed value to shareholders was also reflected in another report by Genesis Energy detailed in exhibition C;

Exhibit C Source: Page 3, Genesis Energy Annual Report FY 2015

Social and Environmental Outcomes

Genesis Energy strives to balance its use of resources in order to create shareholder value with the needs, rights and requirements of the communities and environments in which it operates.

The reference to shareholder value in a section titled “Social and Environmental Outcomes” demonstrates the overriding dominance of traditional profit maximising motives for reporting. The balance referred to appears to prioritise shareholder value over other stakeholders as shareholders are mentioned primarily. Shareholder value as a goal is further demonstrated in the report in exhibit D.

Reporting

For the first time, our Annual Report has been prepared using the principles of the worldwide Integrated Reporting framework to guide the content and presentation.

The emerging Integrated Reporting framework is designed to create a more complete picture of how a company creates value for its shareholders, customers and stakeholders. The framework allows us to illustrate how we make a sustainable financial return for our shareholders, while managing and protecting the resources enabling our value creation – natural resources, our people, operational capability, and intellectual and financial capital.

The use of the word *while* here, again gives an indication a stakeholder hierarchy with financial stakeholders and in particular shareholders having priority.

The pursuit of shareholder value was also reflected with the reports being “*primarily directed initially at investors*”. Investors including parent companies as an intended audience were displayed by all interviewees with ensuring that shareholders could understand the organisation’s strategy also seen as important. Social and environmental reporting was also seen as a way of conveying a message to shareholders as displayed by the following interviewee “*it’s about showing stakeholders, ah shareholders and stakeholders – demonstrate to them that you are conducting best practice, you are conducting your business correctly.*” The conveying of a positive message was also demonstrated by another interviewee who said one key part of these reports was “*to manage our reputation*”.

Another purpose of reporting which was expressed by all interviewees was the ability to tell their organisation's story through the report. Stories were frequent in the reports and were examples of how organisations had interacted with stakeholders. KiwiRail in their report told the following story; *"Our freight story since 2008 has been one of building the confidence of our customers in rail as a key part of their supply chain"*. One story provided by Genesis Energy in their report and by the interviewee was representing them and their work with helping preserve the Whio duck⁶. Other stories would focus more on business efficiencies such as ASB's focus on their new building which allowed for more efficiency and engaged staff. The interviewee from Fuji Xerox also indicated that telling the organisation's story would be particularly important in their first New Zealand report. This is consistent with the emphasis on stories in KiwiRail's report, which was also the first report of this kind by KiwiRail. Similarly KiwiRail provided a history of the organisation in their report which was also seen as an important part for the first Fuji Xerox report.

The need for business benefits was demonstrated by one interviewee stating

"I can't think of terribly many organisations out there in general I suppose, you know, there's not many in New Zealand at all that would want to do anything other than a hybrid report because it has to tick two boxes for them. Almost a compliance and transparency but they need to also say hey, look at these amazing things that we're doing."

The external benefits also came from customers who were seen to be an important audience for the reports. One interviewee noted; *"we have to make sure that we're constantly aware of what our customers' needs and wants are"* and saw that being responsible as an organisation and reporting was a key way to understand customers' needs and wants. Exhibit E from Z Energy's report demonstrates the importance of understanding customers' needs and wants.

⁶ Genesis Energy's story on the Whio duck was emphasised strongly and in depth by the interviewee. It encompasses the organisation working with many non-financial stakeholders. The story here told of a stakeholder relationship between an organisation its' stakeholders most akin to stakeholder engagement amongst those observed.



This shows that sustainability is pursued because Z Energy believes their customers want Z energy to be sustainable. Sustainability in response to customers reinforces the business rationale and also appeared to be something extra with customer service being the first priority.

Z Energy in other parts of their report emphasised that customers want them to be responsible in a number of areas showing the importance of customer's wants in determining the practice in this area by organisations. This was also expressed by the interviewee for Fuji Xerox stating it would be important for customers so they can understand the organisation's values more fully. These show the benefits organisations see as coming from these reports.

This type of reporting and being responsible has often been seen as necessary for organisations to have a license to operate. This was reflected by two of the five interviewees with one stating *“It will keep you afloat fundamentally; it allows you to endure whatever is chucked at you”*. Another interviewee elaborated on this more stating;

“it used to be about giving back and having a license to operate and that kind of concept, which is still true we still need a license to operate but we try not to buy the license to operate by just throwing dollars around as others might.”

The buying of a license to operate would be in the form of sponsorship. The statement that buying a license is an old approach shows there may have been some development in this concept with reference to a past approach, this development will be discussed in the analysis section. The elements of the business rationale are summarised in Table 3.

Table 3: Elements of the business rationale.

Element	Stakeholder groups involved	Stakeholder groups benefitted
Internal efficiency	Staff	Shareholders
Management of issues	Staff/Senior Management and external stakeholders based on issue	Shareholders
Staff engagement / motivation / retention	Staff	Shareholders, staff
Extra information available externally	Shareholders	Shareholders
Reputation management	Shareholders, customers	Shareholders
Ability to tell organisation's story	Dependent upon story	Shareholders, customers & staff
Ability to meet customer wants / needs	Customers	Shareholders, customers
License to operate	Customers, New Zealand as a whole – includes environment and local communities	Shareholders, staff, New Zealand as a whole

Table 3 clearly indicates that all elements of the business rationale to social and environmental reporting and stakeholder interactions are designed mostly to benefit shareholders. Very few elements effect stakeholders which do not have direct ties to organisational profitability. This shows that the business rationale to this reporting is not a movement away from traditional business goals of shareholder maximisation and does little to help stakeholders who cannot benefit from the organisation directly.

4.3.2 'The right thing to do'

Another significant rationale for this practice which was discussed was that it was simply the 'right thing to do.' This rationale was discussed by all interviewees, although to a lesser extent than the business case. The rationale was displayed by one interviewee who stated; *"we're all New Zealanders right? We want to make this country good."* This idea was expanded on by another interviewee;

"we really truly believe in doing the right thing for our stakeholders and respecting the environment, supporting community organisations, it's quite important and I think businesses have an increasing role to play in partnerships, particularly in social needs and in environmental partnerships so I think more and more organisations like Department of

Conservation need corporate support, funding not just funding but other support as well to do good work in the environment so it's really important.”

The quotation shows that there are not only business reasons behind reporting practice, however, they do form a significant part of it, which was reflected by the tone and focus of the interviews. Similarly in the reports mostly business rationales were presented. One report did mention doing the right thing in exhibit F

Exhibit F Source: Page 36, Genesis Energy Annual Report FY2015

The behaviours were developed internally to meet strategic, cultural and organisational development needs.

The clearest example is 'Do What's Right' – for each other, our customers and our communities. This behaviour applies as much to how we treat our customers as to how we approach personal safety at work.

Again there is a strategic element to this with the behaviour developed to meet strategic development needs. There is also emphasis on customers giving further evidence to a stakeholder hierarchy. Similarly for most interviewees mixed motivations were displayed such as those in exhibit F. However, as shown by one interviewee sometimes the business rationale is the only one that is present; *“historically what has been produced by this organisation has been I would say more of a marketing report but they call it a Corporate Responsibility report.”* This shows not only the heavy business focus but also the focus on reputation and conveying a certain message to external audiences.

4.3.3 CEO & senior management

Other factors were seen as important for the production of these reports. One such factor was top level management which was seen as important by all interviewees. This is best demonstrated through the following quotation by one interviewee *“certainly you need top*

level buy in I believe to make it.” The CEOs importance was also noted in regards to making sure employees are also committed to acting responsibly;

“I think that because we’ve got a Chief Executive who has stated that they believe in climate change, are here for New Zealanders and a very New Zealand company it helps because that’s the stand from the top ... even if you don’t personally believe that, you have to get on board because that’s the company line”

The importance was also shown very strongly by another interviewee who stated “*Yeah if you have a resistant CEO there’s absolutely no point because ... they need to be able to stand up there ... and they need to be prepared to fight for the right thing*”. This shows the great importance of the CEO with the reporting reliant on an accepting CEO. This is further reinforced by one interviewee reflecting on the factors leading to the organisation producing their first sustainability report stating; “*the key is we had a change of CEO*” and also described the other senior staff as follows; “*our senior team that kind of said “hey this is just the way you do things” you know, so that was probably the key for that first one.*” Another interviewee indicated that just months earlier there would have been “*no positivity*” in trying to get sustainable activities approved. However, following a change in senior management sustainable activities are approved with ease. The interviewee emphasised this further by stating that senior management had a “*huge*” influence on whether these schemes go ahead. More evidence was provided by the remaining interviewee who stated “*Absolutely, if you haven’t got CEO buy in then you’re just stuffed really quite frankly*” again showing how important the CEO is to this type of practice.

Whilst the CEO and senior management are important factors for reporting, their motivations are another matter. It is likely that they would also be attracted to this practice by one of the two rationales one interviewee provided insight into how complex the motivations can be; “*We put big money into New Zealand opera because ... Helen Clark was the Prime Minister at the time and she liked opera, go figure, the chairman wanted to be able to host VIPs at the opera.*” The importance of the various CEOs was not discussed in the reports, however, the

CEOs themselves were present in all reports with various statements and explanations further showing their importance and support of the reports. There were indications from all interviewees of senior managers having varying degrees of knowledge and awareness of stakeholders and related issues. Many cited that the current management had led to a change in reporting because the CEOs and senior management had increased knowledge and awareness of stakeholders than their predecessors. The importance to reports and complexity of CEOs' and senior managements' influence on reports will be discussed further in the discussion section.

4.3.4 Espoused Values

Another important factor contributing to the production of these reports were organisational values and this was discussed and identified by all interviewees. This was strongly demonstrated by one interviewee with the following;

“really it’s got to be part of the DNA of the organisation because you can only report on things that you do and believe, there’s no point in reporting if it’s not how you actually work so *our organisation* has always been a very values based organisation. That makes it easy for us to report using values based reporting because that’s how we work.”

Values based reporting here referred to reporting in line with values that the organisation held. The values of the organisation had come through strongly from the interviewee who stated that all employees had to agree to the values such as transparency and making a positive social and environmental impact in New Zealand. The report then was based on how the organisation was implementing these values through their operations and how they can further implement activities in line with the values showing the importance of this organisation’s values to their report. All reports expressed values as can be seen in exhibit G.

Our KiwiRail Values

With the help of our people we have developed a set of values to guide our business towards a sustainable future.



1. **Care and Protect** is our most important value with recognition across the business that everyone is a safety leader.



2. **One Winning Team** is an expression of the "one business" concept which empowers the workforce to make decisions, value diversity and collaborate to achieve.



3. **Great Customer Experiences** refers to the fundamental need to be commercial, engage with our customers, understand their needs and deliver on promises.



4. **Straight and True** requires us to be honest and up-front and treat people with respect.



5. **Strive for Excellence** represents searching for opportunities, challenging the status quo and seizing the initiative.



6. **Deliver Results** is a business fundamental that requires us to hold each other accountable and nail our targets

Whilst expressions of values like these are commonplace among almost all large businesses, it is whether there is evidence of them being carried out or acted on which is important. One interviewee showed that organisational values do need to be entrenched because “*so often they are just writing on the wall.*” If the values are not entrenched they will not influence staff internally and will therefore not convince external audiences. The interviewee did, however, see the report as a way to either create new values or entrench values which already exist.

Another interviewee identified values as being a key to the reporting when new values were introduced;

“the values came out which we didn’t have before which again to me you’ve got to have those values underpinning so it was a really key part of things and just the willingness to be quite transparent and honest and open about stuff”

The concept of being ‘open and honest’ was also discussed by most of the interviewees as being a key value for the organisations. Values were also reported on by organisations often and the values that interviewees expressed were reflected in all of the non-financial reports. These show values are important. However, they must be integrated to be important, and these issues will be analysed further in the discussion section.

4.4 Stakeholder engagement and relationships

Stakeholder engagement and relationships are very important to this type of reporting and were the focus of this research. All interviewees indicated that stakeholders were regularly in contact with organisations and this was also reflected in the reports. Their influence on the reports, however, was more varied. Instances of engagement described in interviews and in reports will be discussed as well as the influence stakeholders had on the reports themselves.

4.4.1 Communication

Many of the relationships described by interviewees were in regards to customers and suppliers, with community groups again being mentioned, but to a lesser extent. This was demonstrated by an interviewee showing that they had engagement with customers but *“not the formalised corporate responsibility stuff.”* Organisations and their stakeholders would often be in contact with each other, however it appears this was often more organisation dominated rather than stakeholders initiating or leading conversations. This was evident in the following quote from an interviewee; *“we talk to peers and key customers and key NGO’s to just check these are the things we’re planning to talk in terms of the GRI indicators does that sit well with you or not?”*. Stakeholder meetings by Genesis Energy are detailed in exhibit H.



