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**Representing sustainability within organizations:  
the role of accounting and reporting practices.**

By

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A thesis submitted for the position of

**Doctor of Philosophy**

at the National University of Ireland, Galway  
J.E. Cairnes School of Business & Economics

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## Declaration regarding the thesis

I certify that this Ph.D. thesis entitled “**Representing sustainability within organizations: the role of accounting and reporting practices**” was carried out by me for the degree of **Doctor of Philosophy** at the National University of Ireland, Galway – J.E. Cairnes School of Business & Economics.

The thesis was written under the supervision of Dr. Emer Curtis at National University of Ireland, Galway and Prof. Cristiano Busco at University of Roehampton, London (UK) and LUISS University of Rome (IT).

For the present thesis, which I am submitting to the National University of Ireland, Galway, no degree or diploma or distinction has been conferred on me before, either in this or in any other university.

Place: Galway

Date: October, 12<sup>th</sup>, 2018

Signed

Fabrizio Granà.



## Abstract

The aim of this thesis is twofold. The first aim of this thesis is to explore the role of accounting and reporting practices as organizations attempt to represent sustainability. Second, this thesis aims to explore how individuals engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold.

By relying on the theoretical insights offered by studies on discourses analysis, (and particularly on Hardy, C., Palmer, I., and Phillips, N., (2000), “Discourse as a Strategic Resource”, *Human Relations*, Vol. 53 No. 9, pp. 1227-1248), this research interprets ‘sustainability’ as a ‘discursive concept’ that does not have a fixed meaning and can be moulded into practice through its continuous interplay with the objects it is attached to (i.e. accounting and reporting practices) and the subject positions that are involved in their production.

By exploring the case of LOGIC, a large international oil and gas company operating in more than 70 countries worldwide, this study analyses the evolution of discourses concerning sustainability, as well as changing accounting and reporting practices, with a particular focus on integrated reporting.

Whereas the majority of prior studies have discussed ways for addressing the gap between what companies say and what they actually do about sustainability, accounting and reporting practices are not expected to offer complete representations of organizations’ performance of sustainability. Rather, this study maintains that accounting and reporting practices contribute to making sense of, and representing, sustainability by “closing-down” this complex and unknown concept to more manageable and known categories. In particular, this study maintains that accounting and reporting practices “open up” a discursive space, between juxtaposing interpretations of sustainability that facilitate the construction and reconstruction of the meaning of sustainability throughout the process of *representing*.

In doing so, accounting and reporting practices play a role as discursive objects enabling individuals to connect their own concepts and understanding of sustainability to specific texts. At the same time, accounting and reporting practices unfold themselves, and evolve, as a consequence of the debates about sustainability that their production generates.

**Keywords:** *Sustainability; Accounting; Integrated Reporting; Discourses; Case study.*



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# Chapter One

## 1. Introduction: Research background, objectives, methodology and contribution to the research

### 1.1 Structure of the chapter

The first chapter introduces the key pillars of this study, namely the research background, objectives, methodology and contributions on which the thesis is based. In particular, Section 1.2 illustrates the research background, describing how the concept of sustainability has been interpreted over time as well as the role that accounting and reporting practices play in representing sustainability within organizations. Section 1.3 introduces the objectives of this study. It summarizes the main research questions and explains the ways in which these have been addressed throughout the thesis. After briefly outlining the adopted methodology in Section 1.4, section 1.5 describes the main contributions of the research. Section 1.6 describes the limitations of the study and Section 1.7 provides some suggestions for future research. Finally, Section 1.8 summarises the structure of the thesis and the topics discussed.

### 1.2 Research background

In 1987, the UN Brundtland Report provided one of the most popular definitions of “sustainable development”, which was expressed as a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987 p. 45). Cohen *et al.* (1998) highlighted that this definition of sustainable development is part of a broader political discourse that has exposed the concept of sustainability and its components to manipulation and contestation. Laine (2005) also emphasised that the elusiveness of the definition provided by the Brundtland Report has enabled the concept of “sustainability”<sup>1</sup> to gain

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<sup>1</sup> As argued by some scholars, although *sustainability* and *sustainable development* are two distinct concepts, these terms are often used interchangeably and as being synonymous with other notions such as “social responsibility” or “environmental management” (Gray, 2010; Lozano, 2008; Han Onn and Woodley, 2014). Therefore, this thesis uses the expressions *sustainability* and *sustainable development* as two analogues.

prominence in environmental and social discourse worldwide, since “it has been possible to define the concept to suit one’s own purposes” (p. 397). According to Bebbington and Larrinaga (2014, p. 398), “while this definition is familiar to many, its radical nature can only be appreciated in the context of the time it was first promulgated” (see also Bebbington, 2001). In their view, “the broad nature of the Brundtland Report definition of sustainable development has allowed a wide coalition to unite under its rhetoric while the implications that arise from its application in particular situations remain contested” (2014, p. 400).

Following the Brundtland Report, institutions and international bodies have further attempted to specify what sustainability means and have tried to capture its main components. For example, at the Johannesburg World Summit in 2002, ‘sustainable development’ was defined as embracing not only environmental aspects, but social inclusion and economic development as well (see Drexhage and Murphy, 2010). This definition was further reinforced in 2012 by the United Nations and extended in 2013 by the Sustainable Development Solutions Network (SDSN) with the inclusion of good governance as the fourth pillar and the publication of the Sustainable Development Goals.

The academic literature has also attempted to provide various definitions for the concept of sustainability (more than 70 according to Lozano and Huisingh, 2011). In this respect, Han Onn and Woodley (2014) emphasised that the number of definitions provided, as well as the different ways in which they have been operationalized within organizations, have left the term ‘sustainability’ basically undefined.

As noted by Bebbington and Larrinaga (2014), not only can ‘sustainability’ be defined in several different ways, but also its components are subject to multiple interpretations and definitions, as “they are arenas which can only be understood through multiple lenses” (p. 399).

According to Frame and O’Connor (2011), the lack of definition of sustainability does not necessarily imply that sustainability also lacks meaning. Instead the lack of a specific definition renders this concept an

‘empty signifier’, open to multiple meanings. This idea implies that, rather than remaining empty and therefore without meaning, the concept of sustainability can be filled with different meanings that are always evolving.

Consequently, not only can ‘sustainability’ be defined in several different ways, but its components are also subject to multiple interpretations and definitions (Frame and O’Connor, 2011; Tregidga, 2011; Tregidga *et al.* 2012, 2014).

According to Tregidga *et al.* (2011), sustainability is more than an *empty signifier*. It is a *floating* signifier since it is overwhelmed with meanings; it is overdetermined – overfilled with so many different details, making it a universal concept (*empty*). As such, different social ‘constructions’ of the meaning of sustainability are possible since this concept can be filled with different content by various subjects. In this sense, sustainability means different things in the various contexts in which its meaning is constructed, and of which it is a part (Gray, 2010).

Giovannoni and Quattrone (2017) consider that, intrinsically, definitions are never bounded. They are “inescapably ‘de-fined’, that is, never fully spatially and categorically closed” (p. 52). Therefore, the absence of a bounded definition does not lead to absolute emptiness or nothingness for a concept that is poorly defined, but rather it provides the possibility for this concept to be filled with meanings that are constantly unfolding. It follows that ‘sustainability’ is not *meaningless* because it lacks a definition (as also suggested by Cohen *et al.*, 1998; Frame and O’Connor, 2011). On the contrary, it is this lack (or ‘absence’ - Giovannoni and Quattrone, 2017) that provides the conditions for sustainability to become *meaningful*<sup>2</sup> as it is filled with multiple and unfolding meanings.

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<sup>2</sup> In this thesis, the adjective “meaningful” is literally defined as being “full of meaning”. The etymology of the adjective “*meaningful*” results from the combination of two separate words – “meaning (n.) + -ful” – and is opposed to the adjective “*meaningless*”, which literally means “devoid of meaning”. This interpretation is not distant from the widely accepted understanding of the adjective “*meaningful*”, as generally related to something “intended to show meaning” (Cambridge Dictionary). However, the definition used in this thesis focuses on the different meanings that a single concept can assume when shared in a discussion between multiple actors.

A number of accounting studies have, however, emphasised that the lack of a stable definition of sustainability has negative implications for accounting and reporting practices (Gray, 2006; 2010; Gray and Milne, 2002), which are often criticised as offering misleading messages and obfuscating reality (Cho *et al.*, 2010; Gond *et al.*, 2009; O'Dwyer *et al.*, 2005; Burritt and Schaltegger, 2010). It follows that the ambiguity of the concept of sustainable development/sustainability, and the consequent plurality of meanings it can be associated with, have enabled organizations to capture this concept 'for their own ends' with continuing negative outcomes (Tregidga *et al.* 2018, p. 295).

At the corporate level, such plurality has rendered "sustainable development" a hegemonic discourse, within which one empty concept is replaced by another one, empty enough to attract, accommodate and gain consensus among a range of particulars.

"Therefore, although sustainable development remains largely universal, the corporate discourse has partially filled sustainable development with a particular identity (economic-focused and profitable)" (Tregidga *et al.* 2018, p. 313).

The negative effects of the dominant, corporate-focussed, sustainability discourse have been also emphasised by accounting studies. For example, Gray and Milne (2002) argue that regardless of the extent to which they are combined with information on social and environmental impact, current 'accounting for sustainability' practices fail to represent the cumulative effects of an organization's activities on the environment and society because these practices are mainly organization-centred. O'Dwyer *et al.* (2005) have portrayed sustainability reporting as being limited in scope and unable to account for what organizations effectively do for the rights, needs and empowerment of all relevant stakeholders. According to Laine (2005), behind the business rhetoric about sustainability, "there is very little evidence of anyone actually walking this talk" (p. 395).

Along these lines, a number of studies emphasise that sustainability reporting practices are often used as a means for covering, rather than uncovering, corporate social and environmental impacts (Gond *et al.* 2009; Cho *et al.* 2010; Milne and Gray, 2013).

Cho *et al.* (2010) emphasized that reputational pressures and the search for legitimacy may generate distortions on sustainability reporting, as managers try to deflect, obfuscate, or alter information on social and environmental performance (see, also, Cho *et al.*, 2015; Gond *et al.* 2009; O'Dwyer *et al.*, 2005; Burritt and Schaltegger, 2010; Hopwood, 2009).

In general, a number of accounting studies recognize that accounting and reporting practices are incomplete because they are unable to offer a faithful and complete representation of how an organization operates (see for example, Hines, 1988; Morgan, 1988; Shapiro, 1997; Mattessich, 2003; Messner, 2009; Jordan and Messner; 2012).

Most of the literature mentioned above concentrates on the practices for representing, reporting, and accounting for sustainability, and on the need for reducing the gap between what companies actually *do* and what they *say* about sustainability. However, other studies maintain that this gap does not necessarily have distortive effects (Christensen *et al.* 2013; Christensen *et al.* 2015; Guthey and Morsing, 2014). Likewise, a number of studies suggest that further exploration is needed to explain what ongoing attempts to represent sustainability (its *representing*) produce in practice within an organization (See for example Busco and Quattrone 2015; Quattrone; 2015; 2017).

Cho *et al.* (2015) build on prior studies on organized hypocrisy and organizational façade to explore the discrepancies between corporations' talk decisions and actions, and emphasise the enabling effects of these discrepancies. They argue that organizational façades and organized hypocrisy may enable greater flexibility in managing stakeholders' expectations and provide opportunities for action through the aspirations that they entail (Cho *et al.*, 2015).

This point is further expanded by Gibassier *et al.* (2017) in relation to integrated reporting. By drawing on the work of Busco and Quattrone (2015), Gibassier *et al.* (2017) argued that innovations such as integrated reporting stimulate action through the promises held by their mythical dimension, even if these promises are never fulfilled. In this sense, integrated reporting is

‘aspirational’ as it praises an imaginary future which stimulates more tailored accounting practices.

By relying upon these studies, this thesis argues that the ambiguity of sustainability as a concept, and the impossibility to fully capture it through accounting and reporting practices, does not mean that any attempt to represent it inevitably leads to distortion or obfuscates ‘reality’. Rather, the way in which this concept is presented through accounting and reporting practices can have a constructive effect on the organization through the aspirations that these representations entail. Also, the “open ended” nature of the concept of sustainability offers the opportunity to ‘talk about it’ in several ways, thereby having the potential to stimulate change.

In particular, even though it may be impossible for the concept of sustainability to achieve closure and therefore be ‘de-fined’, the ongoing attempt to represent *it* (and give *it* meaning) within an organization may lead to multiple ‘discourses’ about sustainability (i.e. different ways of talking about, understanding and interpreting its content), which may inspire new actions and interpretations of sustainability (Christensen *et al.* 2013; 2015).

These discourses have both reflective and constructive power, which suggests that, rather than searching for a bounded definition of sustainability, it would be of greater value to study the processes stimulated by its un-bounded nature, as well as the discourses that this nature stimulates, the aspirations that they entail and what these aspirations produce in practice.

Tregidga *et al.* (2012) suggest that more research is needed in order to understand the factors and motives underpinning the production of organizational messages of sustainability. As argued by Tregidga *et al.* (2012), “while further studies concentrating on the message are important, when investigating notions such as sustainability or sustainable development, for example, it is necessary to go beyond the message to include its production and consumption” (p. 228). Therefore, studies are needed for analysing the construction of the message, looking at the instances that come up when deciding ‘what is to be said’ and ‘how it is to be said’. A focus on and attention to specific language features (e.g. metaphors) and examples of text (Tregidga

*et al.* 2012) would be useful. Further, Tregidga *et al.* (2012) maintains that “more studies analysing the notions of meaning, quality and accountability in organizational reporting and communication are needed because an examination of how organizational reporting and communication is constructed and its potential consequences (both intended and unintended) remains underdeveloped” (p. 228).

### 1.3 Research questions and objectives

The aim of this thesis is twofold.

First, this study aims *to explore the role of accounting and reporting practices as organizations attempt to represent sustainability.*

Whereas the majority of prior studies have discussed the representational ability of accounting and reporting practices, maintaining that a gap exists between “what companies say” and “what they do” about sustainability, this thesis maintains that the attempt to represent this concept, and give it meaning, may produce valuable effects. In this regard, this study explores how organizations’ attempts to represent sustainability (i.e. its *representing* – the process of representation) affect the way in which organizations understand and report on sustainability, changing its meaning over time.

This also entails exploring the process through which these representations are produced, looking at the ways in which individuals engage with, and discuss, sustainability *inside* organizations.

Consequently, the second aim of this research is *to explore how individuals engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold.*

In this regard, this thesis examines whether and how accounting and reporting practices provide the conditions for the concept of sustainability to be filled with meanings. Further, it explores how these meanings unfold, eventually leading to evolving accounting and reporting practices.

In particular, this study explores how different meanings of sustainability unfold in practice during the reporting process due to the questioning and

debates that take place among different managers involved in this process. Further, it explores how debates and questioning on sustainability take place throughout the production of accounting and reporting practices, thus filling sustainability with meaning and making it *meaningful* within the strategies of the organization.

Although, some research focuses on how shared understandings about sustainability develop and engage with accounting change within organizations (Adams and McNicholas, 2007; Spence and Rinaldi, 2014), they do not delve into the discursive space within which individuals engage, and ultimately connect their *particular* and *diverse* intentions to broader discourses about sustainability, bringing this plurality into their specific context.

By relying on the theoretical insights offered by studies on discourses, (and particularly on Hardy's *et al.*, 2000 framework), this study interprets 'sustainability' as a 'discursive concept' that does not have a fixed meaning and can be moulded into practice through its continuous interplay with the objects it is attached to (accounting and reporting practices) and the subject positions that are involved in their production. In this respect, this thesis contributes to the studies above mentioned by exploring how multiple discourses of sustainability, their plurality and diversity, can be attracted within the same discursive space, ultimately affecting accounting and reporting practices.

In order to achieve the two research objectives above mentioned, this study aims to address the following four main questions:

- RQ1. How is the concept of sustainability represented through accounting and reporting practices?
- RQ2. What are the mechanisms that accounting and reporting practices trigger as they attempt to represent sustainability within organizations?
- RQ3. How is the meaning of sustainability constructed by participating subjects within organizations?

RQ4. What is the role of accounting and reporting practices within this process?

## 1.4 Methodology

To achieve the objectives described above and answer the research questions, this thesis relies on a qualitative, case study methodology.

A case study analysis was conducted within LOGIC<sup>3</sup>, a multinational company that specializes in the production and marketing of oil and gas.

The case of LOGIC was chosen as a suitable site for investigating the research questions and for achieving the research objectives because of its “typical” operating activities as an Oil and Gas company within the community, and the environmental resources with which it operates. In particular, LOGIC operations are constantly required to balance financial and non-financial performance, environmental, social, political, geographical and financial risks, as well as manage the long-term effects of short-term decisions (i.e. evaluation of externalities). Further, LOGIC was chosen from a variety of companies operating in the oil and gas sector because of its role as a company leader in the pilot program launched by the International Integrated Reporting Council in 2010. LOGIC’s participation in the pilot programme has been considered a critical issue when choosing the case study for this research, because from 2010 the company’s approach to sustainability reporting had radically changed by combining sustainability and profitability issues into a single process, and ultimately, into a single report.

Data for this study were collected from October 2013 to March 2016.

The analysis of a single case study allowed for the close observation of the development of accounting and reporting practices (e.g. the techniques, procedures and systems used) (Ahrens and Chapman, 2006; 2007; Ahrens and Dent, 1998). In particular, by closely engaging with the field of research it has been possible to gain access to a variety of narrations, descriptions of events and documents (e.g. Annual Sustainability and Integrated Reports,

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<sup>3</sup> LOGIC is a pseudonym used for reasons of privacy and confidentiality.

website documents, internal documents, strategic plans, public presentations and notes), which were provided by the organization's participants (Scapens and Roberts, 1993).

The research analysis has been structured by first focusing on the description of text published by LOGIC (e.g. CSR, sustainability and integrated reporting) from 1996 to 2015, and secondly, on the discursive interaction that took place within the organization throughout the development of a project on integrated thinking and reporting, which required the company's Sustainability Unit to show the cause-effect relationships between sustainability and traditional business objectives.

The first two research questions have been addressed by analysing LOGIC's sustainability reporting process from 1996 to 2015 and exploring how the meaning of sustainability evolved and changed over the years. LOGIC's sustainability reports have been classified in three periods (from 1996 to 2005; from 2006 to 2009; from 2010 to 2015). For each period, the analysis focused on the concept of sustainability, exploring how it was represented through the reports, the meanings that emerged, the main external contingencies that influenced the evolution of sustainability reporting within LOGIC, the key practices used, and the units responsible for the preparation of the reports.

Subsequently, this first analytical phase has been expanded by exploring how sustainability gained meaning and unfolded throughout LOGIC's integrated reporting process due to the confrontations and debates that took place between different managers and subject positions.

To address the third and fourth research questions, the analysis focused on the development of a project for Integrated Reporting that took place within LOGIC between 2013 and 2016.

During these three years of investigation, managers from different functions have been interviewed to explore how they referred to the meaning of sustainability during their conversations and discussions. The researcher also observed meetings and participated in workshops in order to acquire proximity to the field by witnessing managers' discussions and discursive

statements directly, in real time, as they were unfolding (Atkinson and Shaffir, 1998). This allowed the researcher to experience and “feel” (Gill and Johnson, 2002, p. 144) the way in which sustainability issues were connected to the company’s financial performance and how they were “de-fined” throughout the project on integrated reporting.

The managers’ discursive statements, collected during the interview process and meeting observation, were then grouped according to the Activity, Performativity and Connectivity circuits proposed by Hardy *et al.* (2000) in their framework. This analysis exposed the unfolding interplay between the concept of sustainability, the discursive statements and the discursive objects (i.e. charts and models illustrated in the annual integrated reports) that this concept was attached to as well as the different subject positions involved in this process.

The exploration of a single case study has facilitated the in depth exploration of how discursive interactions and tensions among multiple members contribute to make sustainability meaningful in the accounting and reporting process. Through the framework proposed by Hardy *et al.* (2000), the analysis of the case study enabled the investigation of how discourses are carried out in order to make sense of organizational concepts, such as sustainability, through social interaction and negotiation, which are necessary for associating meanings and understandings to things and situations (see Ahrens and Chapman, 2006; Ryan *et al.* 2002).

## 1.5 Contributions to the research

This thesis provides a number of contributions.

This study addresses the first research question (RQ1) by exploring the representational abilities of accounting and reporting practices in relation to sustainability. In particular, this study maintains that accounting and reporting practices are not expected to offer complete representations of organizations’ sustainability. Rather, these practices offer a number of representations (e.g. graphs, diagrams, tables, grid) that affect the way in which organizations understand and report on sustainability, changing its meaning over time.

The analysis of the evidence collected suggests that the gap between what organizations say and what they do about sustainability still exists and cannot be completely closed because of the intrinsic incompleteness of accounting and reporting practices. However, accounting and reporting practices offer opportunities to discuss sustainability in several ways, thereby stimulating debates among different perspectives.

Further, this thesis addresses the second research question (RQ2), suggesting that accounting and reporting practices are valuable because they contribute to making sense of, and representing, sustainability by “closing-down” this complex and unknown concept (such as sustainability) to more manageable and known categories. Nevertheless, throughout the process of representing and making sense of what it is to be sustainable for organizations, accounting and reporting practices also “open-up” a discursive space where juxtaposing interpretations of sustainability unfold contributing to construct and reconstruct its meaning throughout its representing process.

Consequently, in exploring how participating subjects engage with accounting and reporting practices to make sustainability meaningful within organizations, this thesis addresses the third research question (RQ3). In particular, this study demonstrates how different sustainability meanings unfold in practices through accounting and reporting because of the confrontations and debates that take place among the different managers involved in their preparation.

In this context, accounting and reporting practices (and particularly integrated reporting in the case of LOGIC) play a key role as discursive objects since they enable individuals to connect their own concepts and understandings of sustainability to specific texts (e.g. the diagram of LOGIC’s business model, the MBO systems and other performance indicators).

Finally, this thesis addresses the fourth research question (RQ4) by examining how accounting and reporting practices creates a discursive space where the concept of sustainability is moulded into practice through the ongoing interplay between the objects (i.e., CSR, HSE, sustainability and integrated

reporting) it is attached to, and the subject positions that emerge in this process.

Specifically, this thesis maintains that accounting and reporting practices for sustainability act as a space to make sustainability meaningful within organizations, by stimulating dialogue and debate among the subject positions involved in their preparation. Thus, accounting and reporting practices are worthwhile, not only because of the content they carry and the meaning they represent, but also, due to the tools and engagement platforms they offer.

Further, this study demonstrates that undefined concepts, such as 'sustainability', and practices, such as 'integrated reporting', mutually construct each other, and unfold through the conversations that they stimulate. The attempt to represent sustainability within the organization and the debates that this process generates, make accounting and reporting practices unfold themselves, and evolve, influencing and changing the subject positions that are involved in it.

## 1.6 Limitations of the research

As a case study of a single organisation, this thesis has some limitations. First, in order to analyse how sustainability has been constructed within LOGIC, this thesis relies on the narrations, descriptions of events and documents provided by the participants, which are based on the individual participants' own interpretations of their social reality (Scapens and Roberts, 1993). In this regard, the methodological approach adopted in this study shares the concerns of other qualitative approaches as it explores how socially produced ideas and objects that populate an organizational context are created and held in place over time (Ryan *et al.*, 2002). Specifically, this study is situated, contingent and partial, rather than universal (Ryan *et al.*, 2002) since it refers to a specific set of texts that were both produced and analysed during a specific period of time (Taylor, 2001). Nevertheless, the case study method adopted in this thesis contributed to investigate and intrinsically explain how sustainability is represented and gains meaning in practice. Therefore, this study provides a

reasonable interpretation of the ways in which sustainability determinants are constructed and integrated within an organization's strategic process and reporting.

An additional limitation is that, following recent debates regarding the necessity to better understand how sustainability is practiced within organizations, this thesis focuses mainly on the micro context within which sustainability is discussed and debated.

Although this research concentrates on accounting and reporting practices as the main discursive objects possessing receptivity within LOGIC, other practices or tools in different settings could be associated with different conceptions of sustainability. Analysis of alternative media, which contribute to integrate sustainability initiatives and performance, could also have been beneficial.

## 1.7 Suggestions for further research

The findings of this study have implications for further research into the role of accounting and reporting practices for sustainability.

New studies are needed to determine how sustainability is brought into practice in the ongoing attempt to represent it throughout the reporting process. In particular, it would be relevant to explore the ways in which various actors within organizations interact throughout the reporting process to understand how sustainability initiatives affect the overall strategic approach of an organization (see O'Dwyer and Unerman, 2016).

Accounting and reporting practices, as engagement platforms, can go beyond the representation of sustainability initiatives through a set of ad hoc targets and key performance indicators to include processes of engagement among the different stakeholders involved.

This research also suggests opportunities for further exploration into how evolving conceptions of sustainability may be 'objectified', that is, moulded into different material practices and discursive objects within organizations,

such as company performance measurement, management control, and IT systems (e.g. ERP or business intelligence systems).

In particular, changes in the way in which sustainability is perceived within organizations may affect not only accounting and reporting practices and their use, but also the role of accountants in their development (Busco *et al.*, 2013a). In this regard, future research could usefully explore the role that management accountants may play in leading to the integration of sustainability initiatives and performance within organizations.

Accordingly, as suggested by O'Dwyer and Unerman (2016), greater attention should be given to the study of reporting and decision-making for Sustainable Development Goals, as well as to the techniques used in ethical businesses such as "B Corporations".

Considering the increasing number of regulations and standards issued for sustainability and integrated reporting (e.g. GRI, Global Compact, IIRC, SASB), as well as the recent approval of EU directive 2014/195, it would be relevant to explore how these regulations influence the meaning of sustainability and affect the company reporting process because of the compliance that these regulations and directives require.

## 1.8 Summary and structure of the thesis

The thesis is structured as follows. After the present Introduction to the research, Chapter Two illustrates how the concept of sustainability has been interpreted over time, highlighting three main dimensions of this concept: the 'environmental', 'social' and 'business' dimensions. Considering the increasing necessity to understand the role of organizations in relation to the achievement of sustainable development, Chapter Two also describes the institutions and regulators that have contributed to the spread of sustainability reporting globally. Some critical issues regarding the implementation of the above initiatives are also described.

