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Elucidating the relationship between Sustainability Reporting and Organisational Change Management for Sustainability

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A B S T R A C T

An increasing number of companies have, during the last two decades, engaged in reporting their sustainability efforts. Although Sustainability Reporting is considered to be a key driver for organisational change in companies; research into the link between these two processes has been limited. This paper is aimed at elucidating the interrelations between these processes. A survey was applied to 91 companies from the Global Reporting Initiative's Sustainability Disclosure Database that published sustainability reports in 2013. The data from the survey were analysed using a combination of descriptive, Grounded Theory, and inferential analyses. The results showed that the decision to publish the first sustainability report has been primarily driven by company internal motivations, whilst for subsequent reports it has been due to a combination of internal motivations and external stimuli. The development and publication of a sustainability report drives sustainability changes in the company, leading to a transition period during the development of the next report. This leads to changes in data and indicators, strategy, organisational change, reputation and validation, stakeholders, and the report itself. The changes become part of the organisation until the start of the following report. The research shows that Sustainability Reporting and Organisational Change Management for Sustainability have reciprocal reinforcing relationships, where Sustainability Reporting provides a starting point for planning organisational change for sustainability and organisational change for sustainability improves the reporting process. The paper reinforces that planning organisational changes can help companies better and more holistically integrate their efforts for sustainability into their systems.

1. Introduction

Corporations have been accused of being responsible for many negative impacts on the environment and on the societies wherein they operate (Dunphy et al., 2003; Hart, 2000). This has made them a key focus of attention in the sustainability debate (Cannon, 1994; Elkington, 2002, 2005). In response to this, corporate leaders and employees have been including sustainability issues in their activities (C.E.C, 2001; Elkington, 2002; Langer and Schön, 2003). Some authors have proposed Corporate Sustainability (CS) as a way to explain and address such actions. Dyllick and Hockerts (2002) defined CS as: "…*meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities, etc.), without compromising its ability to meet the needs of future stakeholders as well*". Lozano (2012b) defined CS as: '*Corporate activities that proactively seek to contribute to sustainability equilibria, including the economic, environmental, and social dimensions of today, as well as their inter-relations within and throughout the time dimension (i.e. the short-, long-, and longer-term), while addressing the company's systems, i.e. Operations and*

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production, Management and strategy, Organisational systems, Procurement and marketing, and Assessment and communication; as well as with its stakeholders'. The latter definition is used in this paper, since it provides a more detailed explanation of the company system.

A number of authors have indicated that to make real progress, CS should encompass a holistic perspective (e.g. Linnenluecke et al., 2009; Lozano, 2013b), where the company elements interact as part of the whole system (as discussed by Bartelmus, 1999). In this context, Sustainability Reporting (SR), a part of Assessment and communication, has been considered an important catalyst for change towards sustainability (*see* Adams and McNicholas, 2007; Doppelt, 2003) and one of the main drivers of CS (Lozano, 2015). However, there has been limited research explicitly discussing the link between SR and Organisational Change Management for Sustainability (OCMS). This paper is aimed at elucidating the inter-linkages between SR and OCMS. It should be noted that each of these processes have been researched thoroughly in other publications. This paper is aimed studying the juxtaposition between them.

This paper is structured as follows: Section 2 presents a literature review in two parts, Sustainability Reporting (SR) and Organisational Change Management for Sustainability (OCMS); Section 3, the research methods used; Section 4, the results, findings from the survey, the descriptive statistics, and analysis of the inferential statistics; Section 5, discussion; and Section 6, conclusions.

2. Literature review

This section presents a discussion on two usually separated processes, Sustainability Reporting (SR) and Organisational Change Management for Sustainability (OCMS).