The Annual Environmental Reports (AER) update communities and stakeholders about activities at the sites each year and cover:

- Resource consent compliance
- Updates on monitoring and research programmes
- Key project information
- Community and environmental initiatives
- Environmental objectives for the next 12 months.

Following completion of the AERs, annual stakeholder consultative meetings are held. These meetings bring Genesis Energy and key stakeholders, such as the Department of Conservation, iwi groups and Fish and Game together with local communities to discuss the power schemes. The meetings focus on giving the public information on Genesis Energy's operations and the opportunity to address any issues as they arise. These meetings help develop closer working relationships with the communities we operate in. The consultative meetings were held between September and November 2014.

The purpose of these meetings is primarily to give stakeholders information showing the dominance of organisations in this communication. There is an opportunity for stakeholders to bring up issues indicating some balance to the meetings. The meetings still appear to be organisation centric with the focus on giving out information and discussing power schemes. One interviewee gave an overview of the communication that occurred for their organisation with stakeholders;

“We have mapped out our stakeholders and we have allocated out responsibilities for ownership of that relationship and the expectations of engagement depending on how important they are. So that part of it has been mapped out, beyond monitoring and feedback of that no that’s it.”

This shows another instance of the communication being more based on feedback on what the organisation is doing rather than being initiated by the stakeholder. In reports, however, the communication appeared less dominant with KiwiRail aiming for two-way relationships although communication itself was not discussed. Z Energy’s report showed a less dominant communication style as detailed in exhibit I.

Exhibit I source: page 4, Z Energy Annual Report 2015

Sharing what matters with people who matter

Two of Z’s founding organisational values are ‘share everything’ and ‘be straight up’. This demands that we take stakeholder engagement seriously, and at Z we do.

Stakeholder engagement and the way we go about it is an area in which Z strives to be distinctive – we’re committed to being proactive, direct and straight up, and listening more than we talk.

Often Z’s approach to stakeholder engagement is met with surprise and at times a level of suspicion – we’ve learned it’s not common for a fuel company to meet with a wide range of environmental or non-governmental organisations (NGOs) to discuss climate change, sustainability and alternative fuels. It’s not common for a fuel company to invite

government and motoring advocates to discuss our financial performance twice a year. Our stakeholders tell us they find it refreshing that we can be straight up about what we haven’t done well, as well as where we have enjoyed success. This report is another example of this approach in action.

We regularly check our engagement programme to ensure we are building relationships with the right people. We listen to their concerns and ideas about what matters most to them.

This showed a more interactive style of communication where stakeholders are encouraged to inform the organisation of what has not been done well. Although the discussions do still appear to be organisation centric with financial performance being a focus, it is to a lesser degree. This exhibit also shows values based around stakeholder communication further outlining the importance of values to stakeholder engagement.

One interviewee indicated that stakeholder communication was an area where they wanted to have a more formalised process showing that the current communication was not well

established. This was seen as an area which could be improved by producing these reports by all interviewees. Communication is a large part of stakeholder relationships and will be discussed further in the discussion section, it should be noted that it has been isolated here from the larger context of stakeholder relationships.

4.4.2 Barriers to engagement

In discussing stakeholder communication a lack of stakeholder feedback was discussed by interviewees; *“we do put it on the website and put a post on the Facebook page but we don’t get many comments in fact any really.”* Another difficulty was the perceived cost of engaging with stakeholders which was indicated by all interviewees and is demonstrated in the following quote; *“... to have some more stakeholder engagement. It is hard to commit the time to it and we don’t have a lot of money ...”* Another quote showing the difficulty of stakeholder engagement was in regards to getting authority to spend the money in the past from a staff member stating they *“could not see past the dollar figure.”*

The difficulty of obtaining funds for engagement was partially offset by interviewees showing money did not need to be spent to develop good relationships with stakeholders. The ability to build relationships without spending money was shown by the two following quotes from the same interviewee; *“we can influence or impact on society, environment without using real money”* and *“there’s lots of different ways of connecting with different stakeholders and meeting their needs without throwing a whole lot of money at them and I think throwing money at people a bit of an old way or approach now.”* Another interviewee shared a similar view showing their change in behaviour beginning with *“Over ten years we spent millions but our view when I came along and others came along was that this was not actually leading to strong positive impacts for the communities.”* They then described current practice as being involved with more meaningful programs and not just committing money, instead *“helping them out by providing the venue for their workshop so it didn’t cost us a lot*

of money and that's kind of hosting, it's simple it's just part of helping out." This shows that whilst money is a factor in organisation's interactions with stakeholders, the substance of the interactions was seen as more important by some, to understand the substance of these interactions I will now look at the relationships with stakeholders concerning more than communication as described by interviewees and reflected in reports. Difficulties associated with engagement were not mentioned in any of the reports.

4.4.3 Stakeholder relationships

The stakeholder relationships described by the interviewees were varied from the organisations and also only represented a few of the many relationships that an organisation establishes. Relationships tended to be strongest with suppliers, business partners and, in some cases, regulators. One interviewee explained that most stakeholder relationships were still very basic as evidenced by; *"I think there are still a whole lot of transactional relationships where we buy stuff or we sell stuff and there's a lot of that"*. KiwiRail's report emphasised a less transactional type of relationship with their aim being; *"Creating long-lasting two-way relationships with customers, suppliers and other stakeholders."* One interviewee expressed that in general;

"A lot of it's just ongoing so we have investors and stakeholder relationships managers that we just keep talking to we talk to the customer managers around the business they feed information back to us just on an ongoing very informal type basis."

Customer managers and relationship managers were mentioned by all interviewees indicating that certain stakeholders would have more contact than others. One example of this was the relationship between one organisation and the local Iwi. On this occasion the Iwi did not have a specific relationship manager as this would be seen as disrespectful by them. This meant that the CEO was directly involved and there was also more of a hands on approach with Iwi as shown by the following from an interviewee;

"it's a lot of work it was literally on river boats down the Whanganui sleeping on a mattress in a Marae all together in your PJ's kind of stuff it wasn't easy. Well it might not have been that

unpleasant but it was a real commitment.”

This interviewee also showed a more formalised relationship as opposed to the informal basis described earlier; *“so with Iwi, we have formal meetings we have formal consultation we have joint committees”*. These large variances across organisations also tended to occur within organisations and showed that there were a diverse range of relationships with stakeholders. I will now look at instances of stakeholder engagement described by interviewees and reports, including what constituted stakeholder engagement.

4.4.4 Stakeholder engagement

4.4.4.1 Formalised engagement

The best example of stakeholder engagement was that provided by Genesis Energy and their work with the Department of Conservation to help preserve the Whio duck population. Whilst this started off as being compulsory work with the Blue Duck Trust as part of a resource consent it then became more than that when Genesis Energy worked with the Department of Conservation. Genesis does this by committing a lot of money and working with a committee that consists of Blue Duck Trust members, Genesis Energy staff, Department of Conservation staff and other experts. Blue Duck Trust staff are included in this despite Genesis Energy no longer having a formal partnership with the trust itself. The inclusion is to ensure that the most is made out of Genesis Energy’s contribution or as the interviewee explained *“for us it’s certainly not about just handing over a check for \$500,000 once a year and saying “enjoy yourselves,” we work really hard at all levels.”*

The idea of the partnership being at multiple levels is what distinguishes this as a good example of stakeholder engagement. The idea was emphasised repeatedly with the interviewee stating *“a true partnership works at different levels”* distinguishing this partnership from other less meaningful relationships. This distinction will be elaborated on further in the discussion section. Another characteristic of this partnership was the inclusion

of stakeholders such as the Blue Duck Trust and Forest and Bird. Their inclusion is significant because these stakeholders are different to those that are regularly emphasised as they are not directly related to the organisation's operations. The relationship is also unique through including stakeholders in the committee which was part of the decision making process in regards to how funds are spent and allocated. The inclusion of stakeholders in decision making processes did not occur with any of the other organisations. This relationship was also covered in detail in the report, with the interviewee covering it more in depth. How this relationship relates to stakeholder engagement described in the literature will be discussed in the next chapter, as will be the relationships from other organisations which I will now outline.

4.4.4.2 Informal engagement

Another interviewee saw their stakeholder engagement as being constant communication with different stakeholders. This was less of a specific relationship but a more generalised view of the relationships with stakeholders. This was so that stakeholders could be included in discussions. The interviewee for Z did describe some specific relationships that Z has including their relationship with St. Johns Ambulance. The interviewee was reluctant to call this stakeholder engagement however. This was because they saw it more as a commercial partnership as St Johns Ambulance was both a customer and a supplier. This distinction between a commercial partnership and stakeholder engagement is important as it indicates stakeholder engagement would need to be with stakeholders such as those engaged with by Genesis Energy. Stakeholder engagement here was seen to be based on constant communication and inclusion of stakeholders, however, not with commercial partners. In their report Z Energy did not elaborate on this relationship, rather they gave an overview of their approach to stakeholders in general with a lot of small examples.

One interviewee noted *“there’d be a lot of engagement across the board, we do a lot of sponsorship and so there’s a lot of engagement there.”* In describing engagement, staff engagement was emphasised by the interviewee as well as mentioning the following regarding product design; *“this is a space where there is enormously high stakeholder engagement and feedback ... So I guess in that sense there’s a huge amount but not the formalised corporate responsibility stuff.”* This was something that was not elaborated on in the reports by the organisation; it appears that stakeholder engagement was focused more on the stakeholders that had ties to business than other stakeholders.

4.4.4.3 Sponsorship

Sponsorship was one area in which stakeholders without direct business ties were identified. It was not clear how substantial these relationships were and whether the relationships expanded beyond sponsorship. One interviewee did indicate that the organisation may not be involved heavily with these stating; *“as for formal stakeholder engagement there isn’t terribly much at the moment but as I say there will be.”* This was also shown in the KiwiRail report as they state *“Creating value will differ from relationship to relationship and will include ... sponsorship (community groups)”*. The ASB report did comment on these sponsorships but did not provide a large amount of detail on how these relationships were carried out other than the sponsorship itself. This indicates value may be seen as being created purely by sponsorship rather than something more, however, this is not clear from the report. The prospect of more stakeholder engagement in the future as indicated by interviewees will be analysed in the discussion section.

One interviewee emphasised their relationships with a specific type of customer being schools. The relationship here although commercial, was also more than a simple transactional one. The relationship included that the organisation would pay for school facilities and sponsor sports teams. The interviewee also indicated that they would look to

continue this relationship and further it by including school principals in any stakeholder consultations held in the future. Also indicated was a relationship with local Iwi who blessed a new building and performed welcoming ceremonies at the organisation. The relationship with local Iwi and a new supplier engagement program indicate that at this organisation there may be more reciprocal relationships in the future rather than the less established relationships detailed here.

4.4.4.4 A work in progress

The interviewees also commented that stakeholder engagement was a practice that was still evolving and something that they would work on in the future. One readily admitting there was little or no stakeholder engagement at the time. One relationship which was described by an interviewee was that of their work with staff within the organisation. This included young Māori being taught about all parts of the business. This stakeholder engagement is clearly with stakeholders directly related to the business and has obvious business benefits associated with it. The relationship with young Māori was clearly an ongoing relationship as it is with staff that can be expected to stay within the business for a number of years. The report from KiwiRail did show a more collaborative style relationship that the interviewee did not talk about which is detailed in exhibit J.

Exhibit J source: page 22 KiwiRail Sustainability Report 2014

In previous projects KiwiRail has relied on external consultants to manage the consultation with māori and other stakeholders. On this occasion KiwiRail decided to develop a direct relationship with the Tainui people after the experience of another project in the Waikato Region. This was a relatively new experience for KiwiRail and it was fortunate that the project team was able to call on representatives of Te Kupenga Mahi, the Māori network for staff within KiwiRail, for assistance. Te Kupenga Mahi were able to help foster the initial contact with Tainui and to assist with the proper protocols in meeting with Māori.

The majority of the discussions with Tainui focused on the bridge work and ensuring that both environmental and cultural elements would be respected during the process. However, the access to the Taupiri Maunga and particularly the urupa arose as a key issue for Tainui. The urupa is accessed by crossing the railway line creating a safety hazard for pedestrians and also vehicles. It became apparent that this issue would need to be worked through as part of the bridge project and not as a separate issue. This widened the involvement of KiwiRail to include other parts of the business and also brought in other stakeholders like the New Zealand Transport Agency.