Chapter Three explores the inadequacy and incompleteness of accounting and reporting practices in representing sustainability within organizations. In particular, Chapter Three explores the main criticisms of accounting and

## Chapter One - Introduction:

Research background, objectives, methodology and contribution to the research

reporting practices for sustainability, focusing on the opportunistic motivations that have moved organizations towards the adoption of sustainability, corporate social responsibility and integrated reporting.

Although organizations engage with sustainability issues to pursue win-win solutions, Chapter Three explores the potential that accounting and reporting practices have to motivate the different functions within organizations to develop and stimulate further action towards sustainable development. The objectives of the research are also described in depth in Chapter Three.

Chapter Four illustrates the main theoretical underpinnings and framework used to interpret the research findings. In particular, Chapter Four focuses on the framework developed by Hardy et al. (2000) to explore the interrelationships between the various actors in discourse production, the tensions generated, and the practices used, as well as the ways in which people purposefully mix these practices and create knowledge through them in certain circumstances.

Chapter Five introduces the case study of LOGIC and describes the research design, data collection and data analysis process, explaining the major challenges in conducting the 'empirical' component of the research for the analysis of the case study.

Chapters Six and Seven go into an in-depth analysis of the material collected in order to achieve the research objectives. In particular, Chapter Six provides a detailed analysis of the dynamics and contingencies through which the meaning of sustainability emerged and evolved within LOGIC, also due to the accounting and reporting practices used to represent it. This chapter focuses on three reporting phases describing the main external contingencies that influenced the adoption of the reports, the meaning of sustainability associated with them, the key practices used and the units responsible for the preparation of the reports.

Chapter Seven relies on the theoretical insights offered by the framework developed by Hardy *et al.* (2000) to explore the role of accounting and reporting in giving meaning to sustainability, how these meanings unfold in practice and the implications for accounting and reporting. In line with the

theoretical insights illustrated in Chapter Four, Chapter Seven analyses the development of a project for integrated reporting within LOGIC focusing on the discursive statements and texts that were embedded in it, as well as the conditions in which they were produced throughout the Activity, Performativity and Connectivity circuits proposed by Hardy *et al.*, (2000). Furthermore, Chapter Seven shows how unfolding meanings are constructed through the subject positions, which are involved in the process as their aspirations and intentions are triggered by an ongoing attempt to represent sustainability through accounting.

The research findings are discussed in Chapter Eight. In particular, the first and second research questions have been addressed by discussing the role of accounting and reporting practices in the attempt to represent sustainability within organizations. Further, the third and fourth research questions have been addressed by exploring how different participating subjects engage with accounting and reporting practices to make sustainability *meaningful* within organizations.

Concluding remarks are provided in Chapter 9.

## Chapter Two

### **2. Defining sustainability: the evolving debate and initiatives for corporate reporting**

#### 2.1 Introduction and structure of the chapter

During the past 40 years, the concepts of sustainability and sustainable development have been part of a broader political discourse, which have exposed their meanings and dimensions to manipulations and contestations (Cohen *et al.*, 1998). The debate on what it means to be sustainable has attracted the attention of a large number of national and international institutions, policy makers, cross-country initiatives and academics.

Sustainability and sustainable development are not considered to be two “static” concepts, that are stable in space and time (Gray, 2010), but refer to the durability and stability of dynamic processes in the long run, and implicitly integrate social, environmental and economic dimensions of present and future well-being (Stiglitz *et al.*, 2009). The durability and dynamism of the concept of sustainability, as well as its social, environmental and economic determinants, have often been interpreted in different ways (Drexhage and Murphy, 2010) and usually considered as separated by various researchers (Bebbington and Gray, 2001; Bebbington, 2009; Gray, 2010).

According to Lozano (2008), generally the concept of sustainability has been perceived as being highly “anthropocentric, compartmentalised, and lacking completeness and continuity” (Lozano, 2008 p. 99). In many other cases, the concept of sustainability has been considered as only focused upon environmental issues (e.g. Reinhardt, 2000; Drexhage and Murphy, 2010).

In this respect, Han Onn and Woodley (2014) emphasised that the number of definitions provided (more than 70 according to Lozano and Huisingh, 2011), as well as the different ways in which sustainability has been defined, have left this concept basically undefined.

Although significant effort has been expended on debating how environmental problems, social development and long-term economic viability are linked together within the concept of sustainability, it seems there is still no consensus on what sustainability actually means.

The next section illustrates how the concept of sustainability has been interpreted over time, highlighting three main dimensions of this concept: the ‘environmental’, ‘social’ and ‘business’ dimensions (Section 2.2).

Considering the increasing necessity to understand the role of organizations in relation to the achievement of sustainable development, national institutions and regulators have developed guidelines, principles and standards to enhance organizations’ accounting and reporting in this regard. Section 2.3 focuses on the multiple initiatives that have been created to regulate sustainability reporting practices globally.

Considering the relevance of integrated reporting for this research, Section 2.4 gives significant attention to its evolution and the structure of the framework issued in 2013. Some critical issues regarding the implementation of the above initiatives are presented in Section 2.5. Then the concluding remarks are presented at the end of the chapter.

## 2.2 Defining Sustainability

### 2.2.1 *Sustainability as an environmental concept*

The first relevant conception of sustainability emerged during the late 1970s and early 1980s when the term was associated with the need to protect the environment and natural resources. In this context, growing concern for global environmental problems and scepticism about the possibility for reducing industrial pollution significantly (Meadows, 1972), pushed the United Nations (UN) to address these problems as a “barrier to development” (Kidd 1992, p. 16). One of the key steps in this direction was the UN Conference on Human Environment, which took place in Stockholm in 1972. The conference led to the development of 26 principles, most of which addressed the need for common principles for the protection of the

environment<sup>4</sup>. The most relevant outcome of the conference held in Stockholm was the creation of the UN Environmental Programme (UNEP), an agency of United Nations that coordinates its environmental activities and assists developing countries in implementing environmentally sound policies and practices. In particular, the UNEP is responsible for the protection and improvement of the environment, climate change preservation and the safeguard of wildlife heritages and their habitats.

In 1979, the International Union for Conservation of Nature (IUCN), in consultation with the World Wildlife Fund (WWF) and UNEP, set up the World Conservation Strategy (WCS) to help advance the achievement of sustainable development through both the improvement of human life and the conservation of natural resources. The primary aim of the WCS was to promote sustainable development through the identification of priority conservation issues (Drexhage and Murphy 2010). In this context, the term *conservation* refers to the “management of human use of the biosphere so that it may yield the greatest sustainable benefit to present generations while maintaining its potential to meet the needs and aspirations of future generations” (IUCN, WWF and UNEP 1980, introduction “World Conservation strategy”).

The term *conservation* and its definition gained greater emphasis in 1987, when the report released by the World Commission on the Environment and Development (WCED), known as the Brundtland<sup>5</sup> report, provided the most popular definition of sustainability, that is, a “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 45). The report was presented as a "global agenda for change" (WCED, 1987, p. ix) and identified sustainable development as the solution to the growing concerns over environmental degradation and the effects of the consumer society. The report was widely recognized by practitioners and academics as being the first official document that

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<sup>4</sup> <http://www.unep.org/documents.multilingual/default.asp?documentid=97&articleid=1503>

<sup>5</sup> The report issued by the World Commission on Environment and Development (WCED) is known as the “Brundtland Report, in honor of Gro Harlem Brundtland former Prime Minister of Norway and chairman of the WCED commission in 1987.

popularised the concept of sustainable development and positioned it as a topic of national and global importance, focusing on the reconciliation of the needs of present and future generations (WCED, 1987, p. 49). The attention given to the needs of present and future generations by the WCED's definition emphasized the importance of social aspects, and particularly, the key determinants of social equity.

### 2.2.2 *Sustainability as a social concept*

The United Nations Conference on the Environment and Development, known as the 'Earth Summit' in Rio de Janeiro in 1992, was the most significant event after the WCED in 1987. Not only was the Earth Summit a relevant moment for placing sustainable development at the forefront of many political agendas, but it created discussion among a broad number of stakeholders including world leaders (with nearly 100 world leaders and 172 nations represented), non-government organisations and some citizen representatives. Also, profit and non-profit organizations took part in the Earth Summit in 1992 as members of the World Business Council for Sustainable Development (WBCSD), formed in 1990 to give organizations the opportunity to participate in the process leading up to the Summit.

Since that time, a number of important international conferences on sustainable development have been held — including the Kyoto Conference on Climate Change in 1997, the Earth Summit+5 in New York in 1997 and the 2002 World Summit on Sustainable Development (WSSD) in Johannesburg. According to Drexhage and Murphy (2010), the 2002 Johannesburg World Summit on Sustainable Development (WSSD) “demonstrated a major shift in the perception of sustainable development — away from environmental issues, toward social and economic development” (p. 8).

This shift was strongly influenced by the release of the Millennium Development Goals (MDGs) issued by the United Nations (UN) in September 2001 and the necessity to encourage corporate social responsibility in developing countries. While the MDGs, in theory, applied to all countries, they were considered as targets for poor countries to achieve with finance

from wealthier countries. The release of the MDGs aimed to provide a set of targets that were to be achieved by 2015 and to guarantee the respect of the rights and needs of the worldwide population, encompassing themes such as poverty, health and discrimination.

In 2012, a 20-year follow-up to the 1992 Earth Summit took place in Rio de Janeiro. The so-called United Nations Conference on Sustainable Development (UNCSD), also known as Rio+20, was aimed at securing renewed political commitment for sustainable development, by assessing the progress and implementation gaps in meeting the Millennium Development Goals, and also addressing new and emerging challenges. The establishment of the post-2015 goals was an outcome of the Rio+20 summit, which mandated the creation of an open work group that was to come up with a draft agenda. Within Rio+20 the UN agreed on the need for the release of the post 2015 MDGs, known as the Sustainable Development Goals (SDGs), by emphasizing the importance of both social and environmental concerns and the need for a more comprehensive definition of the role of business for sustainable development. The sustainable development goals (SDGs), similar to the previous MDGs, represent a universal set of goals, targets and indicators that UN members are expected to use to frame their agendas and political policies up to the year 2030.

The SDGs follow and expand the millennium development goals (MDGs). In fact, not only do they address some of the systemic barriers to sustainable development, but they also offer better coverage of, and balance between, the three dimensions of sustainable development – social, economic and environmental – and institutional/governance aspects (ICSU, ISSC; 2015). The goals are applicable in developing and developed countries alike. Governments can translate them into national action plans, policies, and initiatives that reflect the different realities and capacities their countries possess. Different from the MDGs, the SDGs are designed to engage a wide range of organizations and shape priorities and aspirations for sustainable development efforts around a common framework. Most important, the SDGs recognize the key role that business organizations can play in achieving them.

### 2.2.3 *Sustainability as a business concept*

The growing public awareness on environmental and social development have made broader sustainability concerns an inherent challenge for a business (See Bebbington and Larrinaga, 2014). Since the release of the Brundtland report and the Rio Summit, sustainable development has transitioned from being an interesting, yet at times contested, ideal to a concept that enjoys widespread endorsement by international institutions, governments, businesses, and civil society. Confronted with these pressures, since the early 1990s, organizations have begun to use their annual reports to provide information, initially, on their environmental footprint, and then later, on sustainable activities through their sustainability reports (Gond *et al.* 2012; Spence and Rinaldi, 2014).<sup>6</sup>

From a business perspective, sustainability has been defined as the ability of an organization to last in time, by looking at its financial performance as well as the environmental and social assets that compose its capital (Gray 2010). Business approach to sustainability aims to balance the short and the long-term supply and demand of resources. Thus, sustainability is meant as the ability of organizations to respond to their short-term needs without compromising the ability to meet future needs.

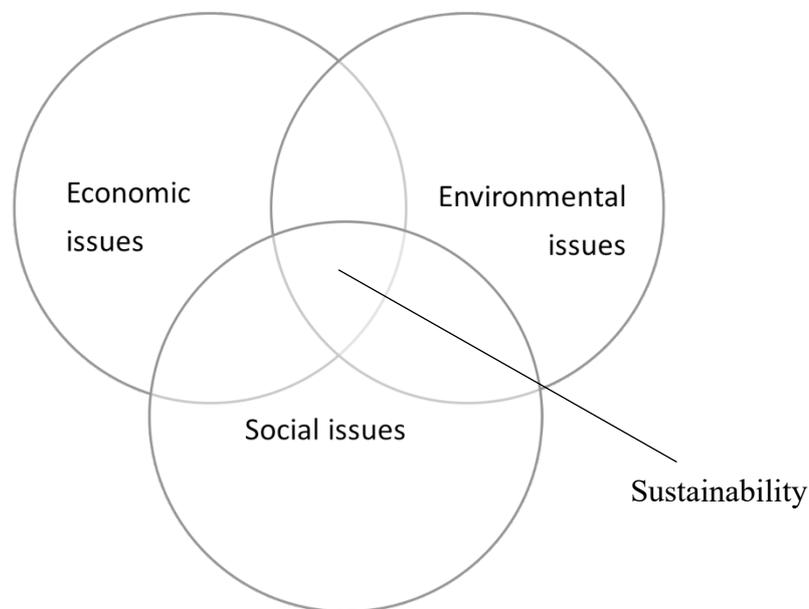
This view stimulated debate among different scholars on whether sustainability as a concept may be approached by organisations to support and balance economic, social and environmental growth (i.e. Elkington, 1997; Adams, 2008).

Different positions emerged on balancing economic, social and environmental issues. In particular, business positions on sustainability varied whether they refer to a “weak” or “strong” approach to sustainability (Gray and Bebbington, 2001; Hopwood, Mellor and O’Brien, 2005; Stiglitz *et al.*, 2009). The “weak” sustainability position does not question the present mode

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<sup>6</sup> According to the KPMG survey of corporate responsibility reporting in 2015, the number of companies that now disclose and report information on their environmental, social and economic effects has increased exponentially (KPMG, 2015). This survey shows that 92% of the world’s 250 largest organisations had issued some type of stand-alone CSR report (KPMG, 2015).

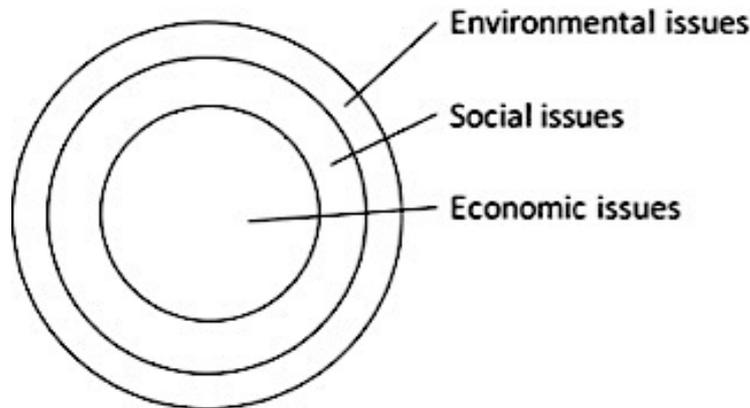
of economic development and views sustainable development as being compatible with some modified version of “business-as-usual” (Hopwood *et al.*, 2005; Stiglitz *et al.*, 2009). “Weak” sustainability expects that human produced gaps in the natural world, such as a lack of resources or damage to the environment, will be compensated by organizations’ technological and innovative development. In this view, economic growth is part of sustainable development, producing a richer world that is more ecologically stable (Hopwood, *et al.* 2005). Consequently, the weak position considers the three aspects of sustainability (e.g. environmental, social and economic) as being related to each other, but fundamentally separate (Tregidga, 2007) (See figure 2.1).



**Figure 2.1** – Venn Diagram representation of sustainability (Source adapted from Lozano 2008, p. 1839)

Conversely, the “strong” sustainability position points out that human capital and technological innovation cannot replace a multitude of processes that are vital to human existence, such as biodiversity protection, climate change or water management (Bebbington, 2001, p. 139). This concept of sustainability recognises the open nature of the interaction between social environmental and economic issues (Tregidga, 2007). In the “strong” sustainability position, the economy is not considered as being apart from society and the environment, but relies on these two elements, not only for its success, but also for its existence. In the “strong” position of sustainability, the three

elements of the economy, society and the environment are not separate entities, but instead, society is a subset of the environment, and the economy is a subset of both society and the environment (see figure 2.2)<sup>7</sup>.



**Figure 2.2** – Sustainability as concentric circles (Source adapted from Lozano 2008, p. 1839)

These representations have been criticized as considering sustainability as compartmentalized, without highlighting how the environmental, social and economic dimensions affect each other, limiting the concept of sustainability to a moment in time and consequently overlooking its dynamicity over time (Stiglitz *et al.*, 2009).

In this regard, other researchers have attempted to categorise business positions to sustainability using different models and representations, by looking at their different approaches (Hopwood *et al.*, 2005) and long-term orientations (Lozano, 2008).

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<sup>7</sup> In Figure 2.1, sustainability is represented at the centre and is surrounded by three circles that are interrelated and represent the correlations between environmental, social and economic initiatives. In this figure, sustainability is achievable only if social, environmental and economic issues are met simultaneously (Lozano, 2008; Tregidga, 2007). Conversely, Figure 2.2 represents sustainability as resulting from three concentric circles with the largest representing the dimension of the natural environment and the second and third inner sub-circles indicating the dimensions of ‘the society’ and ‘the economy’ (Lozano, 2008). In this second representation, the environmental dimension has a predominant position in respect to the society and economy. Although these representations provide a basic understanding of the concept of sustainability, they suffer from various drawbacks and do not clearly explain the interacting relationships between social, economic and environmental issues (Lozano, 2008).

For instance, Hopwood *et al.* (2005) maps organizations different positions on sustainability, policy frameworks and attitudes into three main categories: The *Status quo*; the *Reform* and the *Transformationist* approaches.

The *Status quo* approach recognizes the need for change, but sees businesses as being drivers towards sustainability, and economic growth as being a driver of sustainable development (Hopwood *et al.*, 2005). In this regard, Hopwood *et al.* (2005) explain that through the status quo approach there is a widespread perception that organizations increase information, changing values and new technology that may operate as the best means for achieving sustainable development (Hopwood *et al.*, 2005).

The *Reform* approach accepts that the critical issues involved in current policies of most businesses, governments and trends within society (e.g. climate change; poverty reduction) need to be addressed, however, it does not consider that a collapse in ecological or social systems is likely, nor that fundamental change is necessary (Hopwood *et al.*, 2005).

The *Transformationist* approach, as the name suggests, seeks a radical transformation of society and/or human relations with the environment to avoid a mounting crisis or even a possible future collapse. In this regard, the Reform approach is viewed as being insufficient since many of the problems are considered as being located within the actual economic and power structures of society, hence they are not primarily concerned with human well-being or environmental sustainability (Hopwood *et al.*, 2005).

Lozano (2008) provides a further categorization of business positions to sustainability by stimulating reflections on organizations' "time" related orientations and their approach to economic, social and environmental issues (Lozano, 2008, p. 1838). In particular, he identifies the following five perspectives: *Conventional Economists*; *Non-environmental Degradation*; *Integrational* (i.e. encompassing the environmental, social and economic aspects); *Inter-generational*; and *Holistic* perspectives.

The *conventional economist's* perspective sees sustainable development as a further, desirable, economic development path. It is very limited in scope since it confuses sustainable with economic development, and thus neglecting

the impacts of economic activities upon the environment and societies in the short, medium and long term. The *Non-environmental degradation* perspective represents an alternative way to consider industrialization's negative effects on the environment, valorising those activities that do not interfere with the overall environmental development. The *Integrational perspective* requires organizations to demonstrate how economic, environmental and social aspects of their activities integrate and affect each other (Lozano, 2008, p. 1840). The *Inter-generational* perspective focuses on the long-term effects of organizational activities, as the Brundtland Report suggests. The *Holistic* perspective explicitly combines the integrational and intergenerational perspectives, emphasizing two dynamic and simultaneous equilibria between “space” and “time” (Gray and Milne, 2002; Gray, 2010): the first one among economic, environmental and social aspects; and the second among the temporal aspects. i.e. short-, medium- and long-term issues (Lozano, 2008).

The nearly universal adoption of sustainability as a relevant issue of the viability and long-term growth of a business is, in part, due to organizations' awareness of its definitional flexibility and multiple interpretations.

However, the various views of sustainability interpretations aroused in the literature as well as the lack of clarity in its definition gives rise to ambiguity and conflicting views and opinions about what the outcomes of sustainable development are or what they ought to be (Joseph, 2012).

A number of critical studies maintain that a large part of this debate and the related confusion resides in the conceptual ambiguity of the definition of sustainability provided by the Brundtland report and the complexity of the objectives that it aims to pursue. Cohen *et al.* (1998) highlighted that the Brundtland report's definition of sustainability cannot be regarded as being 'scientific', but rather, as being part of a broader political discourse, which has exposed the concept to manipulation. Laine (2005) also emphasised that the elusiveness of the definition provided by the Brundtland Report has enabled the concept of 'sustainable development' to gain prominence in environmental and social discourses worldwide, as “it has been possible to

define the concept to suit one's own purposes" (p. 397). According to Bebbington and Larrinaga (2014), "the broad nature of the Brundtland Report's definition of sustainable development has allowed a wide coalition to unite under its rhetoric while the implications that arise from its application in particular situations remain contested" (2014, p. 400). It is, therefore, possible to point to an array of issues that sustainable development concerns itself with, without coming to a formal definition that would encompass all possible activities that might arise within its ambit (2014, p. 399).

This has allowed both businesses and governments to be in favour of sustainability without making any fundamental challenge to their present course (Hopwood *et al.*, 2005; Laine, 2005; Gray, 2006; 2010), and has facilitated in the concept becoming rhetorical, making it meaningless and giving organizations and politicians the opportunity to use it as a catchphrase for demagoguery (Hopwood *et al.*, 2005). According to Gray (2010), such demagoguery and rhetoric also result from organizations' mistaken understanding of the concept of sustainability, which is mainly considered as a "system based concept and, environmentally at least... [that] only begins to make any sense at the level of eco-systems and [...] difficult to really conceptualize at anything below planetary and species levels" (Gray, 2010 p. 48).

Further, after the follow-up Earth Summit in Johannesburg in 2002, not much appeared to have changed. Governments and businesses see sustainability as being a continued economic growth that has been made more environmentally sensitive in order to raise living standards globally and to reduce the gap left by increasing poverty and environmental degradation. Despite organizations' recognition of and commitment to sustainability, the actions taken have not led to the core changes that are necessary for supporting a transition to sustainable development.

Various interpretations of sustainability have led to confusion in organisations and have compromised implementation globally (Gray, 2006). This has also given rise to extensive debate about the nature and extent of information that organisations should provide and how they can measure,

manage and communicate the social and environmental impact of their activities.

Further multiple institutions, NGOs and initiatives, as well as regulators, have tried to address these problems by providing guidelines, standards and principles regarding the ways in which organizations should report their environmental impact and progress toward sustainable development.

The following paragraph provides an overview of the most relevant frameworks and guidelines issued since 1987 for corporate social responsibility and sustainability reporting.

### 2.3 The need for a reporting framework: directives and initiatives on sustainability

Considering the increasing necessity to understand the role of organizations towards the achievement of sustainable development, national institutions and regulators have developed guidelines, principles and standards to enhance organizations' accounting and reporting in this regard. For instance, the UK introduced legislation in 2006 and updated it in 2013; Sweden adopted legislation in 2007; Spain in 2011; Denmark amended its legislation the same year and France in 2012.

In April 2014, the European Parliament passed a legislative resolution regarding the disclosure of non-financial information for large public-interest entities with more than 500 employees, (e.g. listed companies, banks, insurance undertakings and other companies that are so designated by Member States), in order to increase their transparency in communicating their environmental and social performance and, consequently, to contribute effectively to long-term economic growth and employment.

Building on some of the pre-existing developments listed above, at an individual country level in Europe, the European Union Directive 2014/95/EU requires that more than 6,000 large companies disclose in their management report relevant and useful information about their policies, main risks and outcomes relating to environmental matters; social and employee aspects; respect for human rights; anticorruption and bribery issues; and

gender diversity in their board of directors. The aim of this regulation is to provide investors and other stakeholders with a more complete picture of an organization's financial and non-financial, as well as social, environmental and economic performance (European Commission, 2014). The first reports will be published in 2018 on activities of FY2017 (European Commission, 2014). According to the statement issued by the European commission, the Directive 2014/95/EU provides technical content, but it is also important in cultural terms, since the new directive attempts to increase transparency (defined by the Anglo-Saxon term disclosure) of business management (Eccles and Spiesshofer, 2015). The directive also aims to enhance consistency and comparability of non-financial information disclosed by organizations within the European Union, while respecting the necessities of organizations to use the most suitable international or national guidelines and approaches for sustainability reporting and corporate social responsibility (Eccles and Spiesshofer, 2015). In this regard, organizations retain significant flexibility for disclosing relevant information in the way that they consider most useful. They may use international, European or national guidelines according to the characteristics of their business or business environment (for instance, the UN Global Compact, Global Reporting Initiative or Integrated Reporting, etc.).

However, these guidelines vary widely in terms of scope, specification, issues covered, and methodology. For example, by providing guidelines to companies for sustainability reporting, the Global Reporting Initiative (GRI) has highlighted various dimensions of sustainability, (i.e. economic, social and environmental dimensions), which are to be included and disclosed within reporting activities. The multidimensional nature of sustainability reporting and the need for integrating financial and non-financial performance within the same report has also been emphasized by the International Integrated Reporting Council (IIRC). Considering its recent international growth and the relevance of its application to this area of research, Section 2.4 will explore more in depth the evolution and structure of the international integrated reporting framework issued in 2013.

The following paragraphs explore the relevant international initiatives and institutions that regulate the reporting of sustainability since its initial definition in 1987.

### 2.3.1 *SustainAbility*

SustainAbility was founded in 1987 by John Elkington, the creator of the so called “Triple Bottom Line” (TBL). Since the early 1990s, SustainAbility has been involved in corporate sustainability reporting, by focusing mainly on green consumerism and human rights, while evolving the concept of the TBL and helping companies engage with external stakeholders. The growing popularity of the TBL approach, and the authority gained by SustainAbility in the 1990s and continuing in the 2000s, both became key drivers towards the definition of sustainability as an integration of economic, environmental, social and economic aspects.