2.1. Sustainability Reporting

Sustainability Reporting (SR), an element of Assessment and communication, has become an important part of companies' contribution to sustainability (Gamerschlag et al., 2010; Herzig and Schaltegger, 2006; Lozano and Huisingh, 2011). During the last 15 years there has been an increase in the number of published corporate sustainability reports (ACCA, 2004; GRI, 2009; Lozano, 2013b), particularly in Europe and Japan (Kolk, 2008). The KPMG surveys of the largest 250 global companies in the world showed an increase in reporting from 35% of those companies in 1999 to 93% in 2013 (KPMG, 2013). The Global Reporting Initiative (GRI) database listed 6284 organisations that have published a sustainability report at the time the research was conducted (GRI, 2014). In general, European companies have been at the forefront of Sustainability Reporting (Kolk, 2008; Lozano, 2013b).

SR is a voluntary activity[1] with the following purposes: (1) to assess the current state of an organisation's progress towards sustainability, and (2) to communicate the efforts and progress in the economic, environmental and social dimensions to stakeholders (Dalal-Clayton and Bass, 2002; GRI, 2011); (3) to assess sustainability performance over time; (4) to benchmark against other companies; (5) to demonstrate how the organisation influences, and is influenced by, expectations about sustainable development (Daub, 2007; Schaltegger and Wagner, 2006); and (6) as a base for planning changes for sustainability (Adams and McNicholas, 2007; Lozano, 2013b).

According to Burritt and Schaltegger (2010), SR can help managers deal with different decisions in their CS efforts. They highlighted that there are two main approaches driving Sustainability Reporting: "outside-in", focusing on the opinions and perceptions of stakeholders towards the organisation; and "inside-out", relating to the decisions taken inside the organisation regarding social and environmental problems, which strengthen the competitive position of the organisation.

A large number of voluntary standards and guidelines have been developed during the last two decades to help managers report the myriad sustainability issues (see Lozano and Huisingh, 2011; Perrini and Tencati, 2006). Among the many guidelines, the GRI guidelines are considered the best option available for SR (Hussey et al., 2001; Morhardt et al., 2002). The GRI Guidelines are voluntary and intended to serve as a generally accepted framework for reporting on an organisation's economic, environmental, and social performance (GRI, 2011).

A number of factors, such as company size, industry membership and perceived corporate impact (economic, environmental, social) play a key role in a firm's decision to start publishing sustainability reports (Alonso-Almeida, Llach, and Marimon, 2014; Frynas, 2010; Gamerschlag et al., 2010). In the companies that have been publishing sustainability reports, the report has, usually, been developed by only one designated department, which results in a compartmentalised SR process (Schaltegger and Wagner, 2006).

SR presents a number of challenges, such as gaining knowledge, experience, and understanding of sustainability (Adams and McNicholas, 2007), providing the extra resources needed to gather data and engage stakeholders, and the need to keep a balance between the details and core information (Lozano, 2006). However, SR can help to diffuse sustainability throughout the company and, thus, overcome resistance to organisational change (Hedberg and von Malmborg, 2003).

It should be noted that the number of companies reporting is still small compared with the total number of businesses operating in the world today (Lozano, 2013b), the quality of the SR disclosures has yet to translate into meaningful and comprehensive reports (ACCA, 2004), and many of the reports fall short of the GRI/SR guidelines (Ball et al., 2000; Hussey et al., 2001; Wilenius, 2005).

In spite of the recognition of SR as an important catalyst for change towards sustainability (*see* Adams and McNicholas, 2007; Doppelt, 2003), there has been limited research explicitly discussing the link between SR and OCMS. Some of the research available includes: Christofi et al. (2012), who highlighted that SR influenced internal management processes and the general corporate attitude towards sustainability; Lozano (2015), who explored the drivers of sustainability change, where SR has been one of the most important factors; Ioannou and Serafeim (2011), highlighting that company representatives acknowledge SR as a driver for organisational change, and SR has a positive impact on CS; and Adams and McNicholas (2007), who underscored that the process of implementing a system for SR results in improved sustainability performance due to the application of sustainability assessment tools, increased internal communication, and learning processes.

2.2. Organisational Change Management for corporate sustainability

CS changes need to go beyond 'technocentric' changes focused on raw materials, processes, and products (Doppelt, 2003;

[1] Although SR is mainly voluntary, various European countries, e.g. France and Spain, have introduced regulations for companies listed in stock markets to publish sustainability reports (Herzig and Schaltegger, 2006; KPMG, 2013).