The exhibit shows a collaborative style of communication with stakeholders that may otherwise not have been involved in discussions with KiwiRail. It also shows that communication can develop from a business focus to a more balanced conversation. The new experience in the report also reflects what the interviewee had stated regarding KiwiRail's work with Māori and that they were only beginning to build this relationship. The report showed that whilst most of the communication was based on the important part to KiwiRail's business, being the bridge work, Tainui were also able to bring in their showing that communication was not dominated by KiwiRail. The implications of this will be further analysed in the next chapter.

4.4.4.5 Why pursue engagement?

Having outlined these relationships it is also important to consider why these relationships may be entered into. A lot of the reasoning has been covered in terms of the business rationale for producing the reports. However, the rationales specific to stakeholder engagement will be covered here. One interviewee outlined that there must be some sort of benefit for the organisation to start a relationship; *"I think when you can work in partnerships it's definitely potential for value for both organisations, otherwise why do them, if you can't achieve more than you can achieve on your own, you don't do it."* The attitude here very clearly shows that there must be a benefit this was also expressed by another interviewee in stating; *"The ideal is the mutual beneficial, we will both be getting value out of the relationship rather than any one-way transactional type stuff."* Genesis Energy's report also showed this with the following quote; *"We believe that by working together in the context of strategic partnerships, more can be achieved than is possible through the same efforts applied individually."* Mutual benefits were evident in discussing what would happen if an organisation had stakeholders with a number of difficult demands *"but actually we have to see how they fit within our current business climate and how we can actually achieve those*

things.” Another way in which an organisation can gain benefit is in gaining consent as one interviewee expressed *“I’ve been involved in a lot of stakeholder engagement in consenting projects.”*

The pursuit of organisational benefits was again the dominant rationale in pursuing these sorts of partnerships. The value being referred to was organisation centric referring to reputation, cost savings or other benefits which ultimately improve profitability. Where mutual benefits were referred to the benefit to other stakeholders appeared to be optional, with organisational benefits being the driver of relationships. As was the case in the rationale for the production of reports there was also a minor element of doing the right thing. A large part of doing the right thing was about being a ‘good New Zealander’ as an organisation and as individuals within the organisations wanting to be good. The idea of being a ‘good New Zealander’ was reflected in staff volunteer days and environmental values seen within organisational staff. Overall these rationales were reflective of the rationale for the production of the reports with a more strong business orientation.

4.5 Practitioners

The practitioners themselves are an important influence on these reports hence they will be discussed in terms of their values and opinions in this area. All interviewees expressed their own opinions which will be discussed; this section will not include a lot on the reports themselves as these are separate from the practitioners’ views.

4.5.1 Values

The values of the practitioners came through strongly in the interviews. All of the interviewees explained that they had strong values that were very much in line with the idea of being sustainable. The values demonstrated by interviewees also directly influenced their views on sustainability and what it meant. These values included caring for the environment and a desire to be doing what is right. Strong values were often attributed to the way the

interviewees grew up, as well as in some cases their education with an emphasis on the role of business and the environment. One interviewee explained that they wanted to;

“work for a company that wants to make a difference and is trying to do stuff in the best way that they can and make change and we want to ... be part of the solution not part of the problem”

This is a good summarisation of the intentions of all the interviewees who showed a desire to be helping society. One interviewee also offered, as an example, a way to improve environmental impacts;

“Why would you print a 10 page contract for someone to sign and then scan and put back in the system and then you bin that contact that’s one actions that will invariably be done within five minutes flat when in fact if you could just invest in technology that allowed you to sign things digitally? You know we live in a world where we are very lucky we have some extraordinary technology and innovation capabilities at our finger tips and so it’s about looking for opportunities like that”

These ideas were also evident where the interviewees discussed what an organisation’s role should be within society. Organisations’ roles in society were demonstrated in the following quote provided by an interviewee; *“Businesses have a real role to play, part to play in the social and economic and environmental development, not just development but in protecting and enhancing environment and social needs”* The idea that organisations had a positive role to play in society was consistent among all the interviewees and was seen as an important factor in their involvement in this area. Interviewees therefore had a wide view of sustainability with the role of businesses in society seen as very important. The role of businesses was seen as a minimum to not be harming the current and future generations as a result of their operations, and where possible, to be making a positive impact on society. Importantly they did not emphasise the responsibility businesses have to make profits or returns to shareholders.

4.5.2 Sustainability champions

4.5.2.1 Persuasion

Another prominent theme in the interviews was that interviewees would attempt to convince others of sustainability's and non-financial reporting's importance. Interviewees demonstrated convincing others could be done through a number of ways. One interviewee showed that you needed "*passion and persuasive arguments*" and that they needed to;

"find a hook that makes a difference to that individual. For instance one of the good stories we had was; ... every time you travel you're away from your family and you don't get to spend time with your kids so that might be more of a compelling reason for some people than don't fly because you're causing climate change."

This 'hook' could also be a business reason as outlined by the following interviewee;

"I think as long as you always bring it back to business process management for most people instead of ... you've got to make them understand it is not a fluffy thing, corporate reporting it is such a healthy thing."

Another example of a business reason convincing those who are sceptical was presented here;

"the way that I find to legitimise it is if I'm getting shit from the guys from sales I say you know your customer ... they're massively into sustainability." Business rationale was also discussed by other interviewees who stated business cases or business benefits would be presented to convince others of sustainability's value.

Another interviewee indicated that it was quite a process to get their report produced;

"So in a way I've been tacking away at it for quite a long time, probably a couple of years, before it became 'hey lets actually get this out there' and really it was I suppose mainly a solo effort in terms of writing this report."

Another interviewee showed their persistence in working on issues often covered in these reports had had some success with the following quote;

"the squeaky wheel gets the oil, I've been going on about this stuff for quite a while now and our facilities manager when we came to the new building I was saying well with our cleaning and recycling and waste management contracts we need to make sure that they are sustainable ... and actually when I wasn't here there was a meeting and ... it said oh interviewee to arrange for the waste and recycling contract and ... what it meant was we were able to write a request for proposal, put it out there in the market place we invited cleaning contractors to respond and then ... analysed the tender responses and chose the most sustainable cleaning company and that was awesome that was from making a noise about it to actually someone

giving you the green light to go ahead and at the end of the day we chose the most sustainable cleaning company and feel really good about our choice.”

4.5.2.2 Resistance

A degree of resistance was also expressed by interviewees; *“I’ve had general managers here, particularly running our retail business, who in their words don’t want to open up the kimono one little bit.”* and another interviewee expressing that *“there will always be resisters”*. Resistance being inevitable at present was explained by all interviewees and was not seen as something that would change. An interviewee expressed the difficulty of resistance; *“it’s tough it’s like you’re kind of going against the grain a lot of the time.”* Further explaining; *“you have to be emotionally resilient to deal with that.”* One interviewee expressed difficulty in getting past this resistance on some occasions stating; *“I didn’t win all those battles and quite often I’d go oh well you’re not going to tell me I’ll give up and go and do something else.”* This interviewee also noted the problem of powerful resisters; *“The previous chief executive would just write this is bullshit, this is rubbish, not publishing that and what could you do? ... argue with him? (laughs) not with him.”* Another interviewee indicated that with a previous senior manager there would be *“no positivity”* in relation to sustainability investments. The senior manager’s resistance also reinforces the importance of the CEO as has been outlined earlier.

4.5.2.3 Success

Despite the resistance, in general it seemed interviewees were successful in persuading others and this can be attributed to the importance sustainability holds with the interviewees. As one interviewee put it; *“I haven’t met a single person yet who you can’t persuade.”* The convincing of others also indicates that the interviewees had significant awareness and knowledge of stakeholders and related issues. This knowledge was demonstrated by many having undertaken formal training on reporting and stakeholder relationships enabling the practitioners to have the success in convincing others of the importance stakeholder

relationships. The characteristics of practitioners will be analysed further in the discussion chapter. The confidence of interviewees in persuading others has strong positive implications for the future of this practice; the interviewees' opinions on this matter will now be discussed.

4.5.3 Future of non-financial reporting

The interviewees displayed a positive outlook for the future of social and environmental reporting practice. One clear example being the fact that Fuji Xerox is about to embark on a New Zealand only report for the first time. One interviewee recalled that their children were being taught sustainability in primary school and that the children had to look at organisations' reports as part of this class. This interviewee also compared current practice to the early days of Human Resources which is now a well-established field. A number of the interviewees also regarded it as being in its infancy in New Zealand as demonstrated by the following; *"It's pretty immature in New Zealand"*. Interviewees did express that there was a prospect of social and environmental reporting surviving as one interviewee noted in terms of why they got into the area; *"I wanted something I could start to develop a longer term pool of knowledge in and use"*. The positive view expressed on the future of non-financial reporting will be explored further in the next chapter.

4.5.4 GRI and IR frameworks

Another significant topic that was frequently discussed was around the reporting frameworks that can be used as well as the assurance of non-financial reports. The merits of the GRI were discussed with most interviewees expressing reservations with the GRI framework. One organisation was currently using the GRI and their interviewee explained why they chose to do that; *"We chose it because it was widely used and recognised and we'd always said we'd move to a recognised framework so don't just take our word for it, this is measured according to an international standard."* Another interviewee expressed a positive view of GRI and a number of interviewees had been trained in GRI. Some of these benefits were also

recognised by other interviewees in their discussion such as the overall principles and that *“I think to get some consistency and accountability across those you know it’s probably a fantastic tool to use.”*

Two of the organisations had decided that they would not align with either the GRI or Integrated Reporting (IR) frameworks. One further organisation had moved from GRI to the IR framework. One interviewee noted; *“I don’t think that the GRI has terribly much applicability these days it is going too far.”* One criticism from another interviewee was *“very indicator focused, and when you look at their indicators their relevance to our business, a lot of it is very much about businesses with big international supply chains.”* The indicator focus was also recognised by another interviewee stating *“I think at the end of the day the GRI became a bit of a tick the box exercise.”* GRI being a tick the box exercise could lead to a report becoming generic as was shown by one interviewee who explained;

“it’s so prescribed that you can spot a GRI report at a thousand paces before you even open it and I think it robs companies of their identity and what is wonderful about every single company is every company does have an identity.”

The desire to tell the organisation’s story was also elaborated by another interviewee who noted; *“it’s probably following the principles part more than anything. Really we’re just going we’ve got an opportunity to tell our story”*. The approach of following the principles of GRI was shown by another interviewee who said; *“having been trained in GRI I still look back at what you should be reporting on.”* GRI’s principles were also seen as being reflected in the IR framework; *“we’ve now shifted from GRI to Integrated Reporting so it’s slightly different but I think that the principles are still the same in terms of what’s material and what to report on.”* Overall it appeared the GRI and IR frameworks were seen as having useful principles although the strict adherence to the frameworks was seen as problematic.

4.5.5 Assurance

Also discussed was the assurance of these reports. Only one organisation had used assurance in the past and a number of criticisms of assurance were provided by most interviewees. The cost of assurance was provided as one reason that the GRI was being used less;

“a lot of people are scurrying away from them is they’re talking about making sure people assure their reports. That’s a ridiculous sum of money, you’d be talking about the likes of KPMG it’s going to be what 50 grand 30 40 50 whatever it is I don’t know but there are very few businesses that will want to pay to have their corporate responsibility report to be assured.”

The restrictive price of assurance was reflected by another interviewee who stated; *“it’s also an expensive process if you want to get that sort of level of assurance.”* Similarly another problem expressed by one interviewee was the time it took to get assured; *“We simply have a very very tight deadline at the end of the year”* and *“it’s a logistical reason at this point and time.”* Another interviewee showed some of the difficulty that could occur with the assurance itself; *“assuring in the non-financial stuff so it took a very kind of specific, detailed approach to what we were disclosing and verification became a nightmare.”* These perceived difficulties were offset by an interviewee who did have prior experience with assurance noting;

“Part of that assurance process is the assurers would come and interview some of the general managers and the CEO about sustainability and their approach to sustainability and their commitment so they’d get a pretty good idea, the assurers knew at the end of the day, they knew how much commitment and real commitment there was from the executive team on sustainability and sustainability reporting.”

The assurers’ understanding provides evidence for the positive view one interviewee had regarding assurance. One view was that assurance would be pursued, not for the end result in itself but for the learning process that it would entail. It appears therefore that the assurance in itself is not seen as valuable, however, organisations can benefit from the expertise that the assurers possess. Also indicated was that benefits could be overshadowed by the cost and time associated with gaining assurance, this will be explored in more detail in the discussion chapter.

4.5.6 Materiality

Materiality was a topic discussed by most interviewees and forms a significant part of reporting. Materiality here is referring to the importance of an issue, if it is deemed material then it will be included in the report. The interviewees all described how materiality was determined including;

“That was just the scoring process which is effectively the business side of it is looking at it – does it have an impact on short term, does it have an impact on long term revenue, does it align with our strategic direction, does it have an impact on reputation ... And then the other side of the equation was the main stakeholder groups and their level of influence as weighting system and then their level of interest. And then you multiply the two up and you come up with a rough matrix.”