The notion of TBL was originally coined in 1994 and articulated by John Elkington in his 1997 book – *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* – with the aim of balancing economic, social and environmental issues within organizational reporting in order to demonstrate their contribution to social and environmental responsibility. According to Elkington (1997), the TBL approach aims at guiding organizations to achieving a balance of economic, environmental and social issues. The traditional bottom line of the profit and loss account is not enough to take account of the full cost involved in doing business. So, through TBL, organizations are encouraged to add two bottom lines beyond the common measure of corporate profit to measure their social and environmental impact<sup>8</sup>.

From 1994 onwards, SustainAbility and the United Nation’s Environmental Programme (UNEP) have collaborated together, through programs and publications, to explore a wide range of corporate sustainability challenges and develop guidelines. In particular, they developed the so called “Global

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<sup>8</sup> The traditional bottom line is the profit and loss account. The second bottom line considers how socially responsible an organization has been throughout its operations. The third measures how environmentally responsible an organization has been.

Reporters Program”, which produced several surveys on international corporate environmental and social reports, on the basis of an “ad hoc” benchmark tool used to interrogate the content of these reports. The benchmark tool produced by the UNEP/SustainAbility group has been revised several times since its development, making a few alterations to account for new developments in reporting (Chapman and Milne, 2003).

The earliest SustainAbility surveys covered environmental reporting, while only briefly exploring social issues. Then in 2000, the methodology underwent a significant revision. As part of the Global Reporters Methodology, SustainAbility took into account a growing consensus regarding various elements of economic, social and environmental reporting as it was emerging through the Global Reporting Initiative and various other corporate sustainability initiatives.

Although some difficulties have been identified with the UNEP/SustainAbility criteria, and although these criteria are being arguably surpassed in terms of providing reporting guidance by the Global Reporting Initiative’s frameworks and guidelines (which will be explored later in Paragraph 2.3.3), SustainAbility has been, and continues to be, an important element in the context of global sustainability reporting.

### 2.3.2 *Institute of Social and Ethical Accountability (AccountAbility)*

Established in London in 1995, the Institute of Social and Ethical Accountability (also known as AccountAbility) is a non-profit organization that brings together members and partners from business, civil society and the public sector worldwide. AccountAbility is a self-managed partnership, governed by its multi-stakeholder network and aims to promote accountability for sustainable development by developing innovative accountability tools and standards, most notably the AA1000 Standards series. From 1995, the Institute of Social and Ethical Accountability has developed a research network that studies and explores best practices in reporting for practitioners and policy-makers in organisational accountability, promoting accountability guidelines across professions as well as securing an enabling environment in markets and public policy. The first draft of the

AA1000 standards was launched in 1999 to improve the accountability and overall performance of organisations by increasing quality in social and ethical accounting, auditing and reporting<sup>9</sup>.

According to AccountAbility, AA1000 standards comprises principles and a set of process standards. The process standards cover five main stages: Planning; Accounting; Auditing and reporting; Embedding; and Stakeholder engagement. In 2003, the Institute of Social and Ethical Accountability issued the first edition of the *AA1000 Assurance Standard* with the aim of assuring the credibility and quality of sustainability performance and reporting. The development of the AA1000 standards took over two years and involved hundreds of organizations, from professions, investment community, non-governmental organisations (NGOs), labour and business. The 2003 edition of the AA1000 standards, which superseded the first 1999 draft, was supported by a Guidance Note regarding the application of the principles and a User Note including some case studies on the application of the principles during assurance engagements. The 2008 edition of the AA1000 represents the second edition of AccountAbility's assurance standard. It draws on the growing body of practice and experience in sustainability assurance and supersedes all previous versions published by AccountAbility<sup>10</sup>.

In this regard, the second edition of the AA1000 standards focuses on the processes by which companies report on their impacts. This focus is based on the premise that unless, for example, corporate values are embedded, and unless governance systems, data collection systems, reporting mechanisms and audit processes are sound, reporting is unlikely to be representative of performance or reflect the information that stakeholders need.

### 2.3.3 *The Global Reporting Initiative*

One of the most influential international associations that provides guidelines for sustainability disclosure is the Global Reporting Initiative (GRI). The GRI was founded in Boston in 1997 as an initiative of the Coalition for Environmentally Responsible Economies (CERES), the Tellus Institute and

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<sup>9</sup> <http://www.accountability.org/standards/>

<sup>10</sup> <https://www.accountability.org>

the United Nations Environmental Programme (UNEP). The GRI is a long-term international initiative supported by multiple stakeholders, which aims to integrate sustainability within organizational decision-making processes and to empower decision makers through GRI's sustainability standards and multi-stakeholder network.

In 2000, the GRI launched the first set of Sustainability Reporting Guidelines. A revision process was then undertaken over the following two years, which culminated in the disclosure of the second generation of the Guidelines (G2) unveiled at the World Summit on Sustainable Development in Johannesburg. The 2002 Guidelines document presents a set of principles for the preparation of a GRI-based report. These Guidelines are for voluntary reporting and aim to assist organizations in representing a balanced picture of the economic, environmental, and social dimensions of their activities, products, and services.

Considering the increasing international interest in sustainability issues, the GRI launched its third generation of guidelines (G3) in 2006. Concurrently, the GRI launched a first version of the XBRL taxonomy for G3. Since 2008, the GRI released specific guidelines for a series of organizations and sectors (i.e. Financial Services, Electric Utilities, Mining and Metals, Airport Operators, Construction and Real Estate, Oil and Gas, Media, and Event Organizers).

Then in 2013, the GRI released the fourth generation of its Guidelines, G4, offering Reporting Principles, Standard Disclosures and an "Implementation Manual" for the preparation of sustainability reports by organizations of any size or sector. One of the aspects of the G4 guidelines is the materiality determination process, which outlines the four main phases of the process for determining the most relevant aspects that need to be included in a sustainability report (Identification, Prioritization, Validation and Review). The idea of sustainability as a multidimensional concept emerges clearly from GRI's G4 Sustainability Reporting Guidelines — Reporting Principles and Standard Disclosure (2013), which highlights that "a sustainability report

conveys disclosures on an organization's impacts – be they positive or negative – on the environment, society and the economy” (p. 3).

#### 2.3.4 *The Global Compact*

The United Nation Global Compact (UNGC) was inspired by UN Secretary-General Kofi Annan during the World Economic Forum (WEF) in 1999 in Davos, Switzerland, where he challenged the top leadership of the worldwide business community to enact a Global Compact between the United Nations and the business community towards the observance of human rights, improvement of labour conditions, and protection of the environment.

The UNGC networks align business operations and strategies by following ten main principles, which focus on human rights, labour rights, environment protection, and anti-corruption (UNGC, 2011). In addition to making the principles an integral part of the business strategy and corporate reporting, local networks ask organizations to participate in the achievement of broader UN development goals, such as the Sustainable Development Goals.

Launched in July 2000, the UNGC is a leadership platform for the development, implementation and disclosure of responsible and sustainable corporate policies and practices. Endorsed by chief executives, the global compact is one of the largest voluntary sustainability initiatives, with 7,000 corporate participants in 135 countries, it also has 36,900 business participants, 9 governmental organizations (NGOs), governments and academic institutions. In particular, the UNGC platform embraces over 100 multi-stakeholder local networks (one per country), which are led by businesses with the aim of supporting organizations and creating opportunities for further engagement and collective action towards sustainable development.

The UNGC seeks to combine the best properties of the UN, such as moral authority and convening power, with the private sector's solution-finding strengths and resources, and the expertise and capabilities of other key stakeholders. The UN Global Compact offers a platform through which multiple stakeholders may interact to achieve sustainable development.

### 2.3.5 *The Sustainability Accounting Standards Board*

Founded in 2011 and based in the USA, the Sustainability Accounting Standards Board (SASB) is a 501(c)3<sup>11</sup> non-profit organization that aims at establishing industry-based sustainability standards for the recognition and disclosure of the most material environmental, social and governance impacts by companies that are traded on U.S. stock exchanges. The SASB validates the use of critical aspects of corporate sustainability performance for decision-making, supporting companies, investors, regulators and the public in addressing environmental, social and governance issues<sup>12</sup>.

SASB's vision is to share understanding of corporate sustainability performance that would enable companies and investors to make informed decisions that would improve their outcomes on sustainable development issues.

In this regards SASB aims to analyse the links between sustainability and financial performance through the concept of "materiality." Furthermore, the SASB has identified five broad categories of environmental, social, and governance (ESG) issues that can affect an organization's financial performance and, therefore, be highly material to investors. The materiality determination process cannot be fixed and varies from one industry to another.

From its infancy, SASB has developed a methodology for determining industry-specific non-financial material issues to which they have associated tailored performance indicators, derived from indicators that were already in use by companies. This methodology employs three main phases. During phase one, SASB's research team analyses the investor and economic impact of industry-specific material sustainability issues. Issues are then represented in a materiality map and are scaled, based on interest, financial impact, and a forward-looking adjustment (for emerging issues). As explained by Eccles

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<sup>11</sup> According to IRS Publication 557, in the Organization Reference Chart section, the 501(c)3 correspond to the following type of organization: Religious, Educational, Charitable, Scientific, Literary, Testing for Public Safety, to Foster National or International Amateur Sports Competition, or Prevention of Cruelty to Children or Animals organizations.

<sup>12</sup> <http://www.sasb.org/>

and Serafeim (2013), each map prioritizes 43 ESG issues, ranking their materiality for a given industry on a scale from 0.5 to 5, with 5 being the most material. The higher the score for an issue, the greater its probable impact on an organization's financial performance (Eccles and Serafeim, 2013). At the end of the first phase, an industry brief is issued, containing disclosure items and accounting metrics. Phase two involves the collection of feedback from over 2000 participants, such as corporations, market participants, public interests, and intermediaries, which are represented in an industry work-group. Their feedback informs an exposure draft standard containing accounting metrics and technical protocols for each material sustainability issue. In phase three, the exposure draft is released for a 90-day public comment period, and then the feedback collected is incorporated into the standard. Feedback is accepted for one year, at which time SASB releases an update and the standard is made available to the public.

By 2016, SASB had developed material maps and sustainability accounting standards for 10 sectors and over 75 industries.

### 2.3.6 *The International Integrated Reporting Council (The IIRC)*

The International Integrated Reporting Council (IIRC) is the most recent initiative that has been created by professional bodies and business-oriented networks to engage organizations in integrating financial and non-financial information, as well as economic, social and environmental reporting issues (Brown and Dillard, 2014). Launched in 2010, and formerly known as the International Integrated Reporting Committee, the IIRC was formed by the coalition of the Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI). The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, accounting professionals and Non-Governmental Organizations (NGOs).

The IIRC's mission is *to establish integrated reporting (IR) and thinking within mainstream business practice as the norm in the public and private sectors*. In particular, the IIRC aims "to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development

through the cycle of integrated reporting and thinking”<sup>13</sup>. In September 2011, the IIRC released a Discussion Paper (DP) entitled, “Towards Integrated Reporting — Communicating Value in the 21st Century”, which was a collection of suggestions and responses from producers and users of reports to be used as a basis for the development of the International Integrated Reporting Framework. This feedback was from a number of businesses and investors who had the opportunity to test the applicability of the principles, content and concepts of Integrated Reporting by taking part in a Pilot Programme that underpinned the development of the International IR Framework in the three years prior to September 2014. The IR Business Network had been created to promote integrated thinking among participants and give them the opportunity to access resources and expertise, to network with leading businesses, to gain relevant industry sector and expert perspectives, as well as share experiences and practices. Other networks cover the public sector, pension funds, technology, banking, accountants, academics, insurance and investors.

Following an analysis of the responses to the 2011 Discussion Paper, the IIRC released the first draft of the Integrated Reporting Framework on 11 July 2012. This draft was superseded by the Prototype IR Framework that was released in November 2012. During the development of the International Integrated Reporting Framework, the Technical Task Force of the IIRC organised Technical Collaboration Groups (TCGs) to prepare a series of Background Papers on the fundamental concepts (e.g. Value Creation, Capitals, Business Model) and Principles (e.g. Connectivity and Materiality) of IR. The background papers were produced in collaboration with the participants of the TCG, which were coordinated by lead organizations from a range of disciplines and countries. The IIRC considered interim findings from the TCG when preparing the Prototype Framework, released in November 2012, and considered aspects of this paper in developing its Consultation Draft of the IR, which was released on April 16<sup>th</sup>, 2013. After

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<sup>13</sup> <http://integratedreporting.org/the-iirc-2/>

considering comments from stakeholders on the draft, the IR framework was issued in December 2013.

The framework provides the fundamental concepts, guiding principles, and content elements that govern the overall content of an integrated report. It does not focus on rules for measurement, disclosure of individual matters or on the identification of specific key performance indicators. Instead, the IR framework is principles-based rather than standards-based and is driven by integrated thinking. The idea is to recognize the wide variation in individual circumstances of different organizations, and at the same time, enable a sufficient degree of comparability across organizations (Busco *et al.*, 2013a).

The following section explores in detail the evolution of integrated reporting.

## 2.4 Integrated reporting

Originally labelled as “One Report” by Eccles and Kruzs (2010), the stated goal of IR is to provide information on financial and non-financial performance and their influence on organizations’ value creation process in a single document (Owen, 2013). Integrated Reports include both qualitative as well as quantitative data, with the aim of offering a clear vision of an organization’s business model, strategy, risk management and sustainable development (Adams, 2014; Busco *et al.* 2013a; 2013b; Dey and Burns, 2010; Owen, 2013).

According to the framework, an integrated report should provide concise information about how an organization’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value over the short, medium, and long term (IIRC, 2013 p. 33). An integrated report aims at describing the most material issues that affect an organisation and at enhancing accountability and stewardship, with respect to a base of six kinds of capital, or “capitals” (financial, manufactured, intellectual, human, social and relationship, and natural) (IIRC, 2013 p. 2). It provides information that fulfils the requests of a broader range of stakeholders (e.g. employees, customers, suppliers, partners, local communities, regulators, and policy makers), which are also interested in the

organization's ability to create value over time (IIRC, 2013 p. 2). In particular, Busco *et al.* (2013a) highlights that an integrated report is not intended to be a set of multiple isolated pieces of performance information. Instead, it aims at embracing and connecting material information on financial and non-financial performance in order to show how value creation depends on multiples sources of capitals.

Although IR does not explicitly refer to sustainable development (Flower, 2015), it does focus on environmental, social and economic issues. In this regard, the IR framework, in Clause 2.39 explains that:

[IR] supports broader societal interests by encouraging the allocation of financial capital to reward and support long-term, as well as short- and medium-term value creation within planetary limits and societal expectations (IIRC, 2013 p. 16).

Stacchezzini *et al.* (2016) argue that IR aims to extend the short-term focus of traditional corporate reporting to deal with a broad range of issues, resources and relationships considered material for an organization's long-term success and viability.

These issues, resources and relationship are described in depth through the Fundamental Concepts, Guiding Principles, and Content Elements issued by the International IR Framework in 2013. The following subsections provide a description of the fundamental concepts contained in the framework and then explores the guiding principles and content elements that should be debated throughout the process involved in the preparation of an integrated report.

#### 2.4.1 *Fundamental concepts*

According to the International IR framework, an organization's value creation process is influenced by the external environment; created through relationships with other stakeholders; and, is dependent on the availability of various resources (IIRC, 2013 p.10). Consequently, IR seeks to provide insights about the external environment that affects an organization, the resources and relationships used and affected by the organization (e.g. capitals), as well as the way in which the organization interacts with the

external environment and the capitals to create value over the time (IIRC, 2013 p.10). The fundamental concepts on which the integrated reporting process is built are (1) the capitals that an organization uses and affects, and (2) the value creation process.

According to the framework, all organizations depend on a different set of capitals, described as the stock of value that is increased, decreased or transformed through an organization's value creation process (IIRC, 2013 p.11). Six kinds of capitals are generally involved in the value creation process and can be classified as follows: financial, manufactured, intellectual, human, social and relationship, and natural capital. These are not fixed, rather they should be tailored according to the organization's value creation process and they ensure that an organization does not overlook a capital that it uses or affects (IIRC, 2013 p.12).

The second fundamental concept that lies at the heart of IR is the value creation process:

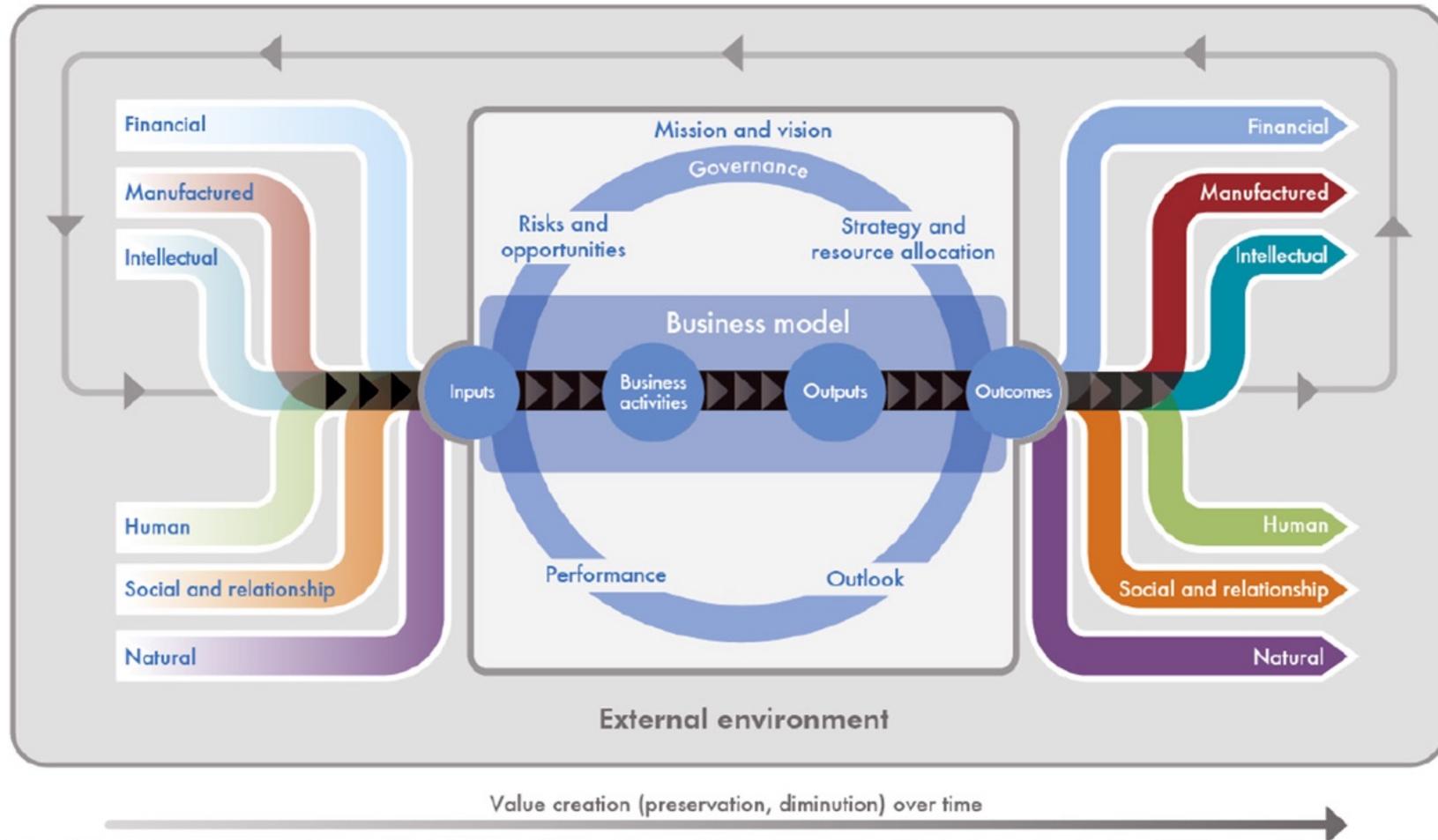
“Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs” (IIRC, 2013 p. 10).

The framework focuses on how an organization's value is manifest, not only in financial returns to providers of financial capital, but also in positive or negative effects on other capitals and other stakeholders (Busco *et al.* 2013a). The Business Model is the core part of the value creation process, and is represented as a chosen system of inputs, business activities, outputs and outcomes (IIRC, 2013 p. 13).

In Figure 2.3, the six types of capitals described above are both inputs and outcomes of the overall organization's business model. However, these capitals and their values do change over time, as they are increased, decreased or transformed through the activities and outputs of the organization.

The next section considers the guiding principles that underpin the presentation and preparation of an Integrated Report.

Chapter Two - Defining sustainability:  
the evolving debate and initiatives for corporate reporting



**Figure 2.3** – The International IR Framework Value Creation Process (IIRC, 2013 p. 13)

#### 2.4.2 *Guiding Principles*

The six Guiding Principles presented in the International IR Framework are: “strategic focus and future orientation”; “connectivity of information”; “stakeholder responsiveness”; “materiality and conciseness”; “reliability and completeness”; “consistency and comparability” (IIRC, 2013).

The first principle, “strategic focus and future orientation”, refers to the selection and presentation of a series of aspects that are related to an organization’s strategies. It may include opportunities, risks and dependencies flowing from the organization’s market position and business model; the relationship between past and future performance, and the factors that may change that relationship; the balance among short-, medium- and long-term interests and perspectives, as well as the evaluation of past performance that may influence future strategies. The framework explains how the implementation of the strategic focus and future orientation principle would enable an integrated report to clearly describe how the availability, quality and affordability of significant capitals that contribute to the organization’s ability to achieve its strategic objectives in the future and create value (IIRC, 2013 p. 16).

The principle of “Connectivity of information” seeks to provide a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time. This principle is associated with Integrated Thinking. The concept of “Integrated Thinking” is considered as being fundamental to the process of integrated reporting. It involves recognizing and managing all the capitals that the business owns and influences, considering the relationships between its various operating and functional units and the capitals that the organization uses or affects (IIRC, 2013).

First, integrated thinking lies at the base of the integration between various forms of capitals that an organisation uses or affects in its value creation process. This requires not only the achievement of stable financial results, but also the allocation of the right resources such as ensuring suitable training for human capital; appropriate manufactured capital as well as ownership or

access to the necessary intellectual capital; and explaining the correlations among them (SAICA, 2015). Furthermore, the evaluation of an organisation's activities, financial and non-financial performance and outcomes in terms of past, present and future capitals – is relevant.

Second, by building on integrated thinking an organization may improve its responsiveness to multiple stakeholders. Organizations should not focus on merely the achievement of financial performance but are also responsible for managing a wide range of stakeholders and interests.

Third, integrated thinking sets the conditions for an organisation to adapt its business model and strategy to changes in the external environment and safeguard its longer-term viability.

The framework emphasizes that the more integrated thinking is embedded within an organization's value creation processes and its activities, the better the connectivity of information flow between management reporting, analysis and decision making, and IR will be (IIRC, 2013 p.16). To achieve this connectivity of information, the integrated report seeks to connect the content elements and the fundamental concepts of the framework in order to communicate the overall organization's value creation story. Thus, the integrated report seeks to provide past- and future-oriented performance, financial and non-financial, as well as qualitative and quantitative information.

The principle of "Stakeholder responsiveness" reflects the relevance of creating valuable relationships among the organizations' key stakeholders. According to the framework, building reliable relationships with stakeholders may assist organizations in better understanding how stakeholders perceive value; identify future trends that may not yet have come to general attention, but which are rising in significance; identify material opportunities and risks; develop and evaluate strategy; manage risks; and implement strategic responses to material matters. Furthermore, the framework suggests that engaging with stakeholders on a regular basis should enhance an organization's accountability and transparency.

The fourth principle is “Materiality”. The framework defines a matter as being material if it has “or may have, an effect on the organization’s ability to create value. This is determined by considering effects on the organization’s strategy, governance, performance or prospects” (IIRC, 2013 p. 18). The determination of materiality involves: identifying relevant matters based on their ability to affect value creation; evaluating the importance of such matters in terms of their known or potential effect on value creation; prioritizing the matters based on their relative importance and determining the information to disclose about material matters.<sup>14</sup> The framework explains that the materiality determination process is applicable to both positive and negative matters (e.g., opportunities and risks, and favourable and unfavourable results or prospects for the future), as well as to financial and non-financial information that has direct implications for the organization itself or that may affect the capitals owned by or available to others.

Another principle is “Conciseness”. This principle requires that an integrated report provides enough information on the organization’s strategy, governance, performance and prospects without being burdened with less relevant information. However, this is not synonymous with incomplete information.

The “reliability and completeness of information” highlights that an integrated report should provide the right balance between positive and negative material matters. The framework refers to reliability as the characteristic of a report that can be enhanced by mechanisms such as strong internal control and reporting systems, appropriate stakeholder engagement, and independent, internal audit or similar functions, as well as external assurance (IIRC, 2013 p. 21). According to the framework, senior management and those in charge of the preparation of an integrated report should exercise judgment in deciding whether information is sufficiently reliable to be included in an integrated report. As for completeness, the framework suggests that a complete integrated report should include all

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<sup>14</sup> For more detailed information on the Materiality determination process, please refer to the International IR Framework, pages 18-20.

material information, both positive and negative, that could affect the organization's ability to create value.

Then, "consistency and comparability" concludes the section dedicated to the description of the principles that underpin the integrated reporting process. According to the IR Framework, the information presented in an integrated report should be consistent over time and enable comparison with other organizations to the extent that the aspects reported are material to the organization's own ability to create value over time (IIRC, 2013 p. 23).

#### 2.4.3 *Content Elements*

An integrated report consists of eight elements that are relevant for communicating an organization's unique value-creation story (Busco *et al.* 2013a). According to the framework, the content elements of an integrated report are as follows: the organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, future outlook and the basis of preparation and presentation. However, the framework indicates that content elements should not be represented separately but linked together to better represent the story of an organization and its value creation process. The eight elements are not intended to serve as a standard structure for an integrated report. Instead, they should be tailored to an organization's individual circumstances. As highlighted by Busco *et al.* (2013a), such flexibility is key because it stimulates questioning and discussion about the most material aspects of the performance, prospects and governance of the business. For this reason, the IR framework Content Elements are presented in the form of questions, rather than being a checklist of specific disclosures (IIRC, 2013, p. 24).