What was evident in relation to these matrices was that to determine how interested a stakeholder was or what they were interested in was often done internally. That is organisations would ask employees who dealt with different stakeholders what they believed the issues were. Matrices also were used by all interviewees and a number of interviewees noted that there were a large number of issues to begin with. These issues would then have to be narrowed down for the report which is where the matrix would allow the organisations to report on the most material issues. The narrowing down of issues was done as hundreds of issues would be listed initially which would create a very large report if all were included. Another way to determine whether an issue was material and narrow down the list was how easy it was to report as demonstrated by the following interviewee explaining a hypothetical situation which can occur in practice;

“Is it in scope our out scope kind of thing. Let’s say for example we were importing coal from Indonesia, 30,000tonnes at a time and we’re importing about 300-400,000 tonnes of coal a year. Had anyone from the organisation been to the coal mines in Indonesia and actually seen what went on there? Were they practicing safe work practices were there children employed were there, like an army of 10 year olds picking it out of the ground with a pick and shovel. No we don’t know, none of us ever went there, we bought the coal from a coal broker in Queensland who sent a ship of coal to us every other month. We have no idea really apart from looking at brochures and looking on the websites online at this company called envirocoal whatever, we don’t really know because we haven’t seen it with our own eyes what’s going on there. So we always in a way it was a bit, not disingenuous, but the easy option was just to not report on the sustainability around the coal we were importing from Indonesia.”

These examples show the way that issues for reporting are determined by organisations. The implications of these materiality measurements and determinations will be explored in the discussion chapter.

4.5.7 Peer groups

The presence of peer groups was also mentioned in the interviews by three interviewees. The interviewees were each members of peer groups for sustainability managers and spoke positively of the groups. One interviewee noted how it helped their reporting; *“I’m involved quite heavily in two groups of sustainability managers one in Auckland, one in Wellington, so connecting in with them, understanding what they’re doing, seeing their reporting journeys, talking to them, that all helped.”* Another interviewee noted that these groups can help stakeholders that they are working with;

“we’re talking about introducing a supplier code of conduct which would be about the way we think suppliers should behave up and down the supply chain, we freely and with Post’s permission plagiarised theirs and Air New Zealand’s and Fonterra’s ... we may as well make the intent the same so the poor old suppliers don’t have 53 different standards to live up to.”

This interviewee also noted the advantages the groups can provide so that projects could be actioned;

“Sometimes you need more than one group to make it happen so that’s the other advantage so yeah I think we leverage off each other quite a lot and it’s good to know what the others are up to because it’s like oh they’re doing that maybe we could and pick brains essentially. A lot of the time we’re trying to make stuff happen that hasn’t happened in New Zealand before so there’s value in numbers when you enter those conversations.”

A further interviewee was involved in multiple groups, as well as having informal relationships with peers and spoke of these very positively. The interviewee also discussed borrowing ideas from other reporters for their own report again showing what was discussed regarding knowledge sharing amongst the groups. The interviewee noted that when they were interacting with others in these groups that all the peers had similar values and were likeminded, reflecting what was noted in discussing values earlier. These insights show that the sustainability groups are seen as very positive and helpful by practitioners that had joined

them. Although not all interviewees were a part of them those that were had strong feelings and emphasis regarding the groups.

4.6 Conclusion

The stakeholders with whom organisations interacted tended to be those who had direct consequences for business. The relationships also were largely of a transactional and basic nature and dominated by the reporting organisations. The business dominated relationships were reflective of the business case being the dominant motivation displayed by the organisations for producing the reports and entering into stakeholder relationships. There was some evidence of other motivations, however, these were certainly less prominent than the business case motivations.

The importance of individuals, particularly senior management, CEOs and the practitioners themselves was a strong theme throughout the analysis. Values were seen as very important to the practitioners and to organisations, although the organisational values had to be entrenched in order to be effective. The future of reporting was seen as very positive by the practitioners although the one global report which was produced did not have an influence on the New Zealand operations. The GRI, IR and assurance all received mixed feedback from interviewees and were not consistently used by the organisations.

Peer groups were an important influence among practitioners with significant information sharing available through these groups. Stakeholder engagement was varied across organisations with one organisation having significantly less business based relationships with their stakeholder programs appearing to be more about helping the stakeholders as much as possible. Some barriers to stakeholder engagement were also shown often being the perceived cost of entering into stakeholder relationships. A business focus seemed to dominate operations even though the practitioners' individual values were often less business oriented.

Chapter 5: Discussion

5.1 Introduction

This chapter builds directly on from the previous chapter by discussing the same themes identified in the previous chapter. Here the themes are discussed with emphasis given to past research and what the findings mean given their relationship to past research. The discussion is largely consistent with the previous research and enables the reporting environment in New Zealand to be understood in comparison to past findings and in the context of global reporting. Ultimately the discussion allows for the research questions which were briefly answered in the findings section to be answered in a more comprehensive fashion.

5.2 Stakeholders

Stakeholders were defined similarly by most interviewees with three of five respondents defining stakeholders as being “*anyone with an interest in the business*”. The wide definition is in line with the definition of Freeman (1984) who defined stakeholders as “any group or individual who can affect or is affected by the achievement of the organization's objectives” (p. vi). Freeman’s definition has been criticised as being too wide to be useful for business purposes (Mitchell et al., 1997) and as a result other researchers have put forward their own frameworks to narrow down this definition.

Narrowing definitions also appeared to be used in practice by the organisations in this study with a number of stakeholders appearing to have been given a higher priority than others. Whilst no specific frameworks were mentioned in reports or by interviewees the key stakeholders can be identified. The key stakeholders are customers, staff, suppliers and shareholders (see Table 2 for more details) giving rise to an apparent hierarchy used within organisations.

A key research question was:

How are stakeholders represented in social and environmental reports?

This question was answered through examination of reports and stakeholders were represented in an instrumental manner. There were a wide range of stakeholders identified in reports although most emphasis was on financial stakeholders. Stakeholders were represented in reports from an instrumental and organisation centric perspective representing a low level of input by stakeholders on the reports produced by the organisations examined.

Customers, staff, suppliers and shareholders are all reflected in the work of Carroll (1993, as cited in Gibson 2000) who lists primary stakeholders as those with official formal or contractual relationships with the organisation. The key stakeholders clearly fit within in the criteria outlined by Carroll (1993). Berman et al. (1999) describe “key stakeholder relationships” (p. 489) as being those with employees, natural environment, diversity, customers/product safety and community. Whilst employees and customers have already been discussed as primary stakeholders, the environment and communities were also often identified by interviewees and in reports by organisations, however, this was to a lesser extent. The emphasis on only employees and customers shows that the way stakeholders are distinguished in practice may be more narrow than the way Berman et al. (1999) have done in their work. Diversity was not often talked about with only two interviewees discussing it. ASB also emphasised diversity thoroughly in their report. The lack of discussion by a number of interviewees showed whilst diversity may be strongly emphasised by some, it is less consistent across organisations. Diversity was mentioned in reports by most organisations, however, this was often only as a small part of the discussions centred on staff. If diversity is included as part of staff as it has been by the organisations then we can see that whilst all of the stakeholders emphasised by Berman et al. (1999) were regularly identified by organisations some were not emphasised as much as others. The more business oriented stakeholder relationships were inconsistent with the interviewee’s personal definitions of a

very wide range of stakeholders. The inconsistency could be due to economic pressures, which was found by Crane (2000) where economic concerns overtook the personal concerns of employees.

Phillips (2010) warns that “Models are often simplifications, and the ‘messiness’ of the real world...is not captured within their parameters” (p. 83). Models being simplifications means it is unlikely that the insights from interviewees will fit into the models that have been proposed in academia. The inconsistency between interviewees and models is reflected with the previous discussion nonetheless it is still valuable to see the likeness to proposed models. The likeness between practice and models gives us a broad understanding of how stakeholders are considered in practice and a simplified view which may be partially reflected in frameworks put forward by academics. Understanding how responses are reflected in models allows us to capture the essence of how stakeholders are identified in practice which was shown here.

5.3 Rationale for production of reports

5.3.1 Business rationale

The most common rationale for reporting by the organisations was the business case, this was displayed by all organisations and interviewees. The dominance of the business case reflects the findings of Plaza-Úbeda et al. (2009) who found most were attracted by it. The business case was also found in the area of corporate greening by Crane (2000) who found organisations would rationalise it as being advantageous rather than the environmental responsibility being an end in itself. The business case being the dominant rationale was reflected by the organisations who displayed strong business motivations in their reports. The business case included improving safety because it had the potential to improve the bottom line. Internal efficiencies were also included as rationale as well as improving employee engagement because this will help employees perform better for the organisation. Social and

environmental reports were found to be a valuable tool for internal management by Delfgaauw (2000) even when reports begun with the purpose of responding to stakeholders. The findings here are consistent with those of Delfgaauw. Attracting and retaining customers were significant motivations which was found by Little (2001).

All of the benefits expressed can be summarised by the idea that the benefits help to create shareholder value which was reflected in a number of reports and the following quote by an interviewee; *“I can’t think of terribly many organisations out there ... that would want to do anything other than a hybrid report because it has to tick two boxes for them.”* The idea there has to be two boxes ticked shows there will always be a business rationale to these reports and if anything, there will be a secondary effect of improving accountability. Accountability being a secondary motivation to profitability is in line with the earlier work of Ihlen (2011), Owen et al. (2001) and Milne et al. (2009) who all outlined the business case as being a major motivator for organisations. The findings here were also consistent with the work of Gray (2002) who found that the managerial perspective dominated non-financial reporting. Whilst there have been doubts raised over the practicality of these benefits (see for example Marens et al., 1999; Newton & Harte, 1997; Prasad & Elmes, 2005; Salzmann et al., 2005) there were no doubts raised by any interviewees here. The Z Energy report did raise concerns regarding their financial results noting it was difficult to understand whether it was good luck or good management that allowed them to achieve these. The determination of what caused performance is something that cannot be overcome as shown by the hundreds of studies on the subject (Chatterji & Listokin, 2007). As a result, it is likely that the doubts over these benefits will continue to exist for some whilst others, such as the interviewees in this project, will be convinced of the benefits.

There was one exception to the business oriented reports being the global report produced by Fuji Xerox. Fuji Xerox was the only organisation to produce a global report and it was

significantly different to the other reports as no business benefits were included in the report. This difference was interesting, however, as this research focuses on New Zealand more emphasis was put on the interviewee from the organisation and what was going to be in the forthcoming New Zealand only report. The format and content of this forthcoming report was much more in line with the other reports being produced in New Zealand and it appears that in New Zealand the business case is more dominant. The differences between global reports and reports for individual countries or regions have not been examined in the past and this research shows that this may be a profitable area for future research.

5.3.2 'The right thing to do'

The business case is not the only motivation that has been suggested by researchers in the past. As outlined earlier, accountability has been seen as a motivation (see for example Gray (2002); Gray et al. (1997); Gray et al. (1996); Gray et al. (1988)). Despite this accountability was not explicitly present in the findings of this project. Accountability was not mentioned by any of the interviewees and certainly did not come across as a major theme from either the interviews or the reports. Accountability not being a major theme reflects the findings of KPMG (2013b) who found that often interviewees did not mention accountability even with its strong presence in academia. Accountability's absence was shown by O'Dwyer, Unerman, and Hession (2005) in their research with accountability not being a primary motivating factor for reporting.