The first of the content elements presented in the IR framework is the "Organizational Overview and External Environment". It describes the business and the circumstances in which it operates. An integrated report provides information regarding the organization's mission and vision and provides the essential context by identifying its culture, ethics and values; ownership and operating structure; principal markets; products and activities; as well as the competitive landscape and market positioning. Furthermore,

organizations should report the main factors that affect the external environment including legal, commercial, social, environmental, and political factors (IIRC, 2011 pp. 24–25).

In terms of “Governance”, an integrated report should provide insights on how an organization’s governance structure supports its ability to create value in the short, medium, and long term. This should include information about the leadership structure; the specific processes used to make strategic decisions; the strategic direction and approach to risk management; how culture, ethics, and values affect capitals (IIRC, 2013 p. 25).

The “Business Model” represents the core element of an integrated report. According to the framework, the business model is the process through which an organization transforms inputs into outputs and outcomes through its business activities, with the aim of fulfilling overall strategic purposes and creating value over the short, medium and long term. An integrated report aims to describe the most material inputs of its value creation process and how they relate to the capitals from which they were derived. This includes key business activities, such as how the organization differentiates itself in the market, approaches innovation and adapts to change. Finally, outcomes describe how internal and external stakeholders perceive the organization’s actions.

The content element “Opportunities and Risks” should define the key risks and opportunities that are specific to an organization, including those that relate to its effects on, and the continued availability, quality and affordability of relevant capitals in the short, medium and long term. The process of risk management is illustrated in the IR framework and is composed of three main phases. The first relates to the identification of specific sources of risk and opportunity, which can be internal, external or a mixture of the two. The second relates to the assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect, if it does. The third phase requires that an integrated report illustrates the steps that are being taken to manage key risks and opportunities (IIRC, 2013 p. 26).

The fifth element described in the IR Framework is “Strategy and Resource Allocation”. It seeks to describe where an organization wants to go and how it intends to get there. In other words, an integrated report is intended to inform users of the organization’s short-, medium- and long-term strategic objectives; the strategies it implemented or intends to implement to achieve those strategic objectives; the resource allocation plans it has in place to implement its strategy; as well as how it will measure achievements and target outcomes for the short, medium and long term (IIRC, 2013 p. 26).

In the content element “Performance”, an integrated report describes the extent to which the organization has achieved its objectives and how its outcomes have affected the capitals. As such, an integrated report should contain quantitative and qualitative information about performance on matters such as targets of risks and opportunities, the organization’s effects on the capitals, the state of key stakeholder relationships and the links between past, present, and anticipated future performance.

According to the principle “Future Outlook”, an integrated report should describe the challenges and uncertainties that the organization is likely to encounter and the possible effects of these challenges on the business model and future performance. In this regard, an integrated report should highlight anticipated changes over time and provide information on the organization’s expectations about the external environment in the short-, medium- and long-term; how that will affect the organization and how the organization is equipped to respond to the critical challenges and uncertainties that are likely to arise.

Finally, the last content element “Basis of Preparation and Presentation”, requires organizations to explain the way in which they have determined what elements to include in the report and the frameworks and methods used to quantify or evaluate material matters (IIRC, 2013 p. 29).

## 2.5 Challenges in representing sustainability within organisations reports

Despite the regulatory progress described above, the concept of sustainability has largely remained an idea and a not defined issue within organizations (Gray, 2006; 2010).

The multiple interpretations of sustainability, as well as the necessity to regulate it through different frameworks and initiatives, has given rise to further ontological and epistemological interpretations of the concept of sustainability, thus allowing space for organizations to misunderstand and misbehave (Gray, 2010). The problem, as Aras and Crowther (2009) suggest, is that the concept of sustainability is too broadly defined and insufficiently understood. As such, Gray (2010) affirms that through the interplay between the plethora of potential states of sustainability and the range of epistemological strategies that might be adopted within organizations, there is clearly no single “sustainability” that can be known and accounted for (Gray 2010).

Considering the variability of the guidelines adopted at an international and local level, Eccles and Spiesshofer (2015) are sceptical about the extent to which the consistency and comparability of the reports across the EU will be achieved after the implementation of directive 2014/95/EU. They point to the absence of homogenous standards for an organization’s “expected behaviour” in relation to corporate, social responsibility. The variety of the possible guidelines that could be adopted represents a further challenge for the EU, especially in determining the audience of the reports (Eccles and Spiesshofer, 2015). In addition, consistency and comparability of the information reported is difficult to achieve. Although different initiatives and institutions aim at providing frameworks and guidelines for improving an organization’s reporting and accounting, they have not provided much guidance for managers.

Largely missing from these efforts is a clear understanding of the very real trade-offs that exist between financial and sustainability performance. Although such aspirations are widely recognized and regulated by different

initiatives and regulators (e.g. GRI, SASB, IIRC among other), organizations prepare sustainability reports with the interest of being financially rewarded for ‘doing good’, even when the issues they address are not relevant to their strategy or operations (Gray, 2010).

In this regard, according to Bebbington *et al.* (2008), although many organizations prepare their sustainability reports by adopting guidelines and frameworks that aim at representing sustainability issues within their traditional activities, these frameworks are used as tools for legitimizing their management decisions and actions (Bebbington *et al.*, 2008).

For instance, one of the most common criticisms of the approach to sustainable development through the GRI guidelines is that although it attempts to provide a holistic and balanced view of social, environmental and economic dimensions, it separates them (Moneva *et al.*, 2006, p. 132). In the absence of such integration, companies tend to provide information that is more controllable and related to the financial objectives of the organisation (Bebbington, 2001). Furthermore, the GRI has been criticized as it provides partial and incoherent guidelines to organizations willing to represent their social, environmental and economic issues within their accounting and reporting processes<sup>15</sup>. According to Moneva *et al.* (2006), GRI guidelines seem to simplify the concept of sustainable development into a collection of information on the indicators that comprise the Triple Bottom Line (TBL), which, instead of reducing the gap between organizations performance and impacts, tends to increase it (Moneva *et al.*, 2006). Similarly, Milne and Gray (2013) affirm that GRI’s guidelines are partial and incoherent. First, they are partial in that the full range of social and environmental actions and interactions are incomplete — representing (in part) the difficulty of producing acceptable indicators and (in part) the reluctance of member organizations to sign up to indicators which are too demanding. Second, these guidelines are incoherent because “there is no apparent over-arching framework that guides the selection of indicators and ensures their

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<sup>15</sup> For a further review on the concept of Triple Bottom Line (TBL) see Archel *et al.* 2011; Elkington, 1997; Milne and Gray, 2013; Moneva *et al.* 2006.

relationships one to another and between the issues of concern and the entity” (Milne and Gray, 2013 p. 21).

SustainAbility benchmarking has been criticized in that it simplifies the concept of sustainability to economic, environmental and social issues without exposing the inherent conflicts and trade-offs between them (Gray and Milne, 2004). This has led to an incorrect use of the TBL model – as used interchangeably with the concept of sustainability (Milne and Gray, 2013). Numerous other studies have been critical about the information reported using TBL, which is driven primarily by impression management purposes (e.g. Neu *et al.*, 1998); drawn predominantly to achieve win-win solutions (Gray, 2006) and unable to address the gap between corporate performance and corporate impacts (Milne and Gray, 2013). These studies are considered in more detail in Chapter three.

The principles of AA1000 have also been criticised for being excessively focused on the perspective of the organisation, raising concerns regarding the independence of the auditing function, which acts on behalf of the organisation (Adams, 2004; Milne *et al.*, 2001).

Although some academics and practitioners have described the potential benefits of implementing integrated reporting and integrated thinking in managing sustainability issues by integrating multiple capitals within organization’s strategies, others have firmly criticized the role of the IIRC and its framework as being “a masterpiece of obfuscation and avoidance” (Milne and Gray, 2013).

Although IR is meant to mobilize large amounts of corporate information, facilitating engagement and activism from the organization’s internal and external stakeholders, some critics have recently emerged (Eccles and Serafeim, 2013; Owen, 2013; Busco *et al.* 2013a). According to Milne and Gray (2013), the framework brings organizations and users “further away from any plausible possibility that sustainability might be seriously embraced by any element of business and politics” (Milne and Gray, 2013 p. 20). For instance, according to Humphrey *et al.* (2016), there is little indication in the materials provided by the IIRC about how and why integrated reporting meets

the needs of a more sustainable global economy. Furthermore, they affirm that it is not clear what exactly these needs are and who determined them (Humphrey *et al.*, 2016, p. 42).

For these reasons, Humphrey *et al.* (2016) maintain that such ambiguity about the aims of the IIRC, make integrated reporting an appealing idea not so much because of its innovativeness or because of its openness to various stakeholders, but because different parties and interest groups can all construct their integrated report in a way that makes it attractive to them. Furthermore, the lack of standards of IR for nonfinancial information make different companies' performance difficult to compare, questioning the reliability, consistency and completeness of the information presented in an integrated report (Brown and Dillard, 2014; Flower, 2015).

Brown and Dillard (2014) criticize how the IIRC framework, as similar to other guidelines, seems to favour the lens of shareholder wealth maximization, emphasizing potential "win-win" opportunities for approaching sustainability within organizations. In this regard, IR provides a way of making sustainability impacts measurable in financial terms and aims at maximizing long-run shareholder value by indicating how an organization's mission, objectives, strategies, performance measurement systems and indicators integrate with each other (Brown and Dillard, 2014). Also, Flower (2015) criticizes the way in which the original purposes of the IIRC to support sustainable development has been abandoned and replaced by the concept of value creation in the final version of the framework. He criticizes the business-oriented approach of IR, which assumes that there is no conflict between the well-being of an organization and the society (see also Humphrey *et al.* 2016; O'Dwyer and Unerman, 2016).

IR adopters and users still face constraints on the determination of the information that an integrated report should contain, as well as their materiality for the overall organizations value creation. For instance, Flower (2015) sustains that the IIRC concept of value creation is too vague and largely oriented towards an organization's investors' requests, rather than broader communities of stakeholders. Further, Flower (2015) emphasizes that

an integrated report cannot provide a complete representation of the overall organization's value creation process as the content may be biased by the expectations of the shareholders, which may also affect the materiality determination methodology adopted. Also, the evaluation of the most relevant aspects that "have, or may have, an effect on the organization's ability to create value", and so of the capitals that an organization exploits or affects, may be biased to the extent that they are inputs to the organization's production process (Flower, 2015).

Likewise, Brown and Dillard (2014) argue that "integrated reporting (in effect, if not intention) seems more likely to reinforce rather than transform (unsustainable) status quo pathways" (Brown and Dillard, 2014). On a similar critical vein, Milne and Gray (2013, p.20) view the IIRC's discussion paper, "Towards Integrated Reporting", as a masterpiece of "obfuscation and avoidance of any recognition of the prior 40 years of research and experimentation".

## 2.6 Summary and some further thoughts

The number of definitions of sustainability as described in the literature, as well as the different ways through which these definitions are interpreted and described, have left 'sustainability' basically undefined. From this point of view, given its multidimensional and complex nature, it is impossible to capture all aspects of sustainability, since they require multiple bodies of knowledge and disciplines to be defined (Han Onn and Woodley, 2014). However, Bebbington and Larrinaga (2014) also emphasise that the lack of definition of sustainability has been a challenge for a number of initiatives and institutions that ground their usual mode of inquiry on well-defined categories and concepts.

Little prior research has focused attention on the organizational processes underlying sustainability accounting and reporting (Adams and Larrinaga-González, 2007; Burritt and Shaltegger, 2010; Gond *et al.* 2012). Furthermore, little is known about the process through which organizations' construct their own approach to sustainable development and what the roles

of accounting and reporting practices actually are, so that it can be meaningful within organizations. In this regard, understanding the process through which organizations' accounting and reporting practices are produced, as well as the quality and accountability of the information reported are all crucial in the examination of how sustainability takes form and becomes meaningful within organizations. In this regard, the dynamics by which sustainability becomes meaningful through accounting and reporting practices is explained in the next chapter, together with the implications of these dynamics on the variety of accounting and reporting practices associated with "sustainability".

## Chapter Three

### **3. Representing sustainability within corporate reporting and accounting: criticisms and implication**

#### 3.1 Introduction and structure of the chapter

Whereas many studies agree on the importance of organisations' addressing issues of sustainability, its ubiquitous nature and meaning leave the concept open to multiple interpretations, thereby allowing organisations to interpret sustainability in different and evolving ways (See chapter two).

Although the concept of sustainability as defined by the Brundtland report has been criticized as being "one of the most sophisticated notions" to define (Gray, 2006 p. 74), during the last 20 years it has turned out to be one of the most highly used terms within organisations' sustainability accounts and reports (Zappettini and Unerman, 2016). Rather than seeking to address the most profound challenges of connecting sustainability issues within tangible operations, organisations use accounting and reporting practices to combine good business performance with reasonable levels of corporate responsibility and selective accountability of their sustainability initiatives (Gray, 2006). For this reason, it is increasingly well established in the literature that a large part of reporting and accounting practices on sustainability have little, if anything, to do with sustainability itself (Gray, 2010; Milne and Gray, 2013). This chapter explores the role of accounting and reporting practices in representing sustainability issues within organisations, as well as their ongoing adoption in order to give meaning to sustainability issues within organisational strategies and initiatives.

In particular, Section 3.2 explores the main criticisms on accounting and reporting practices for sustainability, focusing on the opportunistic motivations that have brought organizations towards the adoption of sustainability, corporate social responsibility and integrated report. Such

opportunistic behaviours are also due to the inadequacy and incompleteness of accounting and reporting practices in representing organizational activities.

However, as explained in Sections 3.3 and 3.4, although organisations engage with sustainability issues to pursue win-win solutions, accounting and reporting practices have the potential to stimulate innovation, motivating organisations and their members to develop and stimulate further action towards sustainable development (Christensen *et al.*, 2013).

The main objectives of the research are presented in section 3.5. Some concluding remarks are provided in section 3.6.

### 3.2 Criticism of accounting and reporting for sustainability

Accounting and reporting practices for sustainability are usually regarded with suspicion by critical researchers. The lack of definition of the concept of sustainability has had negative implications for accounting and reporting practices, leading to criticism that it offers the opportunity for organisations to give misleading messages about sustainability performance (Gray and Milne, 2002; O'Dwyer, Unerman, and Hession, 2005; Gray, 2006; Cho, Roberts, and Patten, 2010; Gond *et al.*, 2009; Gray, 2010; Tregidga *et al.*, 2014).

According to Tregidga *et al.* (2014), although organisational references to sustainability are relatively commonplace in multiple reports, it is not clear how an organisation should behave in order to be 'sustainable'. Tregidga *et al.* (2014) draw on Laclau and Mouffe's (1985) discourse analysis to critically analyse how organisations construct their sustainable "identity" and represent themselves through corporate reports. By analysing more than 365 public corporate reports in New Zealand from 1992 to 2010, they affirm that statements about what a sustainable organisation represents are largely absent, giving different interpretations of sustainability. As mentioned by Tregidga *et al.* (2014):

"The absence of statements stating what constitutes a 'sustainable organisation' could be interpreted as representing uncertainty around the concept. Alternatively, it could indicate that the organisations analysed [...] have not reached a position where they have

conceptualized what it means to be sustainable, they do not directly align their current identity with that of a sustainable organisation, or that strategically, they avoid such precise expression” (p. 490).

As noted by Bebbington and Larrinaga (2014), not only ‘sustainability’ can be defined in several different ways, but also its components are subject to multiple interpretations and definitions, as “they are arenas which can only be understood through multiple lenses” (p. 399).

According to Frame and O’Connor (2011), the lack of definition of sustainability renders this concept an ‘empty signifier’, open to multiple meanings. This idea implies that, rather than remaining empty and therefore without meaning, the concept of sustainability can be filled with different meanings that are always evolving. This point is further developed by Tregidga *et al.* (2018). In their view, the nature of sustainability as an empty signifier renders it ‘universal’ but also open to multiple interpretations, as well as to the exercise of power by different groups of interests. In their view,

“Attempts to fill sustainable development with meaning can be argued to be corporations’ attempt to gain (or maintain) hegemonic control of the discursive space. The articulations of sustainable development can be viewed as hegemonic articulations that contain two seemingly contradictory features: certainty and vagueness” (p. 303)

By drawing on the work of Laclau and Mouffe (1985), they argue that the concept of ‘sustainable development’ act as a nodal point around which a plurality of other signifiers is articulated and ordered. At the corporate level, such plurality has rendered ‘sustainable development’ a hegemonic discourse, within which one empty concept is replaced by another one, empty enough to attract, accommodate and gain consensus among a range of particulars. Therefore, Tregidga *et al.* (2018) argue that:

“[...] although sustainable development remains largely universal, the corporate discourse has partially filled sustainable development with a particular identity (economic-focused and profitable)” (p. 313).

It follows that the ambiguity of the concept of sustainable development/sustainability, and the consequent plurality of meanings it can be associated with, have enabled organizations to capture this concept “for their own ends” with continuing negative outcomes (Tregidga *et al.* 2018, p. 295).

According to Han Onn and Woodley (2014), the number of definitions provided, as well as the different ways through which these definitions are interpreted at the corporate level, have left 'sustainability' basically undefined. In this regard, a number of scholars have emphasised that the lack of a stable definition of sustainability has been a challenge for those disciplines that ground their mode of inquiry on well-defined categories (see Bebbington and Larrinaga, 2014), and has had negative implications for accounting and reporting practices (Gray, 2006; 2010; Gray and Milne, 2002).

The negative effects of the dominant, corporate-focussed, sustainability discourse have been also emphasised by accounting studies. For example, Gray and Milne (2002) argue that current 'accounting for sustainability' practices fail to represent the cumulative effects of organizations' activities on the environment and society because these practices are mainly organization-centred, no matter what is the extent to which they are combined with information on social and environmental impact. According to O'Dwyer *et al.* (2005), sustainability reporting has remained limited in scope and unable to account for the rights, needs and empowerment of all relevant stakeholders. Similarly, Zappettini and Unerman (2016) contend that the term sustainability has been mixed and bent with other discourses to construct the organisation for the primary benefit of shareholders.

Albeit drawing on different perspectives, these studies emphasised the role of powerful coalitions in shaping sustainability discourses. From this point of view, along the lines of the 'hegemonic' dimension emphasised by Tregidga *et al.* (2018), the ambiguity of sustainability as a concept has enabled dominant groups of interests to maintain their powerful position also through the aid of accounting.

Further studies have emphasized that sustainability accounting practices have been often used as a means to veil past episodes of poor sustainability practices, rather than representing actual facts and managerial actions (O'Dwyer, 2002; Gond *et al.*, 2009; Gray, 2002; 2006; 2010; Milne and Gray, 2007; Spence 2007).

O'Dwyer (2002) interviewed a group of 29 senior managers employed by Irish public companies to study their motivations for undertaking sustainability reporting. Although a significant number of managers affirmed that their organisations' efforts towards sustainability resulted from a reaction to the market and the stakeholders' requests, most of the managers interviewed argued that the primary motives for sustainability reporting were dictated by the need to enhance corporate legitimacy (O'Dwyer, 2002).

Looking at the ideological implications and motivations that encourage organisations in approaching corporate social responsibility, Spence (2007) draws on Laclau and Mouffe (1985) discourse analysis to explore how Social and Environmental Reporting (SER) practices are constrained by opportunistic business as usual<sup>16</sup> approaches.

More specifically, Spence (2007) aims to link the motivations underlying SER with the images and representations of organisational socio-environmental performance. By interviewing representatives of 25 large capitalist enterprises in the UK, Spence (2007) criticizes business-based SER practices to be "antithetical" to the initial sustainability reforming intent to reduce poverty, and the inexorable ecological crisis. Such attempts have not been greeted positively by external stakeholders, but instead, have created scepticism about organisations' approaches to sustainability and the information reported regarding their social and environmental impacts.

According to O'Dwyer (2002), such scepticism is due to the tendency to provide poor quality disclosures, containing minimal information that are inconsistent with other data reported. Any additional data related to a social or environmental issue is perceived as a form of "noise" that distracts managers from their primary objective of maximising economic returns (Gray, 2002, p. 370; see also Gray, 2006). Therefore, accounting and reporting are considered to be a poor tool for representing the cumulative

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<sup>16</sup> At an organizational level, a 'business as usual' approach to sustainable development might be considered as a defensive strategy in environmental management, by attempting to limit, instead of focusing on ways to change and actions that would improve the environment. Under this approach, data is selectively reported. There is assumed to be little or no conflict between traditional economic and social or environmental dimensions of sustainability (Gray, 2006b).

effects of organisational activities on social and environmental issues and for supporting collective decision-making on such issues (Gray, 2002).

Research based on legitimacy theory has demonstrated that sustainability reports are used as tools through which organisations influence how they are perceived by the society, using sustainability disclosures strategically for window-dressing and impression-management purposes (Gond *et al.* 2009; Laine, 2005; 2009; Hopwood, 2009; Cho *et al.*, 2010).

By analysing the environmental disclosures of a leading Finnish chemical organisation between 1972 and 2005, Laine (2009) shows that sustainability reports are used as rhetoric and image management tools for strengthening the broader social beliefs on how organisations' business-as-usual has a mitigating effect on environmental problems and, thus, results in sustainability. He demonstrates that sustainability reports are used to exaggerate the external appearance and the reputation of an organisation, which may be rationalized and used to help it conform to social expectations (Laine, 2009, p. 1047). He maintains that organisations usually adopt win-win approaches to sustainability issues by focussing on actions that are seen to legitimately improve financial growth and shareholder value and contribute to the broader aspiration of sustainable development.

Gond *et al.* (2009) notes that the risk of adopting sustainability reporting for legitimacy relates to the use of accounting and reporting for "window-dressing" or as a means for building a better reputation for the organisation. Reputation driven reports and behaviours are developed in an attempt to make a good impression on external stakeholders without any underlying efforts to improve social and environmental welfare (Gond *et al.*, 2009). This contributes to increase the probability of organisations deviant behaviour towards sustainability objectives (Gond *et al.*, 2009), influencing external stakeholders and shareholders perception of an organisation's activity and giving more relevance to those accounts that have a strong reputational impact, instead of considering those that are of crucial importance or that are difficult to address (Gond *et al.*, 2009). Consequently, according to Gond *et al.* (2009) sustainability accounting and reporting practices do not necessarily

promote socially responsible behaviour and are used as a means of building legitimacy and veil poor sustainability performance.

Accordingly, Hopwood (2009) maintains that organisations often use their sustainability reports to provide:

“a new face to the outside world while protecting the inner workings of the organisation from external view. Done with skill and a fair amount of planning and thought, it is possible for some modes of reporting to thicken that veil such that even less is known of the corporation despite the apparent openness of its reporting.” (p. 437)

The idea of corporate sustainability reporting as being a “veil” that hides organisations’ misbehaviour, has been also acknowledged by Cho *et al.* (2015), who labelled organisations’ sustainability reports as being merely “façades” of an organisation’s poor performance that results in hypocritical behaviours<sup>17</sup> (Cho *et al.* 2015, p. 82; See also Spence, 2007). In another paper, Cho *et al.* (2010) emphasises how reputational pressures and the search for legitimacy generate distortions on sustainability reporting, as managers try to deflect, obfuscate or alter information on social and environmental performance. Using Fortune 500 data from the late 1970s to the year 2010, they show that organisations manipulate the information reported in their sustainability reports to emphasize good news and rhetorically deflect, obfuscate, or rationalize poor social and environmental performance (Cho *et al.*, 2010; 2015). In their attempts to balance ethical and legitimacy purposes, contemporary organisations maintain inconsistencies or gaps between what they state they have achieved and what they actually have done to achieve sustainability (Cho *et al.* 2015).

Even though the debate in the literature is still in its infancy, critical studies have looked at the most recent adoption of integrated reporting (IR) as a possible ceremonial response in search of a compromise, in light of the increasing pressures of markets and society (Higgins *et al.*, 2014; van Bommel, 2014 Milne and Gray, 2013). Others have described IR as a temporarily fad and fashion practice adopted by companies for legitimacy

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<sup>17</sup> Building on Abrahamson and Baumard (2008), Cho *et al.*, 2015 define an organisational façade as a symbolic front erected by organisational participants to hide negative performance and reassure their organisational stakeholders of the legitimacy of the organisation and its management. (Cho *et al.*, 2015 p. 82).

purposes (Brown and Dillard, 2014; Zappettini and Unerman, 2016; Flower, 2015; Thomson, 2014).

According to Higgins *et al.* (2014), the narratives on sustainability produced by integrated reports are often deployed in relation to organisational perspectives and shareholder driven purposes. Moreover, the persuasive (i.e. rhetorical) “story-telling” of integrated reporting on sustainability, make it a fascinating practice that is increasingly adopted by private and public organizations to meet strategic drivers and institutional expectations as opposed to social and environmental issues (Higgins *et al.* 2014).

Also, Zappettini and Unerman (2016) maintain that IR refers to sustainability as a discourse often constructed around internal organization speculations more than external and holistic discursive orientations. They suggest that, by adopting IR, organisations primarily represent themselves as “being or becoming (financially, economically and commercially) sustainable” and focusing merely on certain actions or decisions that would safeguard the interest of a broader number of shareholders as sustainable, thus reconsidering sustainability issues looking first at the long-term growth and profitability (Zappettini and Unerman, 2016 p. 538). In particular, they maintain that organizations adopt IR as a legitimacy tool to rhetorically validate their activities as sustainable and defining sustainability or sustainable development as a concept that is “frequently mixed with and embedded in and bent towards financial and macro-economic propositions to suit specific organisational narratives and communicative purposes” (Zappettini and Unerman, 2016 p. 538).

In this regard, van Bommel (2014) maintains that integrated reporting fails to find a “legitimate” compromise (or integration) between sustainability and financial issues, and among multiple interests, maintaining ambiguity on sustainability instead of reducing it (van Bommel, 2014, p. 1160).

These factors have increased the scepticism of many academics regarding the reliability of the information provided by sustainability, corporate responsibility reports, and most recently integrated report, which have been labelled to be “partial and mostly, fairly trivial” (Gray, 2006a; O’Dwyer *et*

*al.*, 2011). In particular, some studies have emphasised the need for mandated and externally verified sustainability reporting within different sectors (see, e.g., O'Dwyer, Unerman and Hession, 2005; Adams, 2004) and have called for greater sustainability assurance within organisations (O'Dwyer and Owen, 2005; Gond *et al.*, 2009).

Adams (2004) assessed the potential of standards and guidelines for sustainability reporting to reduce what she calls the “reporting-performance” portrayal gap and thus improve corporate accountability. She concluded that additional measures, reporting guidelines, better audit guidelines, mandatory audit requirements and better governance systems are needed. Along these lines, O'Dwyer *et al.* (2011) suggested possible ways for understanding sustainability assurance in searching for credibility and reliability of reporting contents. However, as illustrated in Chapter two, although many institutions have attempted to provide guidelines and standards for regulating sustainability reporting, there is still evidence of a mismatch between what an organisation says and what it does to be sustainable (Higgins *et al.*, 2014).

Considering the contradicting definitions and positions attributable to sustainability and organisations' attempts to represent and define what sustainability means within their reports, some researchers have concluded that there is “clearly no single ‘sustainability’ that can be known and accounted for” (Gray, 2010 p. 56). Thus, what sustainability means within organisations is, according to Gray (2010), an exercise of imagination, which necessitates a continuous collection of information, actions, informed decisions and measurement of the environmental, social and economic aspects of an organisation.

Consistent with this perspective, a number of authors have argued that accounting practices in general provide a limited understanding of the complexity of organisational life (see also Chapman, 1997; Lillis, 2002), and have suggested that the possibility for accounting to be objective and to represent certain aspects of an organisation in a true manner is difficult to achieve (Roberts and Scapens, 1985).

Historically, accounting systems aimed at providing unambiguous and uncontested sets of organisational objectives, encouraging a numerical picture of reality (Roberts and Scapens, 1985). Since 1947, when the UK Companies Act proposed the idea of presenting a “true and fair view”, accounting has been grounded in a quest for “objective” representation (Bayou *et al.* 2011). Many financial statements use ‘truth’ or its synonyms to describe a desired quality for accounting reports. That is, accounting and reporting, as forms of internal and external representation, aim to provide something factual, something able to represent reality as it is (Bayou *et al.* 2011). According to Solomons (1991), accounting data are “complete”, since they can faithfully represent the underlying economic reality and bring together all relevant interests of members in a community (Solomons, 1991). Therefore, accounting practices have often been described as a mirror through which an organisation represents itself (Roberts and Scapens, 1985).

However, the literature has raised questions about the capability of accounting and reporting practices to faithfully represent how organisations operate (see for example, Hines, 1988; Morgan, 1988; Shapiro, 1997; Mattessich, 2003; Messner, 2009; Jordan and Messner; 2012). Moreover, Shapiro (1997) recognizes that neither accounting nor any other scientific method provides faithful representations of the activities performed within an organisation. According to Shapiro (1997), there are two arguments against the representational faithfulness of accounting information. The first maintains that representational faithfulness should be rejected because “no set of financial statements can completely represent all features of reality or completely satisfy the information needs of all possible financial statement users” (Shapiro, 1997, p. 172). The second refers to the degree of representational faithfulness of accounting and financial statements, which is not easily measurable and is biased by people’s beliefs, attitudes and opinions about the most appropriate ways of representing an organisation’s internal and external reality (Shapiro, 1997, p. 172).

Accordingly, Mattessich (2003) maintains that accounting, as a form of communication, is poorly equipped for representing an organisation’s operations with any degree of precision. He maintains that accounting, like a

portrait, always provides an imperfect representation of what it aims to represent (Mattessich, 2003).

For example, by taking a look at the lithograph by Escher known as *The Hand with Reflecting Globe*<sup>18</sup>, Morgan (1988) focuses on the problems that accounting has in representing reality by arguing that it can provide just partial and incomplete representations of what it aims to represent. In particular, he affirms that:

“[accounts] are always engaged in interpreting a complex reality, partially, and in a way that is heavily weighted in favour of what the accountant is able to measure and chooses to measure, through the particular scheme of accounting to be adopted” (Morgan, 1988, p. 480 – See also Gray, 2010 p.49).

Consequently, accountants (and more generally managers), like artists, grasp and articulate complex realities in partial ways, and this grasping helps sustain the realities as being perceived and the definitions as being understood in multiple ways that are not necessarily coherent (Morgan, 1988).

The partial representations provided by accounting and reporting practices have also effects on the accountability of organizations actions and performances. Accordingly, Butler (2005) sees accounting as a type of narrative of the self that is intrinsically limited to what the self can recount and “depends upon (its) ability to relay a set of sequential events with plausible transitions” (Butler, 2005, p. 12).

Building on Butler (2005), Messner (2009) argues that organisations’ ability to represent and account for their own actions (accountability) is subject to three main limitations, which indicate that any account is imperfect in relation to its ability to ground organisations’ responsibility. Messner (2009) identified three limits of organisations’ accountability: *Opacity, Exposition and Mediation*. First, accounting is *opaque*, since it is unable to fully record (e.g. to account) and report (e.g. to recount) the situations in which organisations are involved. Accounting is not able to fully justify managers’ decisions and judgments, as these may go beyond the realm of the calculable.

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<sup>18</sup> Escher’s lithograph, *the Hand With Reflecting Globe*, depicts the artist hand holding a reflective sphere. In the reflection, the viewer is bound into the picture as if he or she were standing in Escher’s shoes.

Second, organisations are *exposed* to the judgements and prescriptions of external stakeholders, regulators, interpreters and observers. Such judgements are not necessarily passive but contribute to constitute and define the organisation. Third, organisations' accounting is *mediated* by a set of social norms that structure the scene it aims to address.

In other words, one cannot expect organisations to provide an objective account of themselves because the account portrayed may be biased by the interests of senior management or certain shareholders/stakeholders to the detriment of others (Roberts and Scapens, 1985).

Most of the literature mentioned above concentrates on the practices for representing, reporting, and accounting for organizational aspects and initiatives. However, these studies have not specifically addressed the complex relationship between accounting's incompleteness (i.e. as it inevitably fails to provide a full representation of organizational reality), as well as the inherent ambiguity of the issues that accounting practices attempts to represent. In particular, studies on accounting and reporting representations of sustainability, focused on the need for reducing the gap between what companies actually *do* and what they *say* about sustainability. However, this gap does not necessarily have distortive effects.

Some recent studies show that accounting plays a more fundamental role than the accounting-as-mirror literature suggests. These studies argue that accounting and reporting practices constitute economic and organisational reality as much as they attempt to represent it (Hines, 1988). As emphasised by Ahrens and Chapman (2007), accounting cannot be understood simply in relation to its representational approach, but it plays a fundamental role in shaping organisational context, necessitating interaction and stimulating actions among different managers and perspectives (Ahrens and Chapman, 2007).

Jordan and Messner (2012) suggest that the "problem of incompleteness" of accounting is not a function of the representational qualities of the information provided per se, but rather depends on how this information relates to the world of action. They argue that this is not an ontological, but a

methodological problem (Jordan and Messner, 2012). Thus, according to Andon *et al.* (2007) accounting incompleteness can be addressed by attempting to “repair” accounting practices bridging the gap left between reality and representation and exploring their role in sustaining and shaping organisational activity.

Accordingly, the sceptical view of accounting and reporting for sustainability is nurtured by a lack of research into the intra-organisational outcomes of devoting attention to sustainability (Bebbington, 2007; Milne and Grubnic, 2011), and also by the scant attention devoted to the role of accounting and reporting practices for influencing actions relation to sustainability within organisations (Durden, 2008; Herzig *et al.* 2012). While acknowledging the gap between what organizations *say* and what they actually *do* about sustainability, such literature does not address the role that the processes of designing accounting and reporting practices may play in influencing organisations to embrace sustainability as a strategic goal in order to address social and environmental responsibilities (Gond *et al.*, 2012; Henri and Journeault, 2010).

The following paragraph explores how accounting practices have effects beyond the representations they aim to provide.

### 3.3 The role of accounting and reporting practices in constructing organisational concepts

In contrast to the criticism of accounting and reporting highlighted in this chapter, one of the most useful characteristics of accounting is its aggregation properties and its role as a common language among managers with different backgrounds, experiences and knowledge (Busco and Quattrone, 2015; Hall, 2010). As a form of textual and verbal communication, accounting and reporting practices allow managers to tailor information to specific operational concerns and provide a context for debate and discussion of the meanings and implications of the information provided (Hall, 2010).

The inherent incompleteness of accounting and reporting practices contributes to stimulate managers’ involvement in their preparation,

questioning and debate about the most suitable performance to communicate, with the intention of giving meaning to certain organisational phenomena (Messner, 2009). In this regard, Ahrens and Chapman (2007) maintain that through such functions, accounting can potentially make a significant contribution to the ways in which organisational motivations take place and how multiple intentions are coordinated (Ahrens and Chapman, 2007 p. 310 emphasis added).

This indicates that the relevance of accounting information does not necessarily depend on its ability to depict operational processes accurately or completely, but on its function as a medium through which diverse operational considerations are rendered communicable through a common language. In this way, accounting and reporting practices can function as a medium for facilitating communication among managers with different information requirements, background and functional experience to better understand certain aspects of organization reality instead of representing them faithfully (Ahrens, 1997; Briars and Chua, 2001; Andon *et al.*, 2007; Quattrone, 2009; Hall, 2010).

Briars and Chua (2001) argue that valuable accounting representations are not simply those that have a high degree of representational faithfulness. Instead, building on Latour (1987), Briars and Chua (2001) illustrate that certain accounting practices are not adopted because they are perceived as giving the right answers for specific situations, but because their usability makes people discuss the credibility, practicality and consistency of these practices and the information reported.

Quattrone (2009) argues that accounting practices are useful, not because they guide users within certain institutionalized and prescriptive guidelines, but rather because they contribute to organizing knowledge. Likewise, Ahrens and Chapman (2007) maintain that accounting cannot be understood simply in relation to its representational approach, but it instead plays a fundamental role in shaping the context by involving and stimulating actions among different participants and perspectives.

Andon *et al.* (2007) illustrates that the implementation of a Balanced Scorecard for an Australian telecommunications organisation engaged managers in ongoing experimentation and discussion about the appropriateness and applicability of the measures used (p. 293). Furthermore, Wouters and Wilderom (2008) illustrate how accounting practices make users aware of the rationale behind certain management control mechanisms and enable them to act on it. They propose that the involvement of managers in the development of a performance measurement system contributes to the enhancement of its management control nature, while it contributes to the improvement of experienced-based knowledge allowing experimentation as well as raising employees' professionalism.

Similarly, Revellino and Mouritsen (2009) explored the case study of the development of a traffic control system in a listed Italian organisation in order to illustrate how management control systems (MCS) provide a space in which ongoing innovation activities may be tried and tested. Moreover, Jørgensen and Messner (2010), demonstrate how managers and engineers draw upon various informal arrangements in order to learn what is going on in their organization. They show how engineers who were working on new product development, evaluate different design alternatives based on accounting information and a set of strategic objectives that cannot be easily translated into accounting numbers, aiming to get a wider view of the organisation's activity.

In organisational settings, with multiple and potentially competing intentions, accounting is used to engage different perspectives and members in the production of accounts that are based on compromise, temporary agreement and continuous adjustment (Chenhall, 2013; Busco and Quattrone, 2015). Some researchers have demonstrated that situations where managers share transparent information and reach agreement are the exception, rather than the rule (Cohen, *et al.* 1972; Cooper, 1981).

Thus, accounting practices engage users not because they provide readymade answers to pre-established questions about administrative problems, but

because they create a space, in which users question and practice accounting information (Busco and Quattrone, 2015; Quattrone, 2009; 2015).

In this regard, Busco and Quattrone (2015) theorize that accounting practices, such as the Balanced Scorecard (BSC), function as rhetorical “machines”<sup>19</sup> (See Bolzoni, 1995; and Carruthers, 1990). According to Busco and Quattrone (2015), rhetorical machines were not used to persuade other “auditors” regarding the veracity of certain facts but were used as valid instruments (i.e. visual schemas, graphs, tables) for logically structuring and organizing the content of orators’ speeches and for mnemonically crafting the relations between multiple definitions, texts, discourses and images (see Carruthers 1998), which are discussed on the spot. Actually, rhetorical machines

“had a crucial spatial connotation as they helped knowledge classification and invention through the use of visual and spatially based schemas, and allowed ‘re-presentations’ designed for being open to interpretation, appropriation and translation, beyond any stable and ultimate form of objective and univocal truth” (Busco and Quattrone, 2015, p. 1240).

Consequently, accounting practices operate as platforms wherein “knowledge” is continuously classified and questioned, the different interests are accommodated through regular processes of interrogation and re-invention, and engagement is sustained through participation in a series of recurrent activities (Busco and Quattrone, 2015). In their framework, the BSC provides a common space in which knowledge of strategies, objectives and activities are created, not by providing answers to its users (e.g. by providing numerical performance measures that completely explain the trade-off between initiatives and/or objectives), but rather by stimulating questions that continuously produce possibilities for constructing new knowledge and understanding, while mediating amongst various users at different organisational levels.

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<sup>19</sup> As noted by Carruthers (1998), in rhetoric the Latin term *machina* is not synonymous with ‘mechanical’ and ‘predictable movements’, as it is now interpreted, rather it addresses anything that helps in the construction of something, be this a building or, indeed, thinking (Carruthers, 1998). In rhetoric, the term *machina* then referred to any instrument useful for building and edifying thoughts through meditation (Busco and Quattrone, 2015).

Hence, accounting and reporting create a space for engagement by enabling questions to emerge from the information provided and, at the same time, debate these questions by challenging the sources that generated them (Chenhall, 2013).

This process of questioning and interrogation is generated by the necessity to provide a complete representation of an organisation's activities within a unitary system of performance measurement and to satisfy the expectations of the organisation's functions, divisions, individual managers, as well as those of the stakeholders (Wouters and Roijmans, 2011). The frictions and the overlap of multiple performance criteria and intentions generate productive re-combinations of knowledge by sustaining a pragmatic organisational reflexivity (Stark, 2009, p. 27). In this way, a "resourceful dissonance" is produced that can enable organisations to benefit from this process of debate. Such dissonance is intrinsically productive, because it requires managers to overcome accounting incompleteness to better understand certain organisational issues (Stark, 2009). The next section considers this further, in light of efforts to provide accounts of organisational performance in relation to sustainability.

### 3.4 The role of accounting and reporting in fostering sustainability within organisations

Recent studies illustrate the constitutive role of business accounting and reporting representations for sustainable development (Milne *et al.*, 2009; Christensen *et al.* 2013; 2015). For example, Milne *et al.* (2009) argues that, by enabling or constraining actions, an organisation can attempt to represent its sustainability initiatives as strongly implicated in the way in which an organisation has come to 'know' and 'do' sustainability. Also, Christensen *et al.* (2015) highlight how communications about sustainability,

"cannot — and should not — be a perfect reflection of existing organisational sustainability practices. Although differences between words and actions in the sustainability arena are usually disdained, ...such differences have the potential to move the field forward toward higher ideals and superior practices" (pp.139-140).

In this regard, the development of sustainability reporting not only changes the organisation's culture, but in some ways also changes organisational processes and practices (Adams and McNicholas, 2007).

Some studies have investigated the role of social and environmental accounting and reporting practices in stimulating organisational change in relation to sustainable development (see for example Adams and Mc Nicholas, 2007; Contrafatto 2013; 2014; Spence and Rinaldi, 2014).

Adams and McNicholas (2007) used an action research case study to illustrate how sustainability reporting was adopted to embed sustainability principles as part of the organisational culture. They found that sustainability reporting operates as a relevant "means of introducing and reinforcing sustainability principles throughout the organisation by improving their integration into planning and decision making, leading to improvements in sustainability performance" (p. 398). In contrast to O'Dwyer (2002), Adams and McNicholas (2007) demonstrate that sustainability reporting operates as a management learning process for the preparation of the corporate report.

Accordingly, Contrafatto and Burns (2013) focus on the role of Social Environmental Accounting and Reporting (SEAR) practices in fostering organisational change, as well as the role of management accounting in fostering progress towards sustainable development. They conducted a longitudinal case study to show how dominant business imperatives and the profit-oriented ways of operating in the context of "business as usual", could have limited organisations' possibility to "embed" sustainability issues within their routine activities. Although, their findings highlight complexity in the development and effects of SEAR practice over time and illustrate the potential limits of this development within a profit-seeking organisation, they also recognise that SEAR practices have the potential to integrate sustainability principles and values into organisational strategies. Furthermore, Contrafatto (2014) explored the process through which social and environmental accounting and reporting (SEAR) become widely accepted and taken for granted categories within organisations, supporting the

construction of shared meanings around the notion of social and environmental responsibility.

In a similar vein, Spence and Rinaldi (2014) demonstrated how corporate engagement with sustainability reporting can be enacted, maintained and transformed in practice, due to the central role played by accounting practices in such processes. Their main contribution emerges from the examination of the conditions under which business practices engage with sustainability. Using a governmentality lens, they refer to sustainability as “a regime of practice”, which is enacted, maintained and transformed to share a common approach to sustainability across the organisational boundaries of the supply chain (p. 449).

In contrast to conventional thinking, accounting and reporting practices for sustainability can encourage an organisation to move toward sustainability improvements (Christensen *et al.*, 2015a, pp. 139 – 140). In particular, Christensen *et al.* (2013) maintains that the ways in which organisations talk about their activities and performance on sustainability cannot be considered as being separate from the actions they take, since they are constitutive of organisational life. Citing Austin (1962), Christensen *et al.* (2013) affirms that organisational accounts and reports are not merely descriptions, but prescriptions<sup>20</sup> with “performative” facets that provoke specific actions. In their view:

“Even when corporate ambitions to do good vis-à-vis society do not reflect managerial action, talk about such ambitions provides articulation of ideals, beliefs, values and frameworks for decisions - in other words, raw material for (re)constructing the organisations” (p. 376).

According to Christensen *et al.* (2013), accounting representations and discussions about sustainability represent actions themselves and serve as *aspirational* disclosures and constitutive devices through which organisations pursue and define sustainability (Christensen *et al.*, 2013). In particular,

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<sup>20</sup> The etymology of the word prescription come from Latin *praescriptionem* (nominative praescriptio) "a writing before, order, direction", a noun of action from the past participle stem of praescribere, "write before, prefix in writing; ordain, determine in advance", from prae "before" (see pre-) + scribere "to write" (see script).

Christensen *et al.* (2013) emphasises that organisational statements and talks about sustainability are not just descriptions, but entails an aspiration, which ultimately affect organizing. In this regard, accounting and reporting practices may produce sustainability aspirations that do not unfold automatically or predictably into corporate reporting initiatives, but they can “help to define or illuminate a collective ‘horizon’ of excellence to which employees, NGOs and other stakeholders can hold the organisation accountable” (Christensen *et al.* 2015b, p. 21).

Along these lines, Cho *et al.* (2015) build on prior studies on organized hypocrisy and organizational façade to explore the discrepancies between corporation’s talks, decisions and actions, and emphasise the enabling effects of these discrepancies. They argue that organizational façades and organized hypocrisy may enable greater flexibility in managing stakeholders’ expectations and provide opportunities for action through the aspirations that they entail. Following Brunsson (2007), they argue that in many circumstances talks and decisions are held to be inconsistent with actions. This means that companies are likely to articulate their talks specifically around their weak areas, relying upon the inconsistency between talks and present (unsatisfactory) actions as a way to close the time distance from future (and more satisfactory) actions. To this end, talks need to be ‘aspirational’, motivating organizations to strive for a better future (Cho *et al.*, 2015, p. 84; see also Christensen *et al.*, 2013).

This point is further expanded by Gibassier *et al.* (2017) in relation to integrated reporting. By drawing on the work on accounting innovations by Busco and Quattrone (2015), Gibassier *et al.* (2017) argued that such innovations as integrated reporting stimulate action through the promises held by their mythical dimension, even if these promises are never fulfilled. In this sense, integrated reporting is ‘aspirational’ as it praises an imaginary future which stimulates more tailored accounting practices. From this point of view, accounting and reporting practices perform a social function beyond their mere representational ability.

However, for this to happen, it is necessary that many different voices continuously participate in the articulation of sustainability in the context of their organisations' ideals and values. "And while such plurality of voices may produce confusion and inconsistency, tolerance towards inconsistencies in the talk and behaviour of organisations allow them to expand and explore their capabilities within the realm of sustainability" (Christensen *et al.* 2013, p. 386).

Guthey and Morsing (2014) propose that any organisation's statement about sustainability cannot be treated as a clear or consistent agenda, or even as a unified coalition or movement toward collective action, but rather as a "forum" where different opinions regarding corporate activity towards sustainability are debated (Guthey and Morsing, 2014). In this perspective, accounting for sustainability cannot represent a fixed set of directions that define and describe, sometimes in minute detail, how managers and employees are supposed to think and act in specific situations. Rather, it should be understood to be a set of guiding values that continuously evolves through the input and the challenges from managers, employees, and citizens.

In this sense, organisations' accounting and reporting practices cannot be judged solely by the partial representations that they produce, since the process entails actions, aspirations and intentions of the individuals involved (Busco and Quattrone, 2015).

In this regard, the "open ended" nature of the concept of sustainability, and the multiple interpretations that this concept entails, as well as the incapacity of accounting and reporting practices to provide complete representation of organizations activities towards sustainability, offer an opportunity to 'talk about it' in several ways, thereby, providing the potential to stimulate debate among different perspectives.

Most research on accounting and reporting for sustainability focuses on the necessity to provide a complete representation of sustainability through accounting reports (Spence, 2007; Tregidga *et al.*, 2014; Milne and Gray, 2013), and also on suppressing conflict between financial and non-financial performance. The ongoing attempt to give meaning to and represent

sustainability within organisations has allowed multiple ‘discourses’ about sustainability - i.e. different ways of talking about, understanding and interpreting its contents – to unfold. These discourses have both a reflective and a constructive power within organisations.

Therefore, further research is needed into how organisations represent their goals and aspirations about sustainability as an integral part of their reporting process. In particular, this research explores the potentially enabling processes that multiple understandings of sustainability and accounting incompleteness stimulate. This research adds to the studies reviewed above by exploring how discourses on sustainability are produced in practice within organisations as individuals engage in the attempt to give it meaning. Further, the role of (and implications for) accounting and reporting practices within this process has been explored.

### 3.5 Identifying gaps and situating the research objectives

The literature reviewed above concentrates on the practices for representing, reporting, and accounting for sustainability, and on the need for reducing the gap between what companies actually do and what they say about sustainability (Spence, 2007; Tregidga *et al.*, 2014; Milne and Gray, 2013). However, further understanding is needed about *whether* these representations, and the aspirations that they entail (Christensen *et al.* 2013), are leveraged by individuals in the construction of the concept of sustainability that they attempt to represent. Further understanding is also needed about *how* these representations are leveraged by individuals in the construction of this concept.

Some studies affirm that the multiple interpretations assigned to sustainability, as well as the ambiguity of its definition, render this concept as being impossible to account for (see Gray, 2010). However, Frame and O’Connor (2011) reject this suggestion, emphasizing instead that the lack of a specific definition of sustainability renders this concept an *empty signifier*, open to multiple meanings. The meaning of the term *empty signifier* involves and contains everything and/or nothing. *Empty signifiers* are emptied of any

precise content (Frame and O'Connor, 2011). This idea implies that, rather than remaining empty and, thus, without meaning, the concept of sustainability can be filled with different meanings that are always evolving. Consequently, not only can 'sustainability' be defined in several different ways, but its components are also subject to multiple interpretations and definitions (Tregidga, 2007; Frame and O'Connor, 2011; Tregidga *et al.* 2012, 2014).

According to Tregidga *et al.* (2011), sustainability is more than an *empty signifier*. It is a *floating* signifier since it is overwhelmed with meanings; it is overdetermined – overfilled with so many different details, making it a universal concept (*empty*). As such, different social 'constructions' of the meaning of sustainability are possible as it is filled with different contents by different subjects. At the same time, sustainability is not equivocal, in the sense that its constructed meaning is stable and unambiguous within a particular context (Gray, 2010). Instead, sustainability means different things in the different contexts in which its meaning is determined and of which it is a part.

Giovannoni and Quattrone (2017) consider that, intrinsically, definitions are never bounded. They are "inescapably 'de-fined', that is, never fully spatially and categorically closed" (p. 52). Therefore, the absence of a bounded definition does not lead to absolute emptiness or nothingness for a concept that is poorly defined, but rather it provides the possibility for this concept to be filled with meanings that are constantly unfolding. It follows that 'sustainability' as a concept open to multiple meanings is not meaningless because it lacks a definition (as also suggested by Cohen *et al.*, 1998; Frame and O'Connor, 2011). On the contrary, it is this lack (or 'absence' - Giovannoni and Quattrone, 2017) of meaning that provides the various conditions for sustainability to be a concept that becomes *meaningful* as it is filled with multiple and unfolding contents.

Although it may be impossible for the concept of sustainability to achieve closure and therefore be 'de-fined' (Giovannoni and Quattrone, 2017), the ongoing attempt to give *it* meaning (and represent *it*) within organisations

may lead to multiple ‘discourses’ about sustainability, i.e. different ways of talking about, understanding and interpreting its content. These discourses have both reflective and constructive power, which suggests that, rather than searching for a bounded definition of sustainability, it is valuable to study the processes stimulated by its un-bounded nature.

The ways in which organisations talk and write about themselves and their approach towards sustainability are not without effect. In fact, they have performative effects that set up, shape, reproduce and transform organisational approaches to sustainability (Busco and Quattrone, 2017). Further, Tregidga *et al.* (2014) affirm that representing organisations as “sustainable” entities produces new understandings of sustainability within organisations that might be considered relevant and shared as truth.

By relying upon these studies, this thesis maintains that the ambiguity of sustainability as a concept, and the impossibility to fully capture it through accounting and reporting practices, do not mean that any attempt to represent it inevitably leads to distortion or obfuscates ‘reality’. Rather, the way in which this concept is presented through accounting and reporting practices can have a constructive effect on organization through the aspirations that their production entails. Also, the “open ended” nature of the concept of sustainability offers the opportunity to ‘talk about it’ in several ways, thereby having the potential to stimulate change.