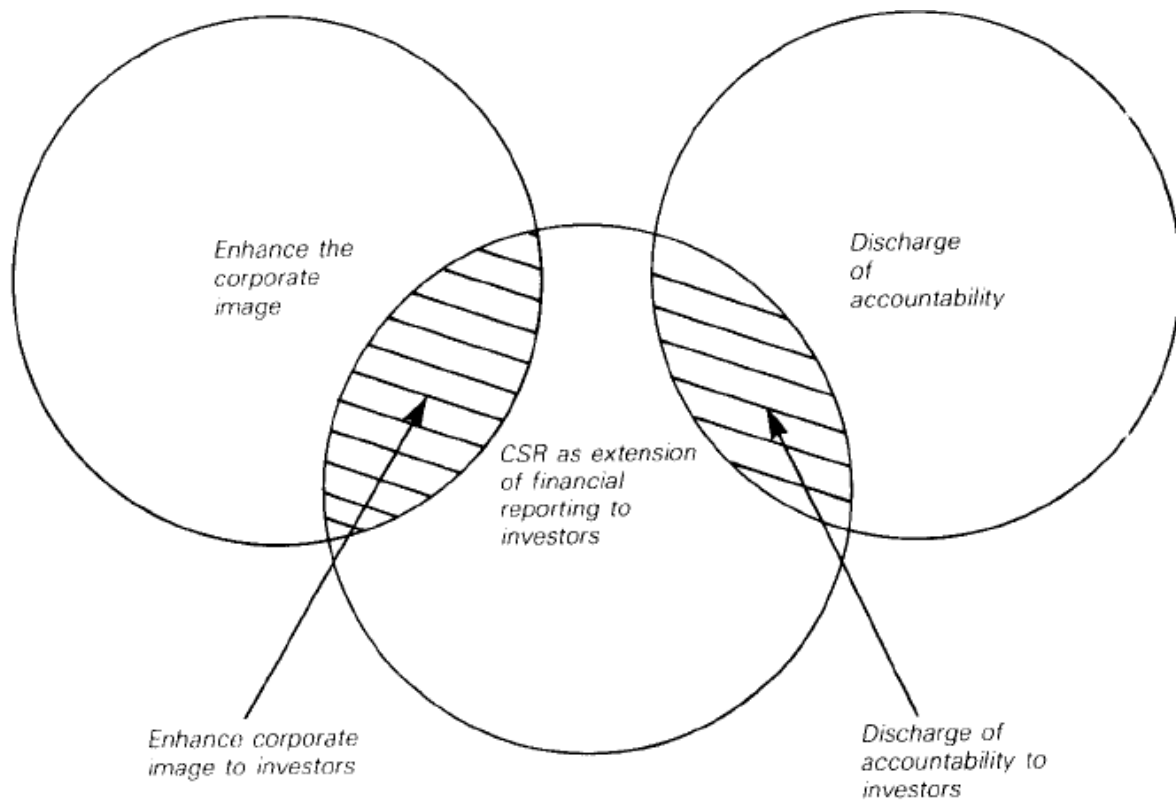
Although not primary motivating factors, other factors were present in the expressed rationale for the production of these reports. The other motivating factor which was displayed by some organisations was that of 'doing the right thing' which has been raised by Goodpaster (1991). 'Doing the right thing' was expressed by interviewees as doing the right thing for New Zealand and New Zealander's as the organisations identified themselves as being part of New Zealand and wanted to help the country prosper. Organisation's wanting to help New Zealand

prosper would be in line with the normative logic identified by Kendall et al. (2014) where an organisation puts social needs above profits. Putting social needs first is also in line with the normative stakeholder theory outlined by Donaldson and Preston (1995) where stakeholders are treated positively and shape the organisation's strategy and performance (Berman et al., 1999). Although 'the right thing to do' is a different terminology than accountability it can be seen as being from the same essence as accountability. That is the motivation for reporting is not to make profits and stakeholder interactions should not involve a strategic dimension (Noland & Phillips, 2010). The non-strategic dimension to stakeholder interactions was not displayed by organisations and interviewees, rather a mix of motivations was shown.

5.3.3 The mix of motivations

The 'right thing to do' motivation was not dominant for any organisation in their business operations and reporting. Instead a mix of motivations was displayed as found by Delfgaauw (2000) with the business case rationale being dominant in this project. This finding is more in line with the integrative logic identified by Kendall et al. (2014) being a mix between both the normative (the right thing to do) and instrumental (business case) approaches. Because no organisations adopted the normative logic they did not cross the 'ontological threshold' to become a truly social firm. The integrative logic displayed by organisations would be similar to that presented by Freeman et al. (2004) where the aim of economic value is being pursued by attempting to co-operate and "improve everyone's circumstance" (p. 364). Improving everyone's circumstance is also shown by Phillips et al. (2003) who state stakeholder theory supports value maximisation through creating shared value. The mixed approach was found by Gray et al. (1988) showing a middle ground in these reports with CSR being an extension of financial reporting between the two extremes of discharging accountability and enhancing the corporate image. The middle ground is illustrated in figure two, showing some degree of crossover between perspectives.

Figure two source: Gray et al. (1988, p. 9)



The idea of crossing the ontological threshold (Kendall et al., 2014) is what would happen if organisations were motivated purely by the accountability idea outlined in the past (see for example Gray (2002); Gray et al. (1997); Gray et al. (1996); Gray et al. (1988)).

Therefore we can see the dominant rationale has been the business case which is consistent with the previous findings of Plaza-Úbeda et al. (2009) and reinforces the idea of the business case being a major motivation for reporting ((see Ihlen, 2011), (Owen et al., 2001) and (Milne et al., 2009)). Stakeholder engagement was not seen as a primary motivating factor for organisations to report, this is consistent with the recent findings of Morrison, Wilmshurst, and Shimeld (2016). The business case being the dominant rationale casts doubt over the hopes of Gray et al. (1996) that we can move “towards a more accountability centred focus” (p. 295) and the assertion of Gray et al. (1997) that accountability is “the fulcrum of social accounting” (p. 329). Owen et al. (1997) state that “above all social accounting’s mission is to extend the accountability of organisations” (p. 176). However, it appears that the more

likely mission of these reporters and reports is to enhance profitability through realising the benefits of the business case for reporting. Profitability being the motivation for reporting is in line with the previous findings of Harris and Crane (2002) in the area of environmental management where economic concerns were of a higher priority than environmental concerns. Economic concerns having a high priority also reflects other findings in the area of environmental management where generally the profit motive was seen as dominant (see Crane, 2000; Newton & Harte, 1997; Phillips, 2010; Prasad & Elmes, 2005). It would therefore appear that the shareholder wealth maximisation motive is still dominant as advocated by Sundaram and Inkpen (2004a). Although there was some evidence of a mixed rationale, this mix was still, in general, dominated by a business case logic.

One of the primary research questions in this research was:

Why are organisations producing the reports?

This research question was not met with a straightforward answer. Elements of multiple rationales for report production were present in this study. Although there was a mix of motivations the primary motivating factor was the pursuit of profit. Motivations more in line with the normative logics for reporting put forward in the literature were present in this study. These non-business rationales were far less prominent and were incidental to the profit logics that dominated the rationales for producing these reports.

5.3.4 CEOs & senior management

Another important factor in the production of these reports which was consistently outlined by all interviewees was the importance of senior management and in particular CEOs. CEOs were seen as crucial by interviewees with the reporting at times only enabled because of an accepting CEO or a change in management. The importance of senior management has been outlined by Miles (1986) who found executive leaders had a significant impact on organisations' levels of corporate responsibility, and was also outlined by various others (see

for example Bansal & Roth, 2000; Harris & Crane, 2002; Henriques & Sadosky, 1999; Kendall et al., 2014). O'Dwyer (2002) focused his study entirely on senior managers due to their strong impact on the reports. CEOs and senior management can therefore be seen as a major factor in this reporting with senior management and boards having to be supportive of the reporting for it to occur. The influence of senior management was expressed as “*huge*” by interviewees and stated without ‘buy in’ from these individuals there was no point in trying to start this type of reporting. The need for CEO buy in may also explain the business case logic employed in non-financial reporting as to achieve endorsement the reporting must ‘fit’ into the mind-sets of senior managers. A narrow view of sustainability has also been found by Byrch et al. (2015) when discussed in a business context.

Cennamo et al. (2009) raise the issue that a CEO may be able to manipulate stakeholder relationships to their own personal advantage, rather than acting for the stakeholders. Manipulation of a stakeholder relationship by a CEO was shown by one interviewee who noted that the previous CEO sponsored an organisation purely because they enjoyed hosting VIPs rather than caring about the organisation themselves. The CEO authorising sponsorship to host VIPs shows that stakeholder relationships can allow managers to act in their own self-interest, however this was not something seen as prevalent by any interviewees. The ability to act in their own self-interest further emphasises the importance of senior managers and how they can have both negative and positive effects on stakeholder relationships. O'Dwyer (2002) noted that in general senior managers tended to have this self-interested view although some did care for the wider society. The self-interested view was indicated by interviewees with some senior managers not approving any stakeholder programs, whilst others were very receptive and proactive around organisational stakeholders.

Golob and Podnar (2011) outline that prominent actors influence the level of consciousness that an organisation exhibits. CEOs and senior management were seen as increasing the

levels of consciousness of organisations as interviewees often indicated that new members of the senior team had increased knowledge and awareness of social issues. The increased consciousness had been outlined by Pedersen (2006) as an important factor in enabling effective stakeholder dialogue. This was also reflected by interviewees who noted that dialogue had been improving after new management had taken place. Consciousness of organisations was confirmed in this research as helping facilitate effective dialogue with stakeholders and CEOs and senior management were important influencers of organisational consciousness consistent with the findings of Golob and Podnar (2011). This research has emphasised the very strong influence that these senior managers have on reports which reinforces previous findings.

5.3.5 Values

Organisational values were seen as important by interviewees both for the production of the reports and how responsibly an organisation acts. Some interviewees saw this as hugely important to the reporting as the values had to be present at all levels of the organisation in order to be able to report on the values sufficiently. The importance of values has been seen before with Phillips (2010) outlining organisations' values as important in the adoption of climate change practice in New Zealand. Organisational values were also outlined by Miles (1986) who found them to be imperative in determining the corporate responsibility of organisations. It is also important to note that organisational values can have very little influence if they are "*just writing on the wall.*" One interviewee showed the values of their organisation were not influential when stating that they could not even remember the values and that the values had no influence on the employees of the organisation. The lack of influence discussed by this interviewee can be contrasted to another interviewee who believed the values to be very important as they formed part of the DNA of the organisation. The contrasting accounts show that in order for organisational values to be a major influence

in reporting they must be entrenched into the organisation. The reports themselves can be ways to help entrench these values as expressed by interviewees, showing these reports can have a positive influence on organisations' levels of responsibility.

5.4 Stakeholder engagement and relationships

5.4.1 Communication

Communication with stakeholders is an important part of stakeholder relationships and interviewees emphasised stakeholder communication requires a great deal of attention as Maon et al. (2009) state. Communication was varied across the organisations with some organisations having very little communication and others being in constant communication with stakeholders. Constant communication has been outlined by Maon et al. (2009) as a cornerstone of CSR communication and this was reinforced by interviewees.

It has been shown that stakeholders are now demanding interactive communication which goes further than simple one-way communication (Morsing & Schultz, 2006; Waddock & Googins, 2011). The demand for interactive communication by stakeholders was inconsistent among the organisations interviewed as some organisations still had very little communication with their stakeholders. Other organisations did experience this greater demand. It appeared that greater demand only occurred if the organisations had been proactive in communicating with their stakeholders. Those organisations that had not yet begun communicating proactively with stakeholders were not receiving these demands. Therefore it can be shown here that the organisation must include its stakeholders before they can demand a more interactive communication style. This was seen with KiwiRail's relationship with the Tainui people, where once KiwiRail approached and communicated with them they were able to demand a more reciprocal relationship with KiwiRail. Golob and Podnar (2011) found that in practice the communication would be more hierarchical in nature than the equal communication that organisations would aim for. The hierarchical

communication was echoed in the results of this research with many organisations only having more comprehensive and reciprocal communication for their primary stakeholders.

Although interactive communication was not consistent among organisations or between different stakeholders what was common among all organisations was the desire to continue to improve communication with stakeholders, and that reports were a key tool for this. The desire to improve communication follows what Bendell (2003) has suggested with social and environmental reports being a key part of stakeholder communication and shows more communication may be common in the future, although currently it is less interactive.

5.4.2 Barriers to engagement

Barriers to stakeholder engagement were mentioned by interviewees and one was a lack of audience to the reports. The lack of audience was expressed by many interviewees who showed a lack of feedback from stakeholders when making announcements. The lack of feedback was also shown by the Fuji Xerox interviewee who said a New Zealand report was going to be produced to encourage more stakeholder feedback by being more relatable. The effectiveness of a local report has not been examined in the past but could be another area for researchers in the future to compare international and region specific reports.

A second barrier was that of money, particularly getting approval to spend money which was heavily influenced by the decision maker particularly CEOs and senior management. Sundaram and Inkpen (2004a) have raised the question of how stakeholder engagement can be practical, and their concerns are well founded with interviewees expressing difficulties in engaging with stakeholders. The barrier of funding was one which Sundaram and Inkpen outlined, however interviewees did express that this was not always necessary for stakeholder engagement. There were a number of ways in which organisations could help stakeholders without using the organisation's funds. The lack of audience was not something considered by Sundaram and Inkpen and shows a barrier uncovered which had not been clearly outlined.

Barriers to engagement could be researched more in the future as most literature is of a normative nature in regards to stakeholder engagement which tended to understate these barriers to engagement (Byrch et al., 2015).

5.4.3 Stakeholder relationships

Stakeholder relationships were described by all interviewees and tended to be strongest with suppliers, business partners and in some cases regulators. It has been suggested that these relationships have been changing from “asymmetrical and exchange based to symmetrical and interactive” (Bator & Stohl, 2011, p. 412). More interactive and even relationships have been emphasised by many others (see for example Capriotti, 2011; Clarkson, 1995; Freeman, 1984; Golob & Podnar, 2011; Maon et al., 2009; Morsing & Schultz, 2006; Palenchar et al., 2011; Perret, 2003) with Raupp (2011) suggesting multiple approaches advocate for these types of relationships. Despite the significant amount of literature which shows stakeholder relationships should be more reciprocal this was not displayed by the organisations in this project. There were some relationships which did display more even and interactive characteristics as Bator and Stohl (2011) have suggested, however, the majority of relationships did not and were of a transactional nature. All interviewees did display a desire to improve on this situation and embark on more interactive relationships in the future, so there may be some more momentum in this trend in the future. At the moment, however, there is little evidence of this occurring with only a small number of relationships being interactive.

A primary research question for this study was:

How do organisations interact with their stakeholders in New Zealand?

In general, the organisations examined had one way interactions with stakeholders in a very transactional manner. Where there were more interactive and two-way relationships these tended to be with financial stakeholders where the organisation will receive monetary

benefits as a result of their interactions. Relationships of a more interactive and less hierarchical nature were looked to as a goal for the future, however at present organisations tend to have instrumental interactions with their stakeholders.

5.4.4 Stakeholder engagement

Stakeholder engagement has been characterised in literature as being distinct from stakeholder management. Breukers and Upham (2015) have stated there are now high societal demands for stakeholder engagement which was echoed by May (2011) and Raupp (2011) noting the development from stakeholder management to the stakeholder engagement practices today. The distinction could be seen as stakeholder management was limited to non-threatening stakeholders and was hierarchical. Stakeholder engagement was outlined by Noland and Phillips (2010) and Waddock and Googins (2011) as being inclusive of a variety of stakeholders and being more than just interactive. Stakeholder management instead only includes a chosen number of stakeholders (Rasche & Esser, 2006) and these stakeholders are most likely to be those linked to performance (Cennamo et al., 2009). The inclusion of only stakeholders linked to economic performance was found in practice in Bangladesh recently by Momin (2013). Tregidga and Milne (2006) build the distinction between stakeholder engagement and management showing organisations are more proactive when undertaking stakeholder engagement. Stakeholder engagement has been seen as best practice in non-financial reporting (see for example Adams & McNicholas, 2007; Bartels et al., 2008; Envirostate, 2015; KPMG, 2013a, 2013b). Finally, a number of researchers have emphasised that relationships under stakeholder engagement will be long term and have mutual benefits and understanding between the organisation and their stakeholders (see Gable & Shireman, 2005; Marens et al., 1999; Parmar et al., 2010; Smith et al., 2011)

5.4.4.1 Relationships found in practice

Of the organisations' relationships examined there was one relationship which appeared to be a case of stakeholder engagement as envisaged in the literature. This was the relationship between Genesis Energy and the Department of Conservation (DOC) and their work to help preserve the Whoio duck population. The relationship between Genesis Energy and DOC is with a stakeholder who does not have links to performance and indicates the organisation is identifying a wide range of stakeholders. Genesis and DOC's was the strongest example of such a relationship by Genesis, however, there was also evidence of collaboration and support to a broad range of other stakeholders. The relationships with other stakeholders gave more evidence of stakeholder engagement being pursued by the organisation rather than the stakeholder management approach. An important factor to note is that a lot of the engagement started off as part of resource consents. In the past this has been seen by Cragg and Greenbaum (2002) in the mining sector and an instrumental view was found. The organisation here however has shown a more committed approach and appears to be genuine in their stakeholder engagement and the normative approach going well beyond the level needed to obtain the consents. Noland and Phillips (2010) noted organisations would follow strategic engagement if organisations were to practice stakeholder engagement. Strategic engagement is what Genesis Energy practiced at the beginning of their relationship by engaging as part of the consent process with business benefits in mind. Following this the relationship developed further towards a moral engagement which Noland and Phillips (2010) doubted was achievable in practice.

KiwiRail's relationship with the Tainui people developed similarly with KiwiRail's original interactions being about a project by KiwiRail. As the project went on the Tainui people were able to discuss other issues more freely with KiwiRail allowing a relationship more akin to stakeholder engagement to develop. This shows that stakeholder engagement can be

developed from relationships which begin from a stakeholder management approach. That stakeholder engagement occurs only after a relationship has been established for some time is consistent with the past findings of Greenwood (2001) and Noland and Phillips (2010) and shows signs of positivity for the future as currently the relationships of organisations and stakeholders examined were largely managerial in nature at present.

Other organisations were more varied with some displaying very little stakeholder interaction and others showing some more substantive stakeholder relationships. The variation of stakeholder relationships within a single organisation has been proposed by Jones (1995) who warns organisations should attempt to have as many relationships as possible built on trust. The building of trust was expressed by most organisations with one noting it was difficult as stakeholders would have a degree of suspicion due to the lack of previous contact by others in their industry. What was common among relationships was that they tended to be with a smaller range of stakeholders which were linked to performance. Moir (2001) suggested stakeholders are often categorised into primary and secondary. While there was no evidence of an active distinction provided, in practice it appeared primary stakeholders were emphasised.

Although organisations had discussions with a number of stakeholders they did little more than have dialogue with stakeholders indicating a less interactive relationship. Most dialogue also seemed to be dominated by the organisations rather than stakeholders having a more even representation. The evidence indicates more of a stakeholder management approach rather than a stakeholder engagement approach. That is not to say that all relationships were basic, some were interactive and collaborative, however, they still seemed to be dominated by a logic of business benefits and issues which directly affect organisations rather than the stakeholders. The idea that these relationships which were based on business interactions would not constitute stakeholder engagement was also discussed by an interviewee. In this

case there were some characteristics of stakeholder engagement being interaction with a charity, however, ultimately this was a commercial partnership rather than a stakeholder which did not provide direct business benefits. The idea that stakeholder engagement necessitates a wider range of stakeholders is consistent with past research and shows that the distinction between stakeholder engagement and stakeholder management may be known in practice. This knowledge was not widespread with others mentioning stakeholder engagement was strong in areas where stakeholders were merely interacted with.

5.4.4.2 Rationale for engagement

The rationale for entering into stakeholder relationships also had a number of differences between Genesis Energy and the other organisations. Genesis seemed more focused on making an impact on the stakeholders and doing what is best for them. Other organisations appeared to be more concerned about realising benefits from the relationships. The pursuit of business benefits was exemplified by the following quote from an interviewee who stated; *“I think when you can work in partnerships it’s definitely potential for value for both organisations, otherwise why do them, if you can’t achieve more than you can achieve on your own, you don’t do it.”* The requirement of achieving more than you could yourself shows a very performance oriented view more akin to stakeholder management. The performance oriented view is consistent with Crane (2000) and Fineman and Clarke (1996) who found instrumental views were prevalent in their studies. Important to note is that even when attempting to maximise shareholder value, stakeholders should be considered as outlined by Jensen (2001). Consideration of stakeholders to maximise shareholder value has also been observed by Parmar et al. (2010) and Foster and Jonker (2005) and shows extra attention to stakeholders agrees with the profit motive displayed by these organisations. The rationale displayed also agrees with the work of Noland and Phillips (2010) who noted that if stakeholder engagement were to be practiced, strategic engagement would be most realistic.

5.4.4.3 Summary

Overall, stakeholder engagement as described in the literature was present in only one organisation, however, all organisations did interact with stakeholders in some way showing endorsement of stakeholder management as a concept. The endorsement of stakeholder management over engagement could be expected as Owen et al. (2001) outlines accountability requires more active stakeholder engagement and the organisations here all displayed business case motivations rather than accountability. Marens et al. (1999) outline that achieving stakeholder engagement is very difficult and only a small number of organisations can be expected to achieve this. All interviewees also noted that they would be looking to improve their stakeholder interactions in the future and build on them, so more organisations may display stakeholder engagement in the future. Improving stakeholder interactions would be consistent with the findings of Greenwood (2001) who found practices akin to stakeholder engagement would occur in the final stages of the moral development of an organisation showing. The future engagement could however be focused on only primary stakeholders as has been seen by some organisations currently and be a more substantive stakeholder management program rather than stakeholder engagement.

Currently stakeholder engagement does exist in practice, however, it is not widespread and a more strategic and business oriented stakeholder management style is prevalent. The instances of stakeholder engagement in practice show that Noland and Phillips (2010) were correct in stating that stakeholder engagement is realistic in practice. The lack of consistent stakeholder engagement could be due to the over emphasis of the business case which is prominent. Owen et al. (2000) expressed their concerns regarding this stating it could marginalise stakeholders if over emphasised. Marginalisation of stakeholders would occur because organisations would focus on internal stakeholders and customers and suppliers rather than other less business oriented stakeholders. This would seem to be the case given

the strong emphasis on staff displayed by all organisations. The emphasis on business oriented stakeholders shows that the model encouraged to be developed by Dierkes and Preston (1977) which would be comprehensive enough to not leave out the needs of some stakeholders is still lacking today. The lack of stakeholder engagement is concerning given the following from KPMG (2013b, p. 16) “stakeholder engagement is a core component of effective sustainability reporting”. The importance of stakeholder engagement to effective reporting indicates that a priority would be to improve this in the near future as has been emphasised in New Zealand already (KPMG, 2013b). As will be seen, improvement in stakeholder engagement may be possible as the interviewees all showed passion in attempting to give prominence to a less managerial view of stakeholders and these reports. The stakeholder interactions by organisations all met the requirements of the GRI and IR frameworks although not the criteria of stakeholder engagement outlined by the likes of Gray et al. (1997). Therefore reporting frameworks may need to develop more stringent standards as has been advocated for in the past (see for example Buhr et al., 2014). Whilst this may contribute to some stakeholder engagement for those organisations which do follow frameworks, it appears with the inconsistent adoption of frameworks by organisations in this study that this would not be enough for stakeholder engagement to be prevalent in the current reporting environment. Rather there would need to be a fundamental shift from CEOs and senior management to embrace a broader set of values which erodes the domination of the business rationale for reporting.

A question that was raised in this research was:

How is stakeholder engagement practiced in New Zealand?

The questions raised in the literature over whether stakeholder engagement can be achieved in practice provided motivation for this question. With only one instance of stakeholder engagement found in this study it was shown that stakeholder engagement can be practical,

although whether it can be widespread is yet to be seen. The way stakeholder engagement came about was through an involuntary regulatory process. From here the relationship became voluntary showing stakeholder engagement can be developed from compulsory relationships that are not interactive to begin with. This provides an instance where stakeholder engagement is practical although in general stakeholder engagement is not practiced in New Zealand leaving this question only partially answered.

5.5 Practitioners

5.5.1 Values and sustainability champions

All interviewees showed very strong values particularly in relation to the environment, but also in other areas such as humanitarianism and ideas about organisations' role in society and that they should support the society in which they operate. The interviewees generally had a wide view of sustainability although it was not clear if these wide views of sustainability were held by those within organisations as a whole. Only one organisation had very integrated and shared values. In the organisation with integrated and shared values the values were seen as coming from directly from the CEO. The CEO implementing values was different to the findings of Crane (2000) who found that senior managers would not try and integrate their personal views on environmental issues to lower levels of the firm. This raises the possibility of a fundamental shift by CEOs and senior management to a broader set of values although the broad values still appear to be uncommon.

The wide view of sustainability held by interviewees is inconsistent with the past findings of Byrch et al. (2015) who found a narrow economic view of sustainability was prevalent in the business context. The difference may be explained due to the views that the interviewees largely held about their own roles which were not seen to be about business results. This is what was found by Allen, Marshall, and Easterby-Smith (2015) with different 'identities' from participants in regards to their roles and views on sustainability. When considering the

role of organisations in society interviewees in this study tended to have a more mainstream view of sustainability. This was seen in Allen et al. (2015) where “financially driven action ... was sufficient to address their understanding, of sustainability challenges”(p. 339) by interviewees in a business context. That is, organisations should not harm the ability of future generations, this is the view found to be most commonly cited by Byrch et al. (2007) in defining sustainable development. Most interviewees did see this as the minimum rather than an ultimate goal with the ultimate goal being organisations making a positive impact on both current and future generations in their operations. This shows that whilst there were mainstream views expressed, this was no longer seen as the goal but as a minimum requirement showing an increase in expectation in this area.