From this perspective, accounting and reporting practices for sustainability cannot represent a fixed set of directions that define and describe, sometimes in minute detail, how organizations act in relation to sustainability. Rather, they can be understood as being a set of practices that continuously evolve through input and challenges from managers, employees, and possibly other stakeholders.

Tregidga *et al.* (2012) suggest that more research is needed to understand the factors and motives underpinning the production of the organisational message of sustainability. In particular, they suggest that socio-historical analyses are needed, which explicitly theorize the production of organisational messages using interpretive and qualitative perspectives and

methods (Tregidga *et al.* 2012). They call for studies analysing the construction of the message, looking at the instances used and adopted when deciding on ‘what is to be said’ and ‘how it is to be said’, focusing the attention to specific language features (e.g. metaphors) and examples of text (Tregidga *et al.* 2012).

Tregidga *et al.* (2012), argue that “more studies analysing the notions of meaning, quality and accountability in organisational reporting and communication are needed because an examination of how organisational reporting and communication is constructed and its potential consequences (both intended and unintended) remains underdeveloped” (p. 228).

According to Cho *et al.* (2015), new studies on the ways in which actors within organisations interact during the reporting process would give more information on how talks, decisions, and actions are designed and executed within the organisational setting (See also Tregidga *et al.* 2012). In this regard, Cho *et al.* (2015) argue that interpretive case studies can be helpful in drawing on multiple data sources, through which the origins of talk, decisions, and actions might be traced.

Following this stream of research, the aim of this thesis is twofold. First, this study aims *to explore the role of accounting and reporting practices as organizations attempt to represent sustainability*. In particular, this study explores how organizations’ attempts to represent sustainability (i.e. its *representing* – the process of representation) affect the way in which organizations understand and report about sustainability, changing its meaning over time. This also entails exploring the process through which these representations are produced, looking at the ways in which different individuals engage and discuss about sustainability *inside* organizations.

The second aim of this thesis is, consequently, *to explore how participating subjects engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold*.

In particular, this thesis explores how different meanings of sustainability unfold in practice during the reporting process due to the questioning and debating that take place among different participating subjects. Furthermore,

this study illustrates how these debates take place throughout the production of accounting and reporting practices because of the need to represent what is meant to be sustainable for the business, thus filling sustainability with meaning and making it *meaningful* within the organization. In doing so, this thesis explores whether and how accounting and reporting practices provide the conditions for the concept of sustainability to be filled with meanings, and how these meanings unfold, eventually leading to evolving accounting and reporting practices.

Considering the need to understand the aspirations and motives underpinning the way in which organizations construct their message of sustainability and with the aim to achieve the research objectives above mentioned, this thesis relies on a qualitative case study methodology. In particular, a case study analysis was conducted within LOGIC, a multinational company that operates in the oil and gas sector.

Through the case of LOGIC, the research analysis first focused on the *practices* that represent sustainability within organizations (e.g. mainly published reports such as LOGIC's CSR, sustainability and Integrated Reports). In particular, the following two research questions are addressed:

- RQ1. How is the concept of sustainability represented through accounting and reporting practices? and
- RQ2. What are the mechanisms that accounting and reporting practices trigger as they attempt to represent sustainability within organizations?

This thesis addresses the first two research questions (RQ1 and RQ2) by analysing the evolution of LOGIC's sustainability approach and reporting process from 1996 (when the company's first Health, Safety and Environmental report was published) to 2015. LOGIC's reporting evolution has been analysed distinguishing three main phases (from 1996 to 2005; from 2006 to 2009; from 2010 to 2015). For each phase, the key practices and dynamics through which the meaning of sustainability emerged and evolved within LOGIC have been analysed, together with the different types of reports published over the years. In particular, the research illustrates the main

external contingencies that influenced the adoption of the reports, the meaning of sustainability associated with them, the key practices used and the units responsible for the preparation of the report.

In order to address the second research objective, this study explores how the meaning of sustainability is constructed through the production of organizational accounting and reporting practices. In particular, this study focuses on the interaction among the *participating subjects* involved in this process looking at the juxtaposing debates on sustainability that take place through the production of accounting and reporting practices. In particular, the following two research questions are addressed:

- RQ3. How is the meaning of sustainability constructed by participating subjects within organizations?
- RQ4. What is the role of accounting and reporting practices within this process?

This thesis addresses the third and fourth research questions (RQ3 and RQ4) by exploring how managers are involved within the process of representing sustainability through accounting and reporting practices. In line with the theoretical insights offered by organizational discourse analysis, this research analyses the discursive statements produced by the managers involved in the design of a project on integrated thinking and reporting within LOGIC. In particular, the analysis focused on the discursive practices that took place during the development of the project, looking at the texts that were part of, as well as the conditions under which they were produced.

To this aim, this study relies specifically upon Hardy *et al.*'s (2000) theoretical framework to explore the role of managers in bringing undefined concepts such as sustainability into practice within organizations. By adopting Hardy *et al.*'s (2000) framework, this thesis interprets 'sustainability' as a 'discursive concept' that can be moulded into practice through its ongoing interplay with the objects (i.e. integrated reports) it is attached to in the attempt to represent it. Further, this study explores how sustainability as a concept gains meaning and become *meaningful* (filled with meaning) within the organization throughout the debates that accounting and

reporting practices stimulate among the subject positions who are involved in their production.

The following chapter explains the theoretical lens adopted in this research.

### 3.6 Summary and some further thoughts

The studies reviewed in this chapter emphasize the central role that accounting and reporting practices play in the ongoing attempt to give meaning to sustainability issues within organisational strategies and initiatives. However, these studies have mainly concentrated on the truthfulness or reliability of sustainability reports, without delving into the practices that produce such representations, as well as the actions taken by the actors involved in the reporting process.

The first part of this chapter included a review on the inadequacy and incompleteness of accounting and reporting when attempting to represent sustainability as an organisation's strategic objective (see Sections 3.1, 3.2). Although organisations engage with sustainability issues to pursue win-win solutions, accounting and reporting practices have the potential to stimulate innovation, motivating organisations and their members to develop and stimulate further actions towards sustainable development (Christensen *et al.*, 2013) (see Sections 3.3 and 3.4).

Building on this literature, this thesis maintains that it is necessary to understand whether and how these representations, (and the aspirations that they entail), are leveraged by managers in an attempt to make sustainability meaningful within organisations, rather than trying to reduce the gap between accounting representations and the reality within an organisation. Sustainability's definitional gaps and accounting's inability to provide complete and faithful representations of an organisation's sustainability approach both offer a possibility for further definitions to emerge and unfold. In this sense, accounting and reporting are relevant not because they provide unequivocal definitions of sustainability (Gray, 2010; Tregidga *et al.* 2014), but because they provide a space in which multiple definitions unfold and emerge in practice. Aiming to contribute to this debate, this thesis maintains

that accounting and reporting practices act as vehicles for making sustainability meaningful within organisations by stimulating dialogue, debate and productive frictions during their preparation. Therefore, this study explores how discourses involved in sustainability are produced in practice within organisations as individuals attempt to give sustainability meaning; moreover, it analyses the role of (and implications for) accounting and reporting within this process.

The next chapter illustrates the theoretical insights offered by discourse analysis (and particularly on Hardy's *et al.*, 2000 framework), and explores the practices through which an undefined concept – such as *sustainability* – is constantly filled with meanings through the discourses of which it is a part.

## Chapter Four

### 4. Theoretical lens: Discourse within organizations

#### 4.1 Introduction and structure of the chapter

This chapter describes the main theoretical underpinnings and the framework used to interpret the research case in this study. The first and the second sections of the chapter (See Sections 4.1 and 4.2) define what is a discourse and how it is developed within an organization. The third section introduces Critical Discourse Analysis (CDA) as is relevant for the interpretation of the theoretical framework adopted in this study and, moreover, it illustrates how discourses result from the interaction between different subject positions and power relations within an organization. Section 4.3.1 explores how concepts, objects and subject positions are created through discourse. Section 4.3.2 explores the interrelationships between actors in discourse production, the tensions generated, and the practices used, as well as the ways in which people purposefully mix these practices and create knowledge through them in certain circumstances. Section 4.4 describes the theoretical framework adopted in this study for interpreting the research findings. Section 4.5 illustrates the framework proposed by Hardy *et al.* (2000) and explains its relevance for the research.

In particular, this study maintains that, rather than trying to reduce the gap between accounting representations and organizations' initiatives toward sustainability, further studies are needed to understand whether and how these representations are leveraged by individuals in the attempt to make sustainability meaningful within organizations' initiatives and strategies.

#### 4.2 Defining Discourse

*Discourse* is defined as “a particular way of talking about and understanding the world (or an aspect of the world)” (Jorgensen and Phillips, 2002, p. 1). These understandings, however, are not aimed at representing an aspect of

the world as it is but have a fundamental role in constructing social understandings of reality (Berger and Luckmann, 1967).

This definition of discourse has been influenced by the work of Foucault who defines discourse as “a practice [...] of signifying the world, constituting and constructing the world in meaning” (Fairclough, 1992, p. 64). Foucault maintains that discourse influences the way in which a certain aspect of the world can be meaningfully talked and reasoned about (Foucault, 1979, p. 49). Therefore, objects of conversation such as “madness”; “freedom”; “literacy”; or even “progress”; “nature”; or in this case “sustainability”, don’t exist in reality since they only become meaningful through discourse (See Fairclough, 1992, pp. 41- 43). Thus, social reality is, to a certain sense, produced and made real through discourses and social interactions that cannot be fully understood without reference to the discourses that give them meaning (Fairclough, 1992; Foucault, 1972, 1977, 1980; Hajer, 1995; Phillips and Hardy, 2002).

Accordingly, a large part of the literature on organizational discourse examines the ways in which discourses are created within organizations (Phillips and Hardy, 2002; Fairhurst and Putnam, 2004). More specifically, organizational discourses are represented as oral, written and symbolic media, which are used to “describe, represent, interpret and theorise what we take to be the facticity of organizational life” (Oswick *et al.*, 2000, p. 1116). These verbal and written media have the potential to “bring organizationally related objects into being” (Jorgensen and Phillips, 2002, p. 9) by producing, disseminating and carrying out collections of practices through communication tools of different forms, e.g. email, meetings, reports, documents (Fairhurst and Cooren, 2004; Grant *et al.*, 2004; Hardy *et al.*, 2005; Jorgensen and Phillips, 2002). These practices result from continuous reciprocal arrangements (e.g. conversations, narratives and texts) among organizational actors, which do not simply reflect an organizational reality, but contribute to construct it, by facilitating organizing processes and improving communication (Hardy *et al.*, 2000; Oswick, 2000; Hardy *et al.*, 2005).

For example, conversations are the most direct media available for developing knowledge within organizations and represent “the doing” of organizational discourse as it is produced through a continuous exchange of messages and understandings between different perspectives (Taylor and Robichaud, 2004). In particular, Taylor and Robichaud (2004) describe conversations as *sites*, or places<sup>21</sup> where discourses emerge through individual social interaction. It is through these *sites* that organizational members communicate and share their experiences to give meaning to certain aspects of the organizational reality that needs to be interpreted (Taylor and Robichaud, 2004).

Narratives and stories play a fundamental role in the co-construction of verbal and written interactions among actors who are narrating a certain “account” (be it true or fictional) and sustaining the interest of a specific group (Grant *et al.*, 2004, p. 5). Also, narratives operate as instruments for the collection of past, present and forecastable events through which individuals explain a social phenomenon (Czarniawska, 1998, p. 2).

Texts are produced through sequenced discursive acts and as part of the same conversation (Fairclough, 1992). If conversation represents the dynamics of organizing, then texts represent the “surface” from which an organization is read. Conversations construct texts, which in turn become suitable sites for future conversations (Taylor and Robichaud, 2004). Texts represent “the done” and the “material” confirmation of discourse (Taylor and Van Every, 2000). Texts represent the main medium for knowing and communicating within organizations. They are co-constructed and function ideologically to represent the interests of certain groups of stakeholders (Boje, 1995; Czarniawska, 1997, 1998; Mumby, 1987).

Text, as a form of narrative, operate as a sense-making device, and may have important implications on organizing processes and practices. In particular, texts play a fundamental role in developing relations and systems of interaction among multiple actors, who are involved in the production of written documents or graphical devices (Putnam and Cooren, 2004). Such

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<sup>21</sup> The English term “site” derive from Latin *situs*, which literary means place.

interactions are not so much the result of disconnected utterances; instead, they are produced through ongoing linguistic exchanges among actors who draw on a broader discourse. Conversely, discourses function as resources for interaction and for further conversations (Fairclough, 1992).

By exploring conversations and texts as *sites* where organizing occurs, Taylor and Robichaud (2004) consider them to be practices through which organizational members co-orient their understandings towards a shared object of concern. However, texts and conversations do not dissolve or compensate for differences. Instead, they give manifestation to discussions<sup>22</sup> between diverse and competing interests (Taylor and Robichaud, 2004).

In this sense, organizational discourses are made up of a multitude of practices, such as linguistic discourse, symbols or narratives that do not simply reflect an organizational reality, but rather, construct it (Oswick *et al.*, 2000, p. 1116). The different groups of interests involved in the production of both narratives and conversations often produce heterogeneous interpretations, which, even when conflicting, stimulate actions. According to Chia (2000):

“It is through this process of differentiating, fixing, naming, labelling, classifying and relating — all intrinsic processes of a discursive organization — that social reality is systematically constructed” (p. 513).

The manifestation of heterogeneous interpretations and conflicting understandings within the production of discourse requires that researchers examine the ways in which texts and conversations constitute certain aspects of organizational reality through the complex relationships that these produce (Hardy *et al.*, 2005, p. 60). In particular, the following section introduces the main studies on organizational discourse, exploring how written and oral discourses influence an organization’s social reality.

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<sup>22</sup> From latin *dis* (two) – *currere* (to move to), which means running from one side to another and at least between two sides. In this case, it is interpreted as exchanging ideas and thoughts from one side to another.

### 4.3 Approaches to organizational discourse analysis

As described in the previous section, organizing emerges through discourse and discursive practices, (e.g. text and conversations), which operate as mediums through which group members' intentions compromise and act in order to give meaning to a certain organizational aspect (Phillips and Hardy, 2002). This interpretation of organizational discourse has influenced prior research on "discourse analysis", which has been classified according to certain theoretical and methodological approaches.

Some studies on discourse have relied on Foucault's work and emphasise the constitutive, and not merely reflective, role of discourse (See Foucault, 1972). For example, according to Fairclough (1992, p. 64), language not only represents the world but also signifies it, by 'constituting and constructing' meaning within it. Likewise, Phillips and Hardy (2002) emphasise both the constitutive role of discourses, as well as the importance of understanding the context in which discourses are produced and the social practices involved in such production (See, also, Fairclough, 1992).

According to Alvesson and Kärreman (2000), "discourse analysis" refers to the analysis of specific texts and to the relationship between discourses and social orders. Alvesson and Kärreman (2000) distinguish between two different approaches to discourse analysis. The first approach considers *discourses* as structured in talk and texts through which different actors engage in social interactions. This approach emphasises the fact that *discourses* are created and changed in everyday discursive practices. It requires a more systematic analysis of organizations' spoken and written text in order to determine how they are produced and how they create interaction among multiple perspectives within organizations. It considers *discourses* at the local level of analysis, focusing on how talk and written texts are practiced, thus creating knowledge and giving meaning to certain aspects of reality. At the local level, the analysis of discourse focuses on the use or the exchange of certain metaphors, rhetoric, and utterances through which conversations and texts are produced (Fairhurst and Putnam, 2004).

The second approach refers to *Discourses*<sup>23</sup> as being the general production and generation of ideas in a historically situated time (p. 8). In this regard, *Discourses* are defined as being both contextual and the broader systems of thought through which the formation and articulation of ideas and texts take place during a certain period (Alvesson and Kärreman, 2000; Fairhurst and Putnam, 2004). This approach defines *Discourses* at the macro level as the general and prevalent systems that influence the generation and articulation of ideas in a certain period of time and social space (Alvesson and Kärreman, 2000; Fairhurst and Putnam, 2004; Jorgensen and Phillips, 2002). Studies that focus on *Discourses* at the macro level are considered to be “context sensitive” studies. These studies offer interesting insights into cross-cultural communication, demonstrating how subjects’ cultural and social backgrounds are highly implicated in the construction of social discourse (Schiffrin, 1994). Some studies, for instance, have placed emphasis on how institutional context informs and shapes language and discourse, and also affects the way in which individuals perform and pursue their respective organizational tasks and goals (Drew and Sorjonen, 1997).

To better understand the different theoretical approaches that take place in discourse analysis, Phillips and Hardy (2002) provide a useful tool that combines the theoretical approach proposed by Alvesson and Kärreman (2000) with other studies that consider discourses as being shaped by systems of power relations, ideology and domination (critical studies), as well as with constructivist studies that consider discourses as being a social construction that constitutes social reality.

Constructivist studies regard discourses as builders of the organizing process within organizations (Berger and Luckmann, 1967; Fairhurst and Putnam, 2004; Mumby, 2004; Oswick, 2000). Through discourse, organizational members interact, co-construct and co-constitute different aspects of an organization. According to Marshak and Grant (2008), constructivist studies place discourses at the centre of sense-making and of the ongoing social construction of reality. However, the production of texts and narratives can

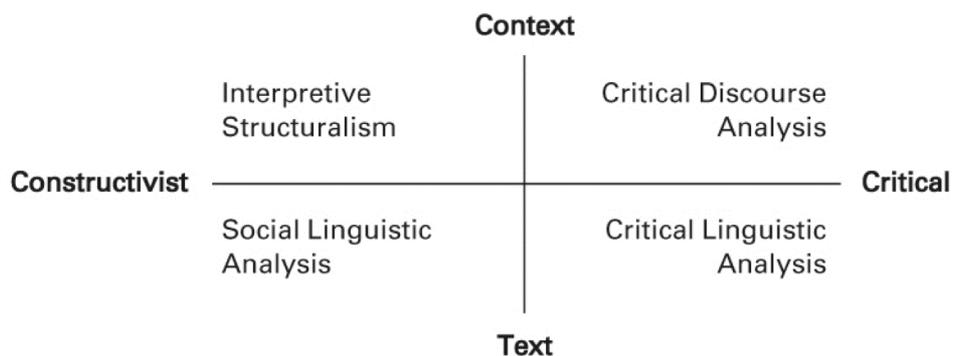
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<sup>23</sup> In this case, Alvesson and Kärreman, (2000) use an uppercase “D” to distinguish the two definitions of discourse.

generate competing interpretations, rather than an objective description of reality (Marshak and Grant, 2008).

Critical studies regarding organizational discourse focus on the ways in which contending constituencies and players use power and political relations to privilege and affirm discourses that give advantage to their interests over others (Fairclough, 1992; Fairclough and Wodak, 1997; Hardy *et al.* 2000; 2004; Phillips and Hardy, 1997; Phillips and Hardy, 2002; Wodak and Meyer, 2009). Critical studies consider discourses as sites in which multiple interests and intentions match and struggle to give meaning to a certain organizational reality in ways that serve their interests (Mumby, 2004; Marshak and Grant, 2008). Systems of competing interests and power relations, however, are not fixed in time and space (Hardy and Thomas, 2015), and change according to an organization's consciousness, mind-sets and social agreements, which require challenging or changing the prevailing texts and understandings that are endorsed by those presently and/or historically in power (Marshak and Grant, 2008). The ways in which power and competing relations shape discourse are a central concern of critical studies in organizational discourse (Marshak and Grant, 2008).

To facilitate the comprehension of different research studies and approaches to organizational discourse analysis, Phillips and Hardy (2002) represent them in the following graph (See Figure 4.1).



**Figure 4.1** - Different approaches to discourse analysis  
(Phillips and Hardy, 2002; p. 20)

The horizontal axis of Figure 4.1 places the constructivist research on the left side and critical studies on discourse analysis on the right side. Then the

vertical axis distinguishes between contextual-oriented studies versus more textual-analytical studies. However, constructivist and critical positions are not meant to be static, since they may be interrelated. A significant number of studies embrace either, or both, a social constructivist and/or a critical perspective approach (Hardy *et al.* 2000). Some analyse the impact of languages and other discursive vehicles, such as texts, in transforming social reality by exploring how these vehicles influence members' behaviours, mind-sets and intentions (Hardy *et al.* 2000; Phillips and Hardy, 2002).

By combining the two axes, Phillips and Hardy (2002) identify four major, theoretical approaches in discourse analysis such as: *Social-linguistic Analysis*; *Interpretive Structuralism*; *Critical Discourse Analysis*; and *Critical-linguistic Analysis*.

*Social-linguistic Analysis* is constructivist and text-based. This research approach aims to take a close look at the structure and content of texts in order to explore organizations and the construction of their reality. The social-linguistic approach focuses on the analysis of interviews (e.g., Dunford and Jones, 2000), participant observations (Hardy, Lawrence, and Phillips, 1998), focus groups (Beech, 2000), and stories to understand what role texts may play in organizing and constructing a certain organizational phenomenon. A significant amount of social linguistic research examines oral and written texts, such as recordings of conversations in detail (Mauws, 2000). However, this approach pays little attention to the contexts and the dynamics in which text production occurs.

Research adopting an *Interpretive Structuralism* approach focuses on the analysis of the discourse supporting the social context. Studies that adopt this perspective are aimed at understanding the context and describing the broader picture of the organizational discursive context. Similar to socio-linguistic studies, the interpretative structuralism approach to discourse is mainly constructivist and aims to understand the ways in which an organization's broader discursive context is constructed, without considering the power struggles that may arise between multiple social perspectives.

Among the different studies that use an interpretative structuralism approach, O'Connor (2000) studied organizational change in a high-technology research setting, examining how narratives were used by managers to make change necessary and real.

Perhaps *Critical Discourse Analysis (CDA)* represents the most widespread and influential theoretical approach used to analyse organizational discourse. According to CDA, any text is the product of a process of interdiscursivity and intertextuality, in which multiple understandings and discourses merge, collide and are influenced, and thus, result in new texts that are produced from the transformation of original texts. In particular, CDA considers discourse as a form of social practice and emphasises how discursive activity constructs the social space in which the actors perform, through the formation of concepts, objects, and subject positions (Jorgensen and Phillips, 2002, p. 61).

In this regard, CDA is relevant since it goes beyond the simple examination of discourse as verbal and written utterances, toward a connection between the texts (both written and oral) and the social context in which they are produced. As mentioned by Hardy (2001), CDA moves past the linguistic approach to discourse analysis, looking at the constructive effects of discourse by questioning who is involved in a certain discourse, as well as how, why and when it is produced.

Similar to social linguistic analysis, *Critical Linguistic Analysis* also focuses on the content and meaning of texts, statements and discursive utterances. However, it also looks at the power relations that surround the production and consumption of texts (Anderson-Gough, Grey, and Robson, 2000). Therefore, Critical Linguistic Analysis could be seen as fitting somewhere between CDA and social linguistic analysis, since it looks at power dynamics, but focuses more closely on the micro-dynamics that take part in writing texts down.

As mentioned by Jorgensen and Phillips (2002), Critical Linguistic Analysis focuses on the analysis of specific pieces of text in order to understand how the structures of domination in the local or proximate context are implicated in that text (Jorgensen and Phillips, 2002). O' Connor (1995) used literary

analysis and the study of rhetoric, narrative, and metaphor to explore how organizational change programs are implemented.

According to Critical Linguistic Analysis, what one knows about the world is not objective. Reality is only accessible to us through oral and written discourse and it is the product of the ways in which people categorise the understanding of the world in a certain time frame and context (Jorgensen and Phillips, 2002).

Among the different approaches described, Critical Discourse Analysis is fundamental for the theoretical framework adopted in this research. CDA is important for the purposes of this study because it does not focus on the investigation of discourse as linguistic analysis per se, but instead it studies the complexity of the social relations that frame the development of discourse (Wodak and Meyer, 2009). According to CDA, discourses are the result of social relations and actions that are temporally situated and through which agents attempt to give meaning to certain aspects of the world (Fairclough, 1992). In particular, CDA considers discourses as being both socially constituted and socially constitutive as they produce objects of knowledge, social identities and relationships between people (Hardy and Palmer, 1997, p. 4).

#### 4.4 Critical Discourse Analysis

Critical Discourse Analysis (CDA) defines discourse as a form of social practice which both constitutes the social world and is constituted by other social practices (Jorgensen and Phillips, 2002, p. 61). Developed by Fairclough in 1992, CDA is based on Foucault's archaeological and genealogical studies of discourse and particularly on the effect of power relations and discrepancies in knowledge production (Fairclough, 1992; Phillips and Hardy, 2002; Wodak and Meyer, 2009).

Following Foucault's studies, Fairclough (1992) focuses on the role of discursive activity in constituting, sustaining and constraining conflicting power relations (Fairclough; 1992). CDA researchers analyse the struggles between multiple subject positions, exploring how some of them are

privileged and some others are marginalized through discourses (Phillips and Hardy, 2002; Wodak and Meyer, 2009).

Three of the most significant theoretical insights of CDA are based on Foucault's earlier "archaeological" studies in which he describes discourses as constituting objects of knowledge, resulting from intertextuality and interdiscursivity, as well as forms of social practices.

According to Foucault, objects of knowledge do not exist independently from discourse production (Foucault, 1972). Instead, they are constituted and transformed into discourse according to rules and discursive formation. In this regard, discourses are meant to contribute to the production, transformation, and reproduction of the concepts, objects and, possibly, to subject positions that emerge in social life (Fairclough, 1992).

The other common aspect of CDA and Foucauldian studies relates to the spatial and time frame interdependence between different discourse practices. According to Foucault, the production of texts is inevitably affected by prior texts (intertextuality) and at the same time it affects the interpretation of future texts (interdiscursivity).

Another aspect of Foucauldian studies that influences the CDA approach is related to the definition of discourse as being a form of social practice that reproduces and changes knowledge, identities and social relations, including power relations. In this way, discourses structure the social space for action. As new texts are produced, discourses evolve, leading to changes in the concepts, objects, subject positions and the power relations that characterize the social context.