The values of interviewees were often identified as coming from their upbringing and culture. This is consistent with the work of Byrch et al. (2007) where practitioner’s views on sustainable development were very much dependent on their worldview which came about from culture and other similar factors. Interviewees also shared less business oriented views in regards to the reporting and stakeholder relationships and appeared to identify more with the accountability view than the business view which was prominent in the reports themselves. The practitioners expressing accountability is what has been proposed by Shearer (2002) who stated that practitioners create a broader accountability for the entities they represent. A more narrow view may have been held by others within organisations as the interviewees often spoke of outlining that their role was wider than what was often perceived by others. This variability in views is consistent with the findings of Byrch et al. (2015) who showed a wide range of world views of sustainability. Gray, Kouhy, and Lavers (1995) found evidence of individuals resisting managerial capture of non-financial reporting which was shown here (Bebbington, 1997; O'Dwyer, 2003). Allen et al. (2015) also found more critical views by interviewees when expressing their own views noting that society had to do a lot

more and at a greater pace. Gray (2002) however concedes that it is inevitable reporting will be captured to some extent which appears to have come true as demonstrated by the strong business rationale for reporting. This leads to conflicts and contradictions between interviewees individual views and their views in a business context (Allen et al., 2015). Despite the concession of Gray (2002) there was some hope presented that this capture could be overcome for a more meaningful reporting practice (Gray, 2002; O'Dwyer, 2003). The positive view towards more meaningful reporting practice is still held by practitioners today as discussed in the next section.

The strong values held by interviewees resulted in all of the interviewees attempting to convince others of sustainability's importance showing the strength of the values held. The attempts to convince others is similar to Fineman (1997) and Fineman and Clarke (1996) with environmental champions. Fineman (1997) showed the importance of these champions in getting others within the organisation to buy-in to the issue's importance. A common strategy to convince others was the use of business cases, or business benefits keeping in line with the business case found to be the main attraction for this type of reporting by organisations. The use of the business case to convince others of sustainability's importance may be why the reports are very business oriented as this is what was used to enable the production of the reports in the first place. The use of the mainstream narrative to convince others may also represent a watering down of values explaining the difference between interviewees' viewpoints and those expressed in reports. This use of business cases is consistent with previous findings with Phillips (2010) finding these were used in New Zealand businesses to convince others of the importance of climate change. The interviewees seemed largely successful although there were times where this was difficult. The success of interviewees came about from their high levels of knowledge and awareness of stakeholders and related issues which came across strongly in interviews. High levels of knowledge and awareness

have been seen as increasing the levels of organisations' consciousness by Golob and Podnar (2011) and it was clear that interviewees were increasing their organisation's consciousness. The higher levels of consciousness enable more effective dialogue with stakeholders (Pedersen, 2006) and interviewees expressed that this may be happening noting that dialogue with stakeholders was improving over time.

The presence of sustainability champions helped answer the following two research questions:

1. How do practitioners influence the production of social and environmental reports?
2. How do practitioners influence stakeholder relationships?

Practitioners had strong influences on the production of social and environmental reports through actively advocating for their production. Further they attempted to convince others of the importance of reporting and get them involved. The practitioners had a lot of involvement in reports and appeared to have a very strong influence on their content. The influence of practitioners was limited by CEOs and senior management. Practitioners influenced reports through getting CEO buy-in and then convincing others within the organisation to participate in reporting.

Practitioners influenced stakeholder relationships to a lesser extent. This was because stakeholder relationships tended to be maintained through managers or senior managers rather than the reporting practitioners. Practitioners could only influence relationships through their encouragement to those who did work with stakeholders. Another way to influence the relationships was to include stakeholders in reports which would then bring stakeholders to managers' attention. Whilst this was a possible way to influence relationships it was not common with the practitioners normally working with managers to identify

stakeholders internally. Practitioners then had a much larger influence on the way reports are produced with only a small influence on stakeholder relationships.

Another part of the convincing of others was explaining what sustainability meant, with one interviewee explaining that they struggled to understand it themselves. Although interviewees' views on sustainability were summarised, the meaning came about from discussion rather than a simple answer. The summarisation therefore represented a number of different expressions. The difficulty of defining sustainability is consistent with the findings of Harris and Crane (2002) who found managers often struggled to understand the terms used in the environmental area. The confusion over terms in the area has been found consistently (see for example Aras & Crowther, 2011; Buhr et al., 2014; Byrch et al., 2007; Cantó-Milà, 2009; Carroll, 1979; KPMG, 2013a; Leitch & Motion, 2011; Maon et al., 2009; Marens et al., 1999; Miles, 2012). Despite the confusion over terms, the significant knowledge that interviewees showed enabled them to convince others of sustainability's importance and raised their organisation's levels of consciousness. The success of interviewees shows that the lack of cohesion in defining sustainability can be overcome and does not prevent progress in sustainability. The importance of individuals in this area has also been recognised by Miles (1986) showing these champions can have a significant impact on the reporting practices of organisations. Whilst the idea of champions has not been applied commonly to non-financial reporting, it came across very strongly with all interviewees and may be a valuable topic for future research in other jurisdictions.

5.5.2 Future of non-financial reporting, assurance and the GRI and IR frameworks

The future of non-financial reporting was seen as very positive by all interviewees and was reflected in the amount of investment that organisations put into these reports. One interviewee was so confident in its success that they viewed it as being similar to HR when HR was in its infancy which is now a strong profession. This positivity in regards to the

future of non-financial reporting has been seen by the likes of Gray (2002) and O'Dwyer (2003) and has also been seen with KPMG reporting on the global rise in reporting for a number of years (see for example KPMG, 2008, 2011, 2013a, 2015). Others within the organisation seemed to doubt that non-financial reporting was going to last which made the convincing by interviewees described earlier necessary.

There are a number of frameworks that are used in non-financial reporting and views on these were obtained from the interviewees. There were mixed opinions in regards to the GRI framework with some being very positive about it due to the recognition it can receive as the most commonly used framework and the perceived lack of alternatives. Positivity towards the GRI was shown by Cooper and Owen (2007) stating it helped to include stakeholders, however, it fell short of influencing organisations to take actions in response to stakeholder wants. Others were critical of the framework due to the large number of items that needed to be reported and the lack of room to tell the organisation's own story. The inability to tell an organisation's story has been shown by Sherman (2009) when criticising GRI's one-size-fits-all approach. This indicator focus of the GRI has also been criticised by Buhr et al. (2014) particularly in regards to important indicators missing from the framework. An interviewee stated it was what was missing from the GRI that was the main problem reflecting Buhr et al.'s criticism. Adams (2004) in looking at the GRI also noted a number of key elements missing from the framework. GRI not being comprehensive has also been expressed by Harrison and van der Laan Smith (2015) who stated the GRI was a starting point but not a solution due to its inadequacies. Others have criticised that the GRI allows for a managerial approach to stakeholders, as has been seen to be the case in this research (Adams, 2004; Rasche & Esser, 2006).

One organisation had moved from the GRI to the Integrated Reporting framework and found this useful. Another organisation also had a positive view of Integrated Reporting, however,

did not believe it would be genuine to report under it until integrated thinking was present in the organisation. Integrated thinking is outlined in the Integrated Reporting framework (International Integrated Reporting Council, 2013) and Adams (2015) expresses that integrated thinking has the ability to change the way senior managers think and create a positive impact on sustainability reporting. The positivity has been countered by strong criticisms which state that Integrated reporting does not challenge the thinking of senior management enough to draw them away from the business case for sustainability (Flower, 2015; Thomson, 2015) and therefore no positive movement towards sustainability will be made from Integrated Reporting. The ability for integrated thinking to be present in an organisation then is not clear with significant reservations held by academics.

Integrated Reporting combines traditional financial accounts with non-financial information (Eccles & Serafeim, 2011). There has been criticism of the framework also (see Buhr et al., 2014; Wild & van Staden, 2015). Wild and van Staden (2015) show that integrated reporting has been 'captured' to become more concerned with shareholders and found that the stakeholder inclusiveness principle was often lacking in these reports. The lack of stakeholder inclusiveness could be seen in the integrated report examined which did have a strong business focus. However, the same organisation did show that stakeholder inclusiveness was a part of their operations showing that it is not always lacking in organisations that produce integrated reports. The profit oriented capture of reports has also been outlined in regards to previous reporting forms (Bebbington, 1997; Gray et al., 1995; O'Dwyer, 2003) with Gray (2002) viewing some degree of managerial capture as inevitable. Overall there was variation in the reporting frameworks used, if any were used. There was no consistent advocating for any of the frameworks by the interviewees. There was positivity in the principles of these frameworks, however, it was often found in practice these principles were hard to follow when using the frameworks. This difficulty reflects the past criticism already raised and in

particular that of Buhr et al. (2014) who label the frameworks as failures due to their inability to ensure participants follow the sound principles they are founded on.

The mix of frameworks also has implications on the outlook for the future of non-financial reporting. There have been calls for a single global framework or set of standards if the practice is ever going to be successful (see for example Chatterji & Listokin, 2007; Harrison & van der Laan Smith, 2015). Chatterji and Listokin (2007) called for this because the large range of frameworks allow organisation to pick and choose a framework that's advantageous to them. This lack of cohesion with regards to the reports could mean sustainability reporting is simply another reporting trend that dies down after a brief popularity as has been the case in non-financial reporting in the past. The various trends include employee reporting, social reporting environmental reporting, corporate social reporting, all-in-one reporting and triple bottom line reporting (Buhr et al., 2014; Gray, 2002; Milne, 2013). Triple bottom line, although being one of the temporary trends, was mentioned by most interviewees very briefly as a concept and as a description of what the current reports were 'really about'. The identification of triple bottom line reporting supports the view of Buhr et al. (2014) that current reporting may simply be a new label for what has been the same type of reporting for some time. Milne and Gray (2013) examined the triple bottom line was a concept in non-financial reporting and found it to be a "core and dominant idea that continues to pervade business reporting" (p. 13). If current reporting is the same in essence as past reporting the failures of the past may also be repeated (Buhr et al., 2014) painting a bleak picture of the future of non-financial reporting. The bleak outlook is in contrast to the positive view given by the practitioners themselves and is an interesting question, the answer to which we will find out in the future.

Another important and related issue discussed was assurance of these reports. Again there were mixed views by interviewees on assurance. One interviewee who had significant

experience in gaining assurance described it as a tedious process and seemed to have a negative view of it. The detailed approach taken by assurers was not seen as useful, as the approach was similar to that often followed for reporting under the GRI. However, this interviewee did note that the assurers would know what was going on giving the process some credibility. Some interviewees cited the cost of assurance as being too prohibitive and also as a major reason for not using the GRI framework which strongly encourages reporters to gain assurance. Others viewed it with positivity and as a goal for the future, with one citing the learning process rather than the assurance itself as being particularly valuable. Findings to date have been inconsistent in regards to the benefits of assurance with Alon and Vidovic (2015) showing firms with assured reports tended to perform better, indicating a learning process may indeed occur. This must be tempered with other findings which have found little effect on reputation as a result of assurance (see Alon & Vidovic, 2015; Kuruppu & Milne, 2010). There have been further criticisms of assurance in non-financial reporting being inadequate (see for example Buhr et al., 2014; Kuruppu & Milne, 2010) and Bartels et al. (2008) who suggest assurance from a standard corporate assurance provider was inadequate. The inadequacy of assurers was also reflected in the concerns of an interviewee who stated; *“they’re accountants masquerading as assurers”* later adding, that due to this, assurance became a nightmare. The idea of including stakeholder input into assurance has also been emphasised by O’Dwyer, Unerman, and Bradley (2005), however despite the concerns expressed by an interviewee earlier no participants raised the possibility of stakeholder involvement in regards to assurance. In summary the assurance in itself was not met with great positivity by those with experience reflecting past literature. There was a theme of positivity regarding the process of learning when gaining assurance which agrees with the findings of Alon and Vidovic (2015) and Robertson (2012).

5.5.3 Materiality

Materiality was seen as a key concept in reports by the interviewees and is something heavily emphasised by the GRI guidelines (see Global Reporting Initiative, 2013) and in Integrated Reporting (Simnett & Huggins, 2015). The organisations that did use materiality as a part of their reports also showed how the process of a material issue would be determined. The materiality process would normally be done by using internal persons to list any stakeholder issues, or occasionally asking some stakeholders themselves on what would be material. Others would ask stakeholders if they should report on an issue which would be a yes or no type question. The organisation-dominant processes mean the way issues are determined tended to be more one way in nature with stakeholders only verifying or denying an issue rather than contributing issues themselves. The organisations did attempt to best represent the important stakeholder issues, however they tended to stop short of having direct and open ended discussion with stakeholders regarding issues and their importance. The one-sided approach gives rise to organisations dominating stakeholder relationships and would be more in line with the stakeholder management approach which has been found to be the case here. Also present was the idea that a large number of issues were originally identified with this list being narrowed down emphasising a hierarchical type approach to the stakeholder issues and giving further evidence to a stakeholder management type approach. The materiality emphasis and the way materiality analyses are being undertaken add further weight to the view that the GRI framework can allow for a managerial approach to stakeholders presented by Adams (2004) and Rasche and Esser (2006). It should be noted that even organisations using this type of system to determine materiality can exhibit stakeholder engagement practices as was seen by one organisation in this project. The materiality process may have been what resulted in a business oriented report by the organisation, but these characteristics

were overcome by the large number of programs that involved stakeholders which were also detailed in the non-GRI report.