Foucault (1979) conceives of power as embedded in discourse and any discourse constitutes a system of power. Moreover, Foucault considers knowledge production as a process that always takes place through power relations. According to Foucault, power has no "essence". It is not representable in pure form, but functions as a commodity that is employed and exercised within social relations (Foucault, 1977, p. 89). In Foucauldian terms, then, power comes out through discursive and social practices and, at the same time, constitutes and affects individual positions and may impede,

as well as empower, those who take part in the discourse (Hardy and Phillips, 2004). In this regard, power is not negative, nor necessarily positive, but productive. It not only excludes, represses, censors, masks or conceals, but “power produces; it produces reality; it produces domains of objects and rituals of truth” (Foucault 1979, p. 194).

The Foucauldian conception of power and its embeddedness in discourse has been explored by CDA studies that aim to explore power/knowledge relations as expressions of an individual’s perspectives or of an idea’s formulation within a certain historical and institutional context (Fairclough, 1992). As mentioned by Wodak and Meyer (2009):

“while a Foucauldian view largely dismisses agency by self-interested actors, Critical Discourse Analysis suggests there is space for the use of power, albeit within a particular discursive context. This space and the exercise of the power associated with positions within a discourse provide the potential for possible change in discourses over time” (p.11).

In particular, CDA describes discourses and the contexts in which they are determined, such as organizations, “not simply as social collectives, where shared meaning is produced, but rather as sites of struggle where different groups compete to shape the social reality of organizations in ways that serve their own interests” (Mumby and Clair, 1997, p. 182). For CDA, discursive differences are negotiated through the texts that are produced and the conversations that the actors have had.

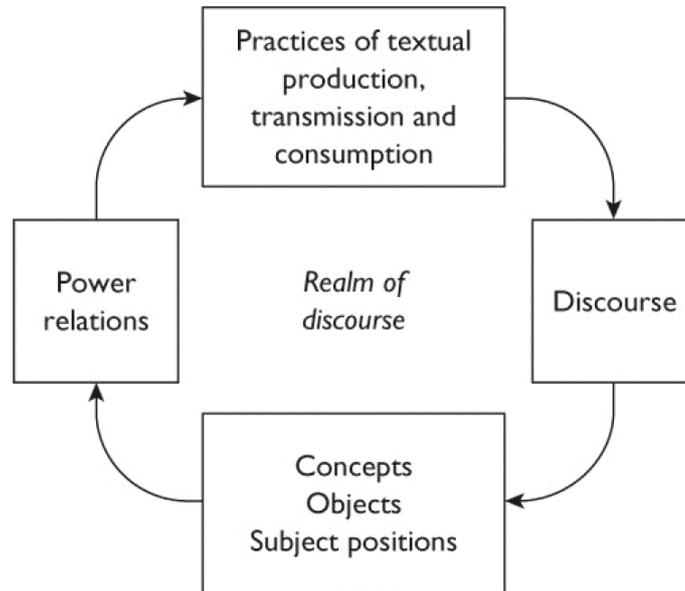
“Therefore, texts are often sites of struggle in that they show traces of differing discourses and ideologies contending and struggling for dominance” (Wodak and Meyer, 2009; p. 11).

In this regard, Phillips and Hardy (2004) developed a model that explores how discourses constitute power relationships and, furthermore, how power struggles are apparent in a social context in which texts are produced, transmitted and consumed.

#### *4.4.1 The realm of discourse: concepts, objects and subject positions*

Phillips and Hardy (2004) define the realm of discourse as a site where texts are produced, transmitted, and consumed through discourse and power relations. According to Phillips and Hardy (2004), discourses operate as sites

in which power positions interact and where processes of interpretation are enacted by associating discursive concepts, objects and subject positions (See Figure 4.2).



**Figure 4.2** - The relationship between discourse and power (Phillips and Hardy, 2004 p. 301)

Concepts refer to the ideal understandings that come from text production and conversations in certain contexts (Fairclough, 1992; Hardy *et al.*, 2000). They are described as “categories, relationships and theories through which [one] understands the world and relates to one another” (Fairclough, 1992, p. 46). These concepts reside in the realm of “ideas” but have effects in the material world as they provide meanings to social actions. Due to their inherent nature as ideas, discursive concepts have no fixed meaning and are considered to be contextual and time related. This contextual and time-related nature stimulates debates and contestations among the people involved in their understanding, which unfolds through the ongoing construction of texts. Concepts are contested due to their ideal, cultural and historical character. They are dependent on discourse and influence individual understandings of the world, which may change over time and from social group to social group (Hardy and Phillips, 1999).

According to Phillips and Hardy (1997), concepts also have material implications. While some concepts exist only in the expressive order (for example, abstract concepts), others are attached to a material referent. Then,

concepts that have a material existence are referred to as objects (Hardy and Phillips, 1999). In this study, for instance, sustainability as a concept gains meaning and materiality through sustainability accounting and reporting, which conversely contribute to make sense of what sustainability means within organisations. Thus, objects make sense in terms of the concepts that are applied to them. According to Chia (2000), discourse gives sense to the material world and makes it real by naming, labelling, classifying and thereby attaching concepts to undefined objects. Concepts affect the way in which objects are understood and socially embedded (Phillips and Hardy, 1997). The main difference between discursive concepts and objects resides in the tangibility and “shapes” of ideas. Concepts exist solely in the realm of ideals, while objects are part of the practical order and exist in the material world. Concepts do not have form until discursive objects mould them into practices by objectifying them (i.e. translating them into physical/visible objects). Objects are not pre-existing or fixed, rather, they are temporary patterns “constituted by and shaped from micro-interactions as actors perform their everyday work” (Thomas *et al.* 2011, p. 22). Also, objects are contextual and may change over time depending on the ideals, theories and understandings (concepts) that are attached to them. However, as suggested by Hardy and Thomas (2015), objects serve to inscribe bodies, produce identities, and implicate subjects in a recursive relationship between objects and individuals (Hardy and Thomas, 2015, p. 688).

Individual interactions and interpretations are thus fundamental to the constitution of objects and result from the “joint mediation between the built-in properties of objects and the intentions and purposes of human subjects” (Fairhurst and Putnam, 2004, p. 18). Individuals do not join discourse and social interactions as stable entities. When individuals take part in discourse, they position themselves and construct their own subjectivities. They are products of interaction and are continually recreated and challenged through discourse.

In this regard, Hardy (2004) maintains that “discourse helps to construct organizational reality by shaping the ways in which issues can be talked about, how individuals conduct themselves in relation to certain issues, and

the knowledge that is constructed about them. By creating objects of knowledge, categories of social subjects, forms of self, social relationships, and conceptual frameworks, discourse acts as a powerful ordering force in organizations” (Hardy, 2004, p. 416). In this regard, through discourse, concepts, objects and subject positions are inextricably related to each other and can be very hard to distinguish (Oswick, 2000). Also, these interrelations depend on the ways in which multiple subject positions interact with each other to give meaning to an organization’s aspects and initiatives.

From this perspective, subject positions, as well as objects, are produced through social interactions. Subject positions then are social products and at the same time emerge from the ongoing struggle that discourses produce (Phillips and Hardy, 1997, p. 168). Subject positions are shaped, and at the same time shape, the contextual relations, objects and concepts within which a discourse takes place due to the power positions they hold (Foucault, 1972 pp. 95 – 96). As mentioned by Maguire and Hardy (2013), anything that we think exists in reality, emerges from interactive and productive (also organizing) processes, through which particular meanings are attributed (Maguire and Hardy, 2013).

According to Hardy and Palmer (1997), in order to understand how discourse takes part in the construction of organizational reality, it is necessary to analyse not only texts and talks, but also the social situation in which they are produced and that systematically influences them. Specifically, to explain how a discourse operates, it is necessary to “examine its internal structures, the actions of individuals, or the use of language and at the same time explore how discourse as social action is embedded within broader frameworks of understanding, communication and interaction” (Hardy and Palmer, 1997, p. 5).

Furthermore, it is necessary to explore what happens after the text is produced – how, where, and by whom it is distributed and consumed. In order to understand how and where meaning takes place, it is useful to determine whether discourses have produced meanings and given rise to actions (Hardy *et al.*, 2014).

Critics of CDA argue that large part of literature is overly focused on language analysis of texts rather than on the practices that surround and give rise to them; and that there is still further interest in the meaning of texts, rather than in their production, distribution and consumption (Hardy, 2004). Discourses do not necessarily have cohesive and ordering properties. They result from contestations among multiple subjects and, for this reason, discourses are always partial and inconsistent, thus, never able to completely determine social reality (Hardy and Phillips, 2004). As a result, discourses form the basis for defining what seems to be unclear through discursive practices i.e., producing, distributing and consuming texts (Hardy and Phillips, 2004; Maguire and Hardy, 2013; Phillips *et al.*, 2004). Hardy *et al.* (2000) maintain that to analyse discourses and their effects, it is necessary to understand how meaning is assigned to discourse and how it is debated through social interactions, social groups and societal structures in which the discourse is embedded.

#### 4.4.2 *The realm of action*

As described in the previous sections, texts play an important “mediating” role in the doing of discourse within organizations (Fenton and Langley, 2011, p. 1174). According to Fairclough (1992), CDA aims to explore how discourse is implicated in social practice by examining the ways in which texts simultaneously represent reality, enact social relations of power and establish social identities. This relationship is manifest in the tensions between the actions that discourse make possible, the discursive practices it produces, and the way people purposefully mix these practices and create knowledge through them in certain circumstances.

In CDA, a discursive practice represents an important form of social practice, which through the production (creation) and consumption (reception and interpretation) of texts, contributes to constitute social relations and social identities. The production, distribution and consumption of texts are also social practices and need to be correlated with economic, political or institutional contexts within which discourses are generated. Since discursive practices are socially related, they may give life to struggling relations, due

to the different positions and understandings that are involved in their production and consumption (Fairclough, 1992; Fairclough and Wodak, 1997; Hardy *et al.* 2005).

Phillips and Hardy (2004) illustrate how the production, distribution and consumption of texts changes over time in varying degrees because of the interactions that these processes stimulate (See Figure 4.3 in Hardy and Phillips, 2004 p.11). In their model, Phillips and Hardy (2004) synthesize how discourses develop over time through the concepts, objects and subject positions that are generated. The left side of Figure 4.3 represents the site where practices are enacted as certain actors produce texts that influence discourses and give life to concepts, objects and subject positions (Fairclough, 1992; Parker, 1992; Phillips and Hardy, 1997). The realm of action<sup>24</sup> is depicted in the centre of the figure and represents the area through which actors engage in the production, transmission and consumption of texts (See Figure 4.3).

Understanding how texts are produced, therefore, does not only refer to the analysis of the language and the content used, but it includes questions concerning who is involved in text production and how they were involved. These texts connect their users to each other in a complex nexus of practices in order to create knowledge and give meaning to phenomena. However, 'meaning' does not so much reside in the discourse itself, but rather resides in the actions that people take with it (Norris and Jones, 2005).

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<sup>24</sup> In accordance with Fairclough 2010, this study refers to 'discursive actions' as equivalent to 'texts', though this is not made clear. It is also assumed that 'discursive actions' (and 'texts') are themselves 'discourses'; this would resolve the unclarity of what a particular 'structured collection of texts' is, and the apparent redundancy of (organizational) 'texts' both being (organizational) 'discourse' and being 'a manifestation of' (organizational) 'discourse' (Fairclough, 2010, p. 352).

Representing sustainability within organizations:  
the role of accounting and reporting practices.

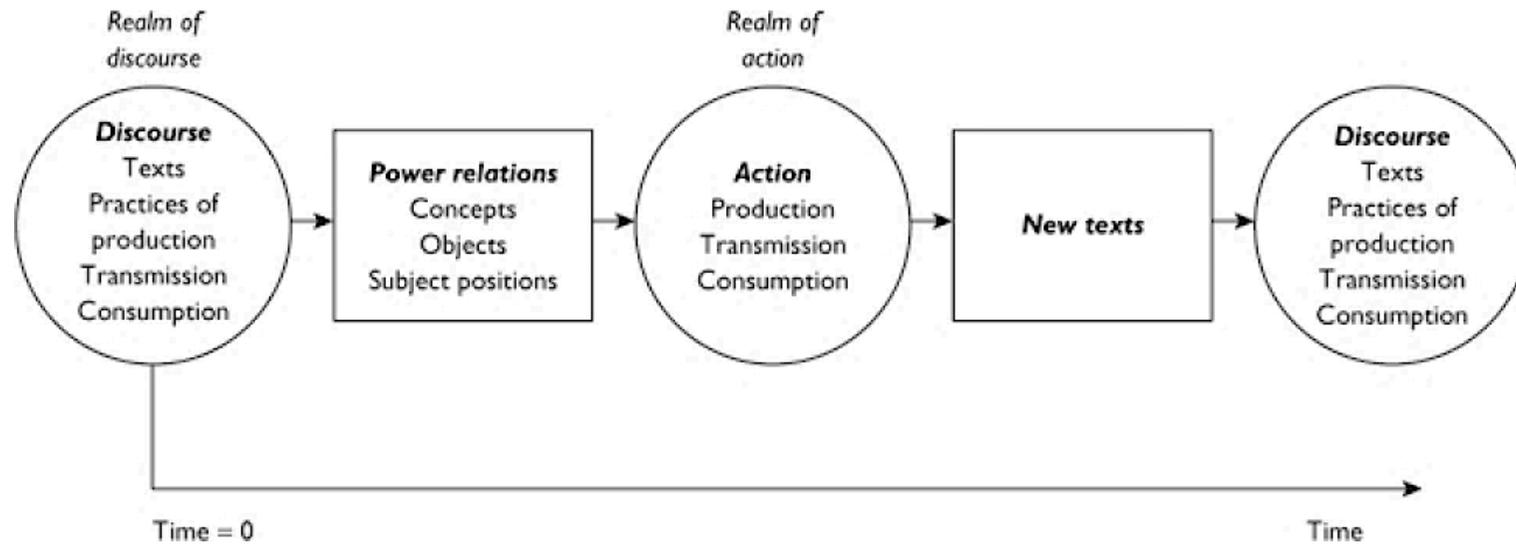


Figure 4.3 - The relationship between discourse and action (Phillips and Hardy, 2004 p. 301)

Text production, then, combines multiple discursive practices and actors who are creating interdiscursive and intertextual mixes, which are in relation to multiple perspectives and discourses (Fairclough, 1992). This process of interconnection between texts and discourses is more generally known in CDA as *intertextuality*, which refers to the process through which texts are produced as a permutation of other texts, incorporating elements of other texts (e.g. annual reporting process,)<sup>25</sup> (Oswick and Robertson, 2009). In particular, Hardy and Phillips (2004) suggest that text production depends on connections to other texts and discourses; the types of communication used, such as letters, graphs, memos or online databases; the linguistic devices employed, such as tropes, rhetoric or storytelling; and the degree to which they become distanced from the circumstances of their original production. Particularly, this process occurs when texts are relocated or conversations translated into texts (Hardy and Phillips, 2004, p. 309).

Intertextuality is relevant for discourse production as it brings subjects into action by interpreting and combining other pieces of texts, talks, meanings and understandings, which generate tensions and interactions (i.e. *interdiscursivity*). In this regard, Spee and Jarzabkowski (2011) maintain that text production as a recursive process influences and, at the same time, is influenced by the social context that surrounds it because it creates “mediational” means through which multiple subjects can play one discourse off another, and move between and across multiple discourses (Spee and Jarzabkowski, 2011, p. 1221).

Mediational means are described as words, phrases, narratives and ‘ways of speaking’ (Wertsch, 1998) that we borrow from the social environment to interact with others and construct our accounts of these interactions. Wertsch (1998) distinguishes mediational means into two types: ‘technical tools,’ consisting of material referents, such as a typewriter keyboard, or a microphone; and ‘psychological tools’ that may be described as the various

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<sup>25</sup> Etymologically the term text comes from Latin term *texere* which means "to weave, to join, fit together, braid, interweave, construct, fabricate, build." (Quattrone, 2009; Oswick and Robertson, 2009), which reflects not only the intertwined representation of multiple information from other texts, but also the multiple and different interpretations and discourse that emerge during text production.

systems for counting that we use; mnemonic techniques; algebraic symbol systems; writing; schemes, diagrams, maps, and all sorts of conventional signs. However, according to Wertsch all mediational means – not just technological but psychological tools as well – are essentially material (Wertsch, 1998). Symbolic tools such as languages, for example, find material expression in the physical world in the form of written texts. At the same time, all mediational means are essentially psychological since they exist simultaneously in the world and in the minds of their users. Just as psychological tools are made material through texts, utterances, practices, and identities, material tools are integrated into psychological representations of social practices in the user's habitus (Norris and Jones, 2005).

These mediational means may, however, amplify or limit different kinds of actions. Norris and Jones (2005) give the example of a microphone, affirming that although it allows users to make their voice heard over a great distance and by a large number of people, it also limits their ability to speak privately or intimately with particular individuals or to conceal potentially embarrassing asides. At the same time, the 'multifunctional' nature of mediational means contributes to overcome these limitations, since they may be combined and re-contextualised with other tools that offer different configurations of constraints and affordances. Therefore, while mediational means transform social actions, social actions also contribute to transform mediational means (Norris and Jones, 2005).

The process of combination and re-contextualization is also known as text consumption. Arguably, exploring the production and consumption of texts is valuable within the context of discourse as it involves multiple actors who take various positions that may give life to considerable struggle among them (Oswick and Robertson, 2009). In particular, Mumby (2001) maintains that text consumption is a subjective and unpredictable process that may reinforce and reproduce the dominant meanings proposed by the subjects, or subvert and contest them by altering, if not transforming, the power relations that have been involved in text production. As a result, a complex web of relations takes place as the actors' understandings, positions and activities shape

organizational discourses, while at the same time, the discourses influence the actions and meanings constructed by those actors involved.

As emphasised by Hall (1997), “meaning does not inhere in things, in the world. It is constructed, produced; it is the result of a signifying practice – a practice that produces meaning, that makes things mean” (p. 24). These studies acknowledge that meaning cannot be fixed, but it is socially constructed and unfolds in practice through discourse. Social context and social practice are, therefore, an integral part of discourses, which actively shape “the world around us by providing conceptual guidance for actions” (Spence, 2007, p. 858).

The aspects highlighted above are effectively captured by the framework proposed by Hardy *et al.* (2000), in their interpretation of the interplay between broad societal discourses, specific discursive acts and consequential practices during processes of organizational change.

The following section illustrates the theoretical framework adopted in this research to explore an organization’s integrated reporting as a site of debate, conversation and text production through which multiple perspectives interact in the attempt to define sustainability and make it meaningful within the strategies of an organization.

The framework defined by Hardy *et al.* (2000) is appropriate for considering how debates between different perspectives and subject positions from different places within organizations (e.g. sustainability, finance, risk management department to name a few) influence the understanding of organizational aspects through the strategic production of texts, such as integrated reporting (Hardy *et al.* 2000; Phillips and Hardy, 2002). Consequently, to understand how discourse operates within organizations and how texts are produced to give meaning to sustainability within organizations, the framework of Hardy *et al.* (2000) is described in the following section (Hardy *et al.*, 2000, p. 1228).

#### 4.5 Performing discourse within organizations: The framework of Hardy *et al.* (2000)

As discussed in the previous section, discourses are sites (places) where discursive practices and actions constitute each other. In this regard, the production of strategic plans, accountings, social and environmental reports, power point presentations, as well as the actions that their production entails, all influence an organization's approach to a certain concept (such as strategy or sustainable development) as well as the discourse around it. According to Hardy *et al.* (2000), the ways in which "questions are posed and methodologies are selected, constitute strategy as a field of inquiry, which ... has implications for management practice" (p. 1229). Consequently, concepts such as "sustainability", "strategy" and "organizations" are constructed and objectified (made object) through the production of a variety of texts and practices that bring multiple positions and understandings of the organizational reality together in conversations. According to Hardy *et al.* (2000), the interplay between concepts, objects and subject positions can take place through three different circuits, respectively named the *Activity*, the *Performativity* and the *Connectivity* circuit (See Figure. 4.4).

The *Activity* circuit involves individuals' attempts to give meaning to social phenomena, (Hardy *et al.*, 2000, p. 1236). Within this circuit, individuals engage in 'discursive activities', i.e. they make discursive statements that are used 'strategically' to support their intentions and are aimed at producing beneficial outcomes (Figure 4.4, Point 1). These statements involve the creation, employment and dissemination of texts, e.g. symbols, narratives, metaphors, rhetorical figures, etc., which are used to support or contest discursive statements (Figure 4.4, Point 2) and to associate certain concepts with material referents and/or relations to create discursive objects (Figure 4.4, Point 3).

For the *Activity* circuit to produce concrete effects, it must engage with other actors. Therefore, within the *Performativity* circuit, the concepts evoked in discursive statements are brought into a larger discursive context (Figure 4.4, Point 4).

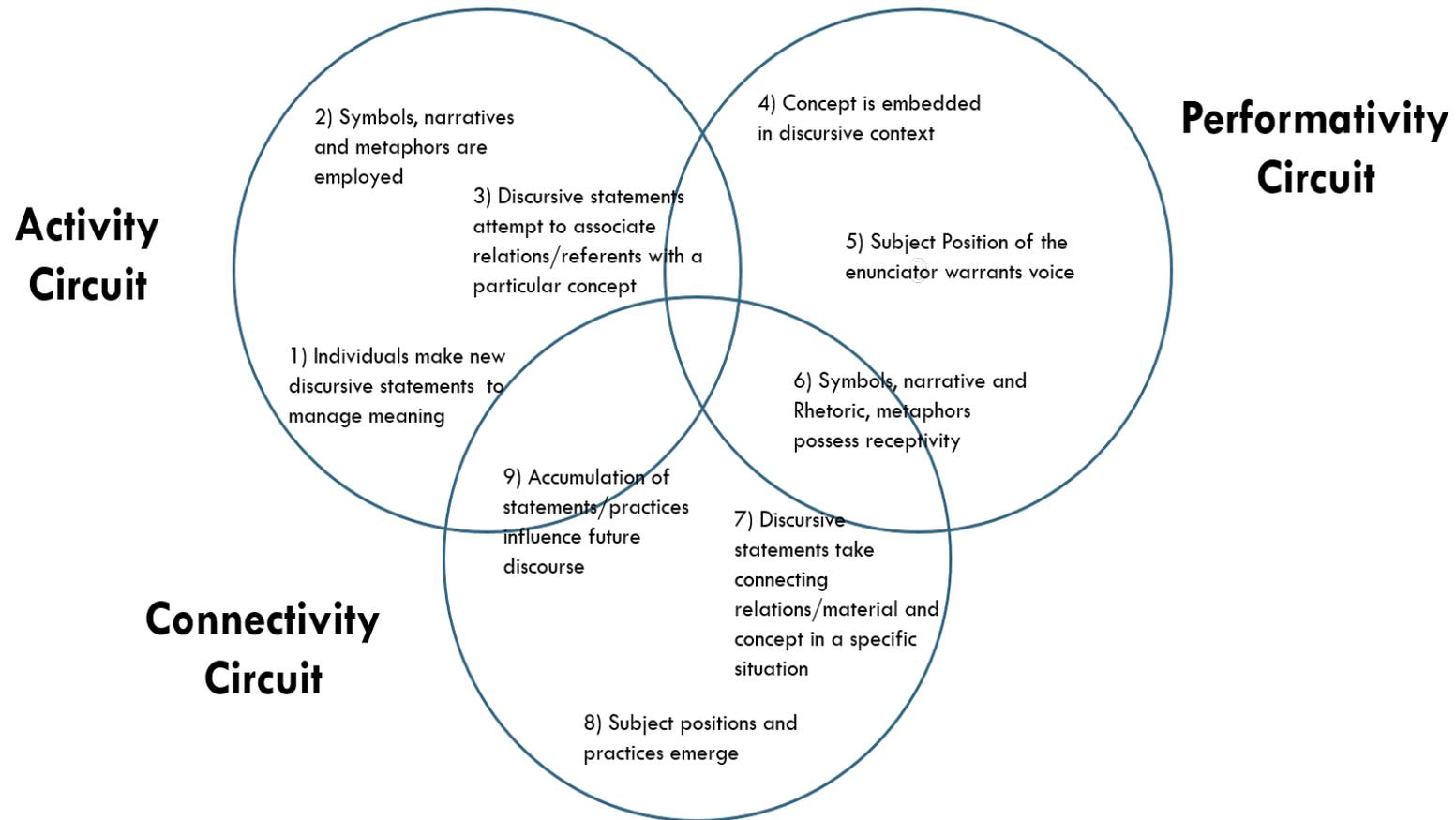


Figure 4.4 – The framework of Hardy *et al.* (2000, p. 1235)

Consequently, the relevant concepts need a “warrant” voice (i.e. a subject position having the right and legitimacy to be heard - Potter and Witherell, 1987) in order to avoid being ignored by other individuals (Figure 4.4, Point 5) and thereby to perform (i.e. produce effects). In other words, some individuals, by virtue of their positions in the discourse, warrant a louder voice than others, while others warrant no voice at all (Hardy *et al.*, 2000). Warrant voices are positioned in relation to the subjects’ right to speak in discourse (Hardy and Phillips, 1999; Hardy *et al.* 2000; Hardy, 2004; Phillips and Hardy, 1997).

Accordingly, “the symbols, narratives, metaphors employed by the enunciator must possess receptivity. These must resonate with other actors, otherwise they will fail to convey the meaning intended by the enunciator” (Hardy *et al.*, 2000, p. 1236 – see Figure 4.4, Point 6).

The Performativity and the Activity Circuit merge in the *Connectivity* Circuit, where new discursive statements “take” (Hardy *et al.*, 2000, p. 1236), i.e. connect concepts to material references in specific situations (Figure 4.4, Point 7), and new subject positions and practices emerge (Figure 4.4, Point 8). These discourses provide opportunities for confrontation, debate and contestation, thereby being reinforced or modified into future discourses (Figure 4.4, Point 9), which will eventually be re-embedded into a new Activity circuit.

Through their framework, Hardy *et al.* (2000) illustrate the interplay between broad societal discourses, specific discursive acts and consequential practices. In particular, they maintain that discursive activity operates only as a strategic resource when appropriately grounded in the prevailing discursive context.