5.5.4 Peer groups

Most interviewees were part of peer groups and all discussed the groups in a very positive sense. There was evidence of members sharing ideas for sustainability practices within New Zealand as well as interviewees expressing a lot of shared values in the groups. The effect of one such group, the Sustainable Business Council has been examined by Milne et al. (2009). Milne et al. (2009) found that peer groups emphasised a 'middle way' style of reporting and could be reinforcing the status quo. The middle way is largely what was evident here also, with interviewees noting that the programs which members worked together on would be things such as supplier codes of conducts which are common among large organisations. These common programs would also be seen as a middle way type solution as they do not require the organisation to take actions itself, and there did not appear to be a large number of stakeholder oriented schemes encouraged by the groups. The groups did however encourage a higher quality reporting and better practices for businesses even if the reports were not in line with the accountability arguments detailed earlier. It is also important to note that being part of a group does not mean the individual or organisation will automatically be reporting using a standard approach. Individuals in groups may be highly committed to stakeholders and improving accountability, or they could be joining groups but using a very managerial approach and not consider suggestions made by the group. The variance between group members was seen by Milne et al. (2009) with one organisation having a significantly wider view of sustainability than the other members of the group. Overall interviewees expressed the view that peer groups improved reporting, and business practices through shared knowledge and experiences, although it appears peer groups tended to emphasise the business case approach consistently found in this study.

5.6 Conclusion

Overall the findings here were in line with previous findings where a business case approach to stakeholders and reporting dominated the organisations investigated. Whilst there was no specific section discussing the content of the reports, as would have been clear, the content of the reports was an important part to all discussion and was examined in relation to each theme of discussion. Stakeholders identified by organisations tended to be the primary stakeholders identified in the past literature (see Carroll, 1993). A degree of mixed motivations had also been found previously and the business rationale dominating was consistent with other areas. Business domination leads to the conclusion that reporting in this area may have become captured by managers as was predicted earlier by Gray (2002). The importance of individuals came through strongly here and was consistent with past findings.

The idea of champions had been explored in the environmental management literature although not in the non-financial reporting literature and shows that the idea of champions is also relevant in non-financial reporting. Stakeholder engagement as envisaged in the literature was displayed by one organisation, however, in general the stakeholder relationships were more of a managerial nature. Communication tended to be dominated by organisations and be largely one way and basic in nature. Non-financial reporting was seen as something that would continue to be successful in the future although there was evidence that the current reporting may be similar to past trends which had all faded away raising the possibility that current reporting could fall to the same fate.

Peer groups were emphasised heavily by interviewees and seemed to be a source for improving the quality of reports although in the past these groups had been seen as reinforcing the status quo rather than improving reports. The insight gained into New Zealand practice was largely what could be expected given the prior literature in the area, and allowed

a more in depth look at the rationale behind reporting in New Zealand as well as how stakeholder engagement is undertaken in practice.

Chapter 6: Conclusion

6.1 Conclusion and contributions

This research has contributed to the knowledge that has been built by academics in this area by providing insights from those in practice. The contribution is significant in an area which has so often been based on desk-based research (Owen, 2008). The New Zealand focus of this research also contributes as there has not been a lot of research done based on practice in New Zealand. Stakeholder engagement is an area which has been labelled as a key component of best practice non-financial reporting (see for example Bartels et al., 2008; Envirostate, 2015; KPMG, 2013a, 2013b, 2015). Despite being labelled as a key component of best practice reporting the concept had been ill-defined and how it is carried out in practice has been largely unexamined.

This research project has helped to better define stakeholder engagement and outline its distinction from stakeholder management. There have been concerns as to the practicalities of achieving stakeholder engagement raised by Sundaram and Inkpen (2004a) which were confirmed by the results of this research. The barriers to engagement seemed to be mostly due to the profit focus of the organisations investigated. The profit focus has resulted in stakeholder management being common and stakeholder engagement being displayed by just one organisation. Only one organisation achieving stakeholder engagement showed that whilst stakeholder engagement was achievable it was not widespread.

This research project discussed practitioners in detail which allowed for new ideas on a number of issues to be presented which were not previously applied in the area. One of the new ideas uncovered was the concept of a sustainability champion. Other contributions made in this research project include adding to the evaluation of the non-financial reporting frameworks and helping build a further understanding of the influence that peer groups have

in New Zealand following from Milne et al. (2009). All of these contributions have ensured this research project is valuable through its significant number of insights into the practice of non-financial reporting in New Zealand today.

Stakeholder engagement remains a concept which is difficult to find in practice with the traditional profit making motive for organisations dominating. Stakeholder interaction was found frequently although the interactions were mostly of a transactional nature. Individuals and in particular senior management have the ability to influence reporting. However, their values expressed individually tended to be overshadowed by the profit motive of business indicating a large shift is needed before stakeholder engagement becomes commonplace.

6.2 Limitations

This section outlines the limitations of the research recognising that no research process or its findings are absolute. A number of limitations have been outlined which were considered at the beginning of the research process to allow them to be overcome. The way limitations were overcome is also detailed, or where the limitation could not be overcome (see for example scope of project) the consequences are outlined and any mitigation of them. The limitations discussed allow readers to understand the research in more detail and determine the applicability of the findings presented.

6.2.1 Small number of reporting organisations

A major limitation of this research is the relatively small number of organisations in New Zealand currently producing social and environmental reports which are readily accessible. Gaining access to organisations was therefore difficult and resulted in five organisations being investigated. However, this limitation is only in regards to the number of organisations, the information from interviews is not reliant on a large number and is more about the ideas that were expressed. The small number of interviews was supplemented by a more in depth analysis of the ideas and a more detailed description of what constitutes stakeholder engagement. The focus on rich information which can be gleaned from a small number of interviews helped overcome this limitation. A small number of organisations may have limited the number of links between perceptions and reports, however, those that were found are still relevant. Triangulation also became more prominent as a small number of organisations allowed triangulation to be used for most of the project.

6.2.2 Organisational profiles

As all organisations I researched are producing social and environmental reports there was a limited profile in the organisations examined. The limited profile comes about because all

researched organisations have some published, official policy on sustainability through their reports and matters which are encompassed within sustainability including stakeholders and how they are treated. Organisations with no such policies may exhibit significantly different characteristics. This limits the generalisability of my research. In the work of Harris and Crane (2002) managers within organisations with an official policy on ‘green’ matters were found to have more positive and considerate views on the green movement and its impact. Therefore my research may exclude organisations that are combative with their stakeholders, however, as I am looking at stakeholder engagement, a practice which is said to differentiate an organisation or be a significantly greater commitment than the minimum, this is appropriate as it would certainly not be present in the organisations which are combative.

6.2.3 Scope of project

Another limitation of this research is its scope. This is an M Com thesis which had to be completed within the applicable time frame and is limited in length accordingly. The limited length meant interviewees could only be interviewed once in the process. I also needed to keep my research very focused, especially in the semi-structured interviews. Whilst some tangents were encouraged when interesting and/or relevant, it was important to understand when a tangent was not relevant so conversation could be moved back to a more relevant topic. This was a challenge for me due to my lack of experience, however, as the research progressed I became more comfortable allowing me to overcome this limitation.

6.2.4 Non-genuine interviewee responses

A further limitation I had to overcome was the possibility that interviewees did not provide genuine responses to my questions. As seen in Pinch et al. (1989) an interviewee halfway through asks if the interview is going okay as he did not expect the direction it has moved in. If interviewees were trying to be helpful they may have said what they thought I wanted to hear rather than what they actually thought.

There could also have been deliberate manipulation by interviewees. Manipulation would be to protect the interviewee's organisations, or themselves, in terms of promoting the organisation or themselves in a certain manner. This is shown by Milne and Patten (2002) where they found it may be difficult to get past the 'myth system' of an organisation. Possible manipulation was overcome by attempting to gain an in-depth understanding of the issues and posing a number of follow up questions which the semi structured interviewing technique allowed to be done very effectively.

I also, in writing transcripts, attempted to read between the lines and compared that with any field notes I had taken to better understand what the reporter perceptions really were. Cross-checking was done throughout the process and themes were very important in the analysis including when coding the interviews, allowing a thorough understanding of the ideas even if they were not explicitly stated.

It was important to continue conversations on conclusion of an interview after recording in case any extra insight was provided that the interviewee did not feel comfortable revealing when recording was taking place. Similarly the assurance of anonymity was designed to help the interviewees feel at ease. If anything was said off recording I made sure to write some field notes inconspicuously to ensure these messages were retained. The processes followed ensured the rich information was obtained and that I had a point of reference for the conversation.

6.2.5 Limitation of the human mind

The limitation of the human mind was relevant to my research in how I recalled the interviews conducted. When a recorder malfunctioned my memory became a lot more important in processing the interview. In this case I found out only after the interview so I could not take extra field notes during the interview. I had knowledge of the recording malfunction immediately following the interview and therefore noted down as much as I

could whilst the memory was still as clear as it could be. The notes were also very detailed expanding upon all the notes taken during the interview with all ideas written down, and then returned to later in case any further details could be recalled which were not written down immediately following the interview.

I checked that recordings had come out clearly as soon as possible after the interview. The device used to record the interviewees had an immediate playback function so that this could be checked straight away. Even with successful recordings I attempted to complete any thoughts written in my field notes at the time to make sure that I could recall what these thoughts were at a later date. The limitations of my memory were overcome through writing field notes as detailed as possible in a timely manner.

Related to this is the state of mind that I had to exhibit throughout this research. I followed an exploratory approach rather than examining the research through a specific lens so I needed an open mind to adapt to any interviewee responses. Despite needing an open mind I had to be careful to not be too open-minded, as Ferreira and Merchant (1992b) note, being too open-minded can lead to a lack of focus. This was particularly important for this project due to the inherent limitations of a Masters project.

6.2.6 Cross-sectional analysis

As this research involved analysing reporter perceptions at present, it looked at a single point in time rather than a longitudinal analysis. As such this research is of a cross sectional nature, through the interviewing of multiple participants at a single time (Bryman & Bell, 2011). A cross sectional analysis is a significant limitation for my research, particularly as I am looking at the practice of voluntary reporting. The cross sectional nature of enquiry could mean that the time I interviewed my participants was a particularly good time for their organisation and as such the research could be exposed to the “fair weather” effects referred

to in Marens et al. (1999). If my research was exposed to fair weather effects it would likely mean that the participants are more receptive to stakeholders they interact with at this time.

The cross-sectional nature of the research also means that there is no view on how stakeholder engagement has developed over time which can only be offset by further research into stakeholder engagement on a regular basis over a significant period of time (Henriques & Sadowsky, 1999). Indeed this replicability is recognised a strength of the cross sectional design in research (Bryman & Bell, 2011).

6.2.7 Summary

The limitations in this section give further context to the methods presented in Chapter 3. The way the limitations were mitigated is also informed by the beliefs and values of the researcher. The limitations have been adequately mitigated or overcome allowing for credible findings to be presented. A number of the limitations such as the organisational profiles and scope of the project and cross-sectional analysis could not be overcome as they were uncontrollable by the researcher. Although these limitations could not be controlled they do not prevent the research from being meaningful and are presented to give readers a more comprehensive understanding of the research process so more meaningful conclusions can be drawn.

6.3 Future research

The findings from this study have given rise to a number of areas suitable for future research. The identification of Māori as significant stakeholders to organisations is an area which has been under researched in the past. The findings in this study show more in depth research into organisations in New Zealand and their interactions with Māori would be useful, as well as research looking into organisation's relationships with native peoples in other jurisdictions. This study examined both localised and international reports and found significant differences in their content and tone, showing more attention in this area is required. Another

important aspect of this study was the strong prevalence of champions which whilst established in other areas had not been examined in non-financial reporting and can be further investigated. The influence of sustainability champions and senior management on reporting practice came through very strongly in this study and the influence of individuals on individual organisation's reporting is an important topic. Peer groups were found to have a significant influence on New Zealand reporting practice and whether this is replicated in other jurisdictions is a question yet to be answered. This study also uncovered a number of barriers to stakeholder engagement which had not been fully examined before due to the often normative nature of the literature. More research in this area would help fully establish the barriers to engagement to help stakeholder engagement to be fully understood.

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