Moreover, they examine the way in which organizations use power, conflicting organizational interests and the unequal way in which power is distributed among different actors in the organization system (Phillips and Hardy, 2002). For example, by drawing on the case of an international NGO, Hardy *et al.* (2000) describe how the NGO engaged in the process of localization strategy at one of its branches in Palestine. Through their

framework, Hardy *et al.* (2000) show how the idea of “Local NGO” emerged and was shared among multiple organization stakeholders (Activity Circuit). A delegate of the international NGO was appointed to produce a series of discursive statements that spread the idea of an NGO as being a localised entity. Many of these statements were shared through reports and a newsletter. The delegate also set up a steering committee, consisting of community representatives. These activities were considered crucial to defining and spreading the concept of “local NGO” within the existing organization.

The concept of “Local NGO” was then widely diffused inside and outside the organization, both locally and internationally, through the warrant voice provided by the delegate and the steering committee, which has been recognised as a symbol of the localising process of the NGO (Performativity Circuit). This produced new practice and new subject positions. Although the organization itself did not change materially in terms of the work that it carried out, how it was structured, or the administrative procedures it used, it changed the way in which the organization was perceived and treated by external, local actors. This provoked the intervention of the security force, which was averse to the NGO localization strategic change. This initiated a circuit of activity involving new discursive statements to manage the perception and the meaning of the organization’s status, which was re-associated with the concept of international NGO. These discursive (re)statements of the international NGO were positively perceived by the locals. Other subject positions emerged, new discourses were generated and a new concept (of ‘international NGO’) was reattached to the organization within a new round of the Activity circuit.

The following section explains the relevance of this research and the theoretical framework adopted, in order to understand the role that accounting and reporting practices play in making sustainability meaningful within organizations.

## 4.6 Theoretical Relevance

As highlighted in the previous sections, undefined concepts can be filled with ever-unfolding meanings through the discourses these meanings are part of, and also through the social practices that they both shape and are constituted by. According to Laine (2005), “sustainable development is an exemplary case of such a blurry concept, which is constantly being reconstructed and (re)produced through discursive action” (p. 400).

In particular, although it is impossible for the concept of sustainability to achieve closure and therefore be ‘defined’ (through, for example, accounting and reporting practices), the ongoing attempt to give it meaning (and represent it) within organisations may lead to multiple ‘discourses’ about sustainability, i.e. different ways of talking about, understanding and interpreting its content. Such discourses have both reflective and constructive power, which suggests that, rather than searching for a bounded definition of sustainability, more attention should be given to the enabling process that its un-bounded nature stimulates.

Discourse theory, in this research, offers a useful approach to not only analyse how the concept of sustainability is constructed within organisations understanding, but to illustrate how the process of accounting and reporting on sustainability contributes to increase discussion and questioning on what is meant to be sustainable for an organisation.

Therefore, discourse theory provides a useful theoretical lens for the purpose of this study, as it enables exploring the discursive practices and discursive spaces through which unfolding meanings are constructed and constantly negotiated.

Whereas a number of studies have relied upon discourse theory to explore the construction of the concept of sustainable development/sustainability within corporate discourses (also through corporate reporting Milne *et al.*, 2006; Milne *et al.*, 2009; Tregidga and Milne, 2006; Tregidga *et al.*, 2018), they have not delved into the role of individuals’ aspirations and interests in filling this concept with meaning.

Although a large number of studies in accounting and reporting for sustainability have adopted the Laclau and Mouffe approach to discourse analysis to illustrate how companies represent themselves and construct their identities towards sustainable development, the framework purposed by Hardy *et al.* (2000) is relevant for this research as it goes beyond the analysis of sustainability as a discourse that emerged from the linguistic analysis of sustainability reports. Through the framework proposed by Hardy *at al.* (2000), this study explores the micro/organisational based setting of construction of sustainability while other studies that approached Laclau and Mouffe framing looked more at the macro context analysis of sustainability discourse, focusing on the approach used by organisations to depict and represent them as sustainable by defining sustainability through a business as usual discourse.

Studying how discourse is shaped by and influence the understandings, positions and activities of those actors that are involved in it, the framework proposed by Hardy *et al.* (2000) provides a valuable theoretical approach to bridge more sociologically based theories such as actor-network theory (ANT) and more textualist approaches to discourse with the aim of better understanding “how the transformations from practice, action, and habitus to person, characteristics, and identity is performed through discursive practices” (Scollon, 2001, p. 158). ANT has radically transformed the sociological understanding of actors, agency, mediation and technology, providing a sustained challenge to any conception of ‘the social’ that is populated only by rational human actors (Latour, 1993, 1999).

Combining this performative relational perspective with text production and consumption, the framework adopted in this research represents a useful theoretical approach to track the circulation and assemblage of meanings and texts across sites of engagement. In this regard, this study contributes to this debate broadening the linguistic analysis of texts and conversations, taking at the centre of the stage issues of agency and text production (Phillips and Hardy, 2004).

By relying on the theoretical insights offered by organisation studies on discourses (and particularly Hardy *et al.*, 2000), as well as on the literature regarding sustainability, this thesis interprets ‘sustainability’ as a ‘discursive concept’, with no fixed meaning. More specifically, this thesis relies on the framework proposed by Hardy *et al.* (2000) to make sense of observations and illuminate not to indicate some form of truth about sustainability understandings and writings within organisations.

The framework proposed by Hardy *et al.*’s (2000) provides a useful theoretical lens for exploring how sustainability (as an undefined concept) is brought into practice and comes to be filled with ever-unfolding meanings. In particular, Hardy *et al.*’s (2000) framework represents a useful theoretical lens to explore the role of managers’ specific subject positions, in bringing undefined concepts such as sustainability into *practice* within organizations.

By relying upon Hardy *et al.*’s (2000) framework, this study maintains that accounting and reporting practices have the potential to act as material referents to which can be attached the concept of sustainability by the different subject positions engaging in conversations about it (Activity circuit). Therefore, both accounting and reporting, as well as the meaning given to sustainability, are likely to unfold in practice (Performativity circuit), while generating new discursive statements about sustainability (Connectivity circuit).

#### 4.7 Summary and some further thoughts

Although it is impossible for the concept of sustainability to achieve closure and therefore be ‘defined’ (through, for example, accounting and reporting practices), the ongoing attempt to give it meaning produces different discourse, ways of talking about, understanding and interpreting its content. Such discourses have both reflective and constructive power, which suggests that, rather than searching for a bounded definition of sustainability, more attention should be given to the enabling process that its un-bounded nature stimulates.

Through the adoption of discourse analysis and in particular Hardy's *et al.*'s (2000) framework, this study maintains that rather than trying to reduce the gap between accounting and reporting representations and organisation initiatives to sustainability, further studies are needed to understand whether and how these representations are leveraged by individuals in the attempt to make sustainability meaningful within organisations initiatives and strategies.

The following chapter describes in-depth the methodology adopted to address the research questions of this thesis using the theoretical framework outlined in this chapter.

## Chapter Five

### 5. Methodology

#### 5.1 Introduction and structure of the chapter

The selection of a suitable research methodology is an important aspect of doctoral research studies and varies according to what the research is about, the assumptions made about the nature of the phenomenon investigated (ontology) and the way in which the phenomenon can be investigated (epistemology) (Berry and Otley, 2004). The ontological and epistemological postulations that underpin the research inevitably affect the selection of the most appropriate research methods to be adopted in order to achieve the research objectives.

This chapter is structured as follows. Section 5.2 describes and problematizes discourse analysis as a methodological approach. Section 5.3 describes the data collection strategy, justifying the adoption of a case study methodology as being the most useful approach for this particular research project. Further, Section 5.3 introduces the case study of LOGIC, a Large Oil and Gas multinational company that operates in more than 70 countries around the world. Sections 5.4 and 5.5 illustrate, respectively, the data collection and data analysis process. The major challenges in conducting the empirical component of the research for this case study are discussed in Section 5.6. Finally, some concluding remarks are provided in Section 5.7.

#### 5.2 Discourse analysis as a methodological approach

Chapter Four referred to “discourses” or “discourse analysis” as a theoretical approach that covers an extremely wide variety of studies, ranging from conversation analysis, interactional social linguistics, critical discourse analysis and critical linguistics, to name a few<sup>26</sup>. In particular, discourse analysis explores how discourse in its different forms (verbal and textual)

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<sup>26</sup> See Chapter Four for further investigation

constructs and simultaneously reproduces the social world, rather than being a means to reveal the social world (Phillips and Hardy, 2002).

To establish a methodological link between discourse and broader social interactions, Fairclough (1992) argues that discourses as forms of social practices<sup>27</sup> are shaped and constrained by social structures, since they focus on interactions that take place among different subject positions in the production and consumption of texts. Moreover, Fairclough (1992) maintains that discourse analysis does not solely focus on textual and linguistic analysis. But rather, through the analysis of texts and conversations, discourse analysis explores the procedures through which individual actors make sense of 'what is going on' in a certain situation.

Phillips and Hardy (2002) suggest that the most important contribution of discourse analysis is that it examines how language constructs a phenomenon - not how it reflects and reveals it. Thus, discourse analysis provides a more profound interrogation of how socially produced ideas and objects are created, held in place, and populate organisational contexts over time (Grant *et al.*, 2004). As an interpretative research approach, discourse analysis endeavours to uncover the way in which a certain concept attains meaning and is produced in practice (Phillips and Hardy, 2002, p. 6).

Given the constructive effects of discourse analysis, the theoretical framework used and the interactions that it stimulates, this study adopts an interpretative and subjective methodological approach. In choosing an interpretative research approach, such as discourse analysis, this study explores how discourse (verbal and textual) on sustainability is produced through accounting and reporting practices, by examining how debates among different actors contribute to the construction of different concepts of sustainability within organisations.

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<sup>27</sup> As mentioned by Fairclough (2001), social practices “combine the perspective of structure and the perspective of action – a practice is on the one hand a relatively permanent way of acting socially, which is defined by its position within a structured network of practices, and a domain of social action and interaction which both reproduces structures and has the potential to transform them. All practices are practices of production – they are the arenas within which social life is produced, be it economic, political, cultural, or everyday life” (Fairclough, 2001).

In contrast to objectivist methodological approaches, which portray the position that social entities exist in reality but are external to the social actors who are concerned with their existence, interpretative methodological approaches maintain that social phenomena and concepts (e.g. sustainability) are created from the perceptions and consequent actions of social actors who are concerned with their existence (Saunders *et al.*, 2007, p. 108). Social actors may have many different interpretations of the situations in which they find themselves. These different interpretations are likely to affect their actions and the nature of their social interactions with others. So, the actors may perceive different situations in varying ways as a consequence of their own view of the world (Saunders *et al.*, 2007). As mentioned by Grant *et al.* (2004):

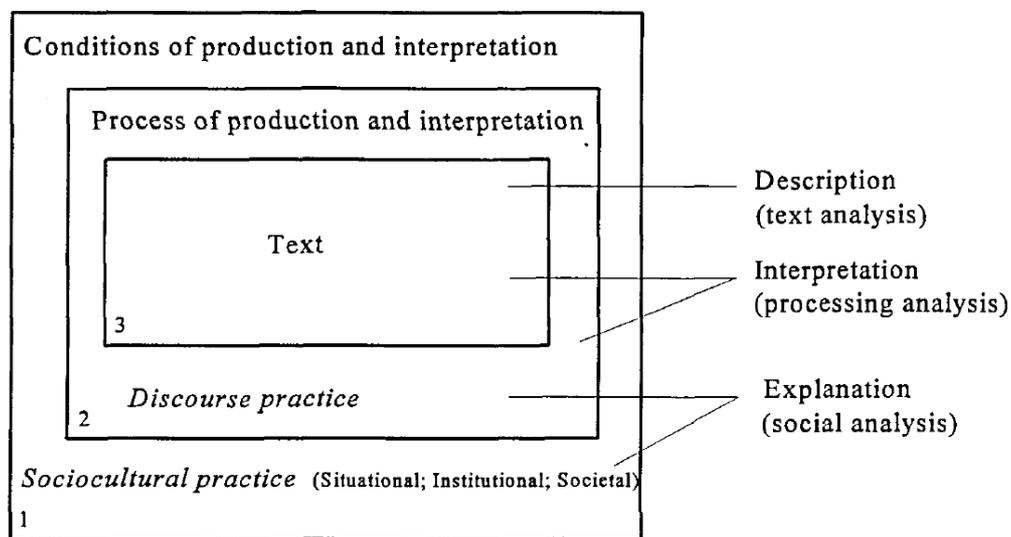
“Words can mean more – or something other – than what they say. [...] The same phrase may have different meanings on different occasions and the same intention may be expressed by different linguistic means” (Blum-Kulka, 1997, p. 38 in Grant *et al.* 2004, p.10).

The analysis of how discourse is used to construct a certain version of reality and why it is being used in this way can be carried out through text or several language utterances, depending on the scope and scale of the research (Dick, 2004; p. 207). Thus, different methods of data gathering and analysis can be used from study to study.

Phillips and Hardy (2002) note that 'recipes' for successful data analysis in discourse analysis research are difficult to provide and "researchers need to develop an approach that makes sense in light of their particular study" (p. 74). Also, Laclau (2000) states that “discourse analysis is not a closed system which has already defined all its rules and categories, but an open-ended programme of research whose contours and aims are still very much in the making” (p. xi).

For this reason, researchers are often required to utilize multiple sources of data to analyse texts and the context in which they are embedded and produced (Phillips and Hardy, 2002, p. 6). Furthermore, throughout the analysis of texts, researchers are required to examine what concepts are produced, what subject positions were involved, and how concepts were translated into objects (Phillips *et al.* 2008).

Fairclough (1992) provides some guidelines for exploring how discourse constructs reality, by examining the following points: 1) the actual content, structure and meaning of the text under analysis; 2) how discursive practices produce and consume texts through discursive interaction, as well as communicate meaning and beliefs; 3) the social context and practices through which these interactions take place (Fairclough, 1992, p. 72). According to Fairclough, each of these dimensions requires a different kind of analysis, such as text analysis (description), processing analysis (interpretation), social analysis (explanation) (See Figure 5.1).



**Figure 5.1** - Three-dimensional conception of discourse  
(Fairclough, 1992 p. 73)

Based on Fairclough's (1992) three-dimensional conception of discourse (e.g. text, discursive practice, social practice), other scholars have given suggestions regarding the most suitable ways for collecting and analysing data (Grant *et al.*, 2004; Phillips *et al.*, 2008).

Grant *et al.* (2004) maintains that research on discourse analysis should examine: 1) the actual content, structure and meaning of the text under scrutiny (the text dimension); 2) the form of discursive interaction used to communicate meaning and beliefs (the discursive practice dimension); and 3) the social context in which the discursive event is taking place (the social practice dimension) (Grant *et al.* 2004).

Accordingly, Phillips *et al.* (2008) maintain that empirical findings should be collected using the following three main methodological criteria: 1) select the sets of texts that are at play and that describe a certain organisational activity (e.g. strategy, management); 2) explore the ways in which dominant logics are constructed through the production of those texts, and 3) identify the actors who are influential in this process (Phillips *et al.* 2008). However, these phases are not necessarily separate (Phillips and Hardy, 2002).

The following section illustrates the research strategy and the procedures that have been adopted in this study, and also provides a description of the methods used to analyse and collect data.

### 5.3 Data collection strategy: Single case study analysis

As highlighted in the previous chapters, undefined concepts such as sustainability can be filled with ever-unfolding meanings through the discourses that these meanings are a part of and also through the social practices that they shape and of which they are constituted (Laine, 2005). Therefore, the ongoing attempt to give meaning to concepts, such as sustainability, and represent it through accounting and reporting practices, may lead to multiple ‘discourses’ about sustainability, i.e. different ways of talking about, understanding and interpreting its content.

A significant gap still exists between what it means to be sustainable and how organisations attempt to represent and communicate it to external shareholders and stakeholders. While a great deal is known about the content of formal reports in all their forms (e.g. corporate social and environmental reports, and, more recently, Integrated Reports) and in different geographical locations (i.e., Canada, Finland and New Zealand), focusing on the message of sustainability that these reports provide over time (see Livesey, 2001; 2002; Milne *et al.* 2006; Laine, 2009; and Tregidga and Milne, 2006), much less is known about how sustainability acquires meaning and is constructed through organisations’ accounting and reporting practices (Tregidga *et al.* 2012; Cho *et al.* 2015; O’Dwyer and Unerman, 2016).

Recent studies suggest that socio-historical analyses are needed, which explicitly theorize the production of organisational messages of sustainability using interpretive and qualitative perspectives and methods (Tregidga *et al.* 2012; Cho *et al.* 2015). In particular, Cho *et al.* (2015) affirm that new studies regarding the ways in which actors within organisations interact during the reporting process would give more information on how talks, decisions, and actions are designed and executed within the organisational setting. In this regard, Cho *et al.* (2015) maintain that interpretive case studies can be helpful in drawing on multiple data sources, through which the origins of talk, decisions, and actions might be traced.

As highlighted from some studies in the literature, the development of organisational texts such as sustainability reports and, more recently, Integrated Reports are of primary interest for case study research (de Villiers *et al.*, 2014; Eccles and Krzus, 2014; 2010; Simnett and Huggins, 2015; Dumay *et al.*, 2016) since they represent the primary internal and external communication systems in which discussions surrounding organisational financial and non-financial performance take place (Tregidga *et al.* 2014).

Considering the need to explore how sustainability accounting and reporting are produced within organizations and with the aim to achieve the research objectives, this thesis relies on a qualitative case study methodology to investigate and intrinsically explain how sustainability becomes meaningful within organisations. In particular, a case study analysis was conducted within LOGIC<sup>28</sup>, a multinational company that operates in the oil and gas sector.

Case studies are not uncommon in managerial and organisational accounting studies and are used to exemplify how accounting practices are adopted within an organisation; explore the application of new procedures; and explain the determinants of existing practices (Ryan *et al.* 2002). As mentioned by Robson (2002), “qualitative case study methodology enables researchers to explore the real-life context of organisations that are exploring and investigating a particular contemporary phenomenon using multiple sources of evidence” (p. 178 – See also Yin 2004, p.14).

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<sup>28</sup> LOGIC is a pseudonym used for reasons of privacy and confidentiality.

By its very nature, qualitative case study methodology is situated, contingent and partial, rather than universal, and it makes reference to a specific set of texts that are both produced and analysed in a specific context and in a certain time period (see among others Berry and Otley, 2004; Ryan et al. 2002; Scapens, 2004; Saunders et al. 2007; Yin, 2004). In particular, single case study methods are often performed in order to represent a specific and “typical” context of analysis, or to observe and analyse a phenomenon that few have considered before (Ryan *et al.* 2002).

By using a single case study method, this research aims to investigate and intrinsically explain the approach to sustainability adopted by an organisation (Busco, 2006 p. 13), and in particular the construction of discourse on sustainability through accounting and reporting practices.

In this thesis, a single case study method is adopted to investigate the representational abilities of accounting and reporting practices in relation to sustainability and to closely explore the role of accounting and reporting practices in making the concept of ‘sustainability’ meaningful (filled with meanings) within organisations. In particular, by relying on the theoretical insights offered by studies on discourses, (and particularly on Hardy’s *et al.*, 2000 framework), this study explores how discourses on sustainability are produced in practice within LOGIC as individuals engage in an attempt to give sustainability meaning.

The analysis of the single case study of LOGIC has been relevant to closely observing the nature of accounting and reporting and their development in practice in terms of the techniques, procedures and systems used (Ahrens and Chapman, 2006; 2007; Ahrens and Dent, 1998). In particular, it has been useful to closely engage with the field of research by analysing a variety of sources (e.g. annual sustainability and integrated reports, website documents, internal documents, strategic plans, public presentations and notes). Considerable relevance has been given to narrations, descriptions of events and documents provided by organisational participants, which are based on the individual participants’ own interpretations of their social reality (Scapens and Roberts, 1993).

In accordance with Phillips and Hardy (2002), this research referred to organisations' texts and narrations as including talk, written texts, non-verbal interactions, visual images, symbols, and metaphors. In particular, the analysis focused on LOGIC's "naturally occurring" texts, which according to Phillips and Hardy (2002) refer to the normal day-to-day activities of the research subjects (Phillips and Hardy, 2002). In this thesis specific case study, "naturally occurring" texts included different kinds of sources, such as internal reports, meeting notes, and annual reports. In addition, structured and complete notes of the conversations, general meetings, presentations and board meetings were taken in order to better understand how sustainability is constructed within LOGIC.

The case of LOGIC has been chosen as a suitable site for investigating the research questions and for achieving the research objectives because of its "typical" explorative activities, in the oil and gas industry, which make it necessary to assess and find a balance between financial and non-financial performance; environmental, social, political, geographical and financial risks; as well as the long-term effects of short-term decisions (i.e. evaluation of externalities). Further, LOGIC was chosen from a variety of companies operating in the oil and gas sector because of its role as a company leader in the pilot program launched by the International Integrated Reporting Council (IIRC) in 2010. LOGIC's participation in the pilot programme was considered a critical issue when choosing the case study because since 2010 the company's approach to sustainability reporting radically changed by combining sustainability and profitability issues into a single process and ultimately in a single report. As a result of its participation in this pilot program, LOGIC commenced a process of integrated thinking and reporting that required a cultural shift by the units involved in the annual report preparations. The development of integrated thinking and reporting also influenced the strategic plan and the accounting practices used to contextually monitor sustainability and financial performance.

In order to carry out the case study analysis, the Sustainability Manager of LOGIC was contacted by email, explaining the research project and objectives and emphasizing the importance of this research to explore how

sustainability is embedded within the organization's traditional activities and long-term value creation processes. After the first meeting, the Sustainability Manager provided access to a number of public and internal documents, produced on the company's journey towards sustainability, the strategic plan and reporting process.

The sustainability manager also shared with the researcher emails and contacts of other managers that were traditionally involved in the sustainability and Integrated Reporting process within LOGIC. During the meetings and interviews, managers talked about the company's intention to develop a new accounting and reporting project aimed at connecting and evaluating the trade-off among multiple financial and non-financial performance issues, thus working toward the achievement of both sustainable and business strategic objectives. From the first meeting, the researcher ensured that his position as external researcher and observer was clear, in order to avoid any biases or influence related to his presence in the meetings and workshops (Saunders *et al.*, 2007). This clarification contributed to creating confident relationships with other company managers, who felt free to make analytic reflections on the topic they were discussing during the meetings (Robson, 2002). The interviews were carried out at the company's headquarters, giving managers the opportunity to choose the date and time for the interview.

The following section introduces the case study based on LOGIC, explaining briefly its approach to sustainability, which will be analysed in further detail in Chapters Six and Seven.

### 5.3.1 *The case study: LOGIC*

LOGIC is one of the largest oil and gas companies operating in more than 70 countries around the world, with a work force of approximately 35,000 people. Along the entire value chain, LOGIC has significant responsibilities for minimising the impact of its extractive activities<sup>29</sup>.

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<sup>29</sup> The upstream represents the top of the company's value chain and is concerned with the acquisition of exploitation rights, exploration (i.e. through geological studies and geophysical surveys), development (construction of extraction sites) and production of oil and gas. The

Similar to many oil and gas companies (see, e.g., IPIECA, 2015), sustainability has been a key aspect of LOGIC's business model, strategic planning and reporting system since its establishment. LOGIC's inclusive business purposes and strategic approach to sustainable value creation is operationalized across the whole value chain and is based on three strategic drivers: 1) improving local countries' competences and socio-economic wealth; 2) maintaining and developing in-house competences; 3) preventing, managing and mitigating risks of different natures.

Furthermore, sustainability reporting practices have been in use since the mid-1990s, when LOGIC started publishing an environmental report aimed at providing more effective communication of information regarding the environmental impact of its business activities. From 2006, a sustainability report was prepared in accordance with the Global Reporting Initiative, (e.g. see LOGIC environmental and sustainability report 2006; 2007; 2008; 2009; 2010).

In 2011, LOGIC began its journey toward Integrated Reporting by participating in the Pilot Program launched by the International Integrated Reporting Council (IIRC). In this context, LOGIC's Sustainability Unit was required to integrate the company's sustainability and annual financial report into one single document. In 2012, following the IIRC's (International Integrated Reporting Council) guiding principles, LOGIC published its first Integrated Report, within which the traditional annual report structure was combined with specific sections regarding LOGIC's social and environmental strategies, performance and impacts.

Realizing the need to offer better integration between sustainability and financial performance, in 2013 LOGIC began a major project for re-designing the structure and content of their Integrated Report. The project was developed from October 2013 to March 2016, and was developed through two main phases: (1) from October 2013 to March 2014, when the primary matter of concern was to identify the core (social, environmental and

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midstream cover all activities related to the transport and storage of hydrocarbons. In contrast, downstream activities focus on refining the crude oil into derivatives for their distribution and sale on the market.

financial) elements to be included in the Integrated Report; (2) from April 2014 to March 2016, when the key goal was to ensure connectivity between these elements by clarifying their cause and effect relationships within the annual report.

Given the nature of LOGIC's business, the importance of sustainability issues and the longevity of its voluntary reporting process on sustainability, this organisation offers an interesting setting for the purposes of this study. As an oil and gas company, LOGIC has been involved in the process of measuring, controlling and justifying its environmental, social and economic impacts on the countries in which it operates for more than 20 years. Consequently, LOGIC has been required to continually change and modify its performance measurement and reporting practices regarding sustainability in order to determine the main performance for sustainability that will positively or negatively affect the capacity of the organization to create sustainable value in the long term.

The following sections indicate how data have been collected and subsequently analysed to achieve the research objectives.

#### 5.4 Data collection procedures

The data for this study were collected from September 2013 (when the project for Integrated Reporting started) to March 2016 (when the project was performed), through a variety of sources, including: LOGIC's sustainability and Integrated Reports, website documents, internal documents provided by the company, direct observation of meetings and workshops and semi-structured interviews. In particular, the author of this study participated as observer in 10 meetings and 2 workshops and conducted 40 interviews with 14 key informants from the following main units within LOGIC: Sustainability Unit, Finance Unit Corporate, Integrated Risk Management, Finance Unit in the Upstream, Operations Management in the Upstream, Business Development in the Upstream and Research and Development in the Downstream. A list of meetings and interviews are provided in Figures

5.2 and 5.3, organised according to title or responsibility role, code of reference, hours of interviews/meeting, time period and topics discussed.

Meetings were attended by an average of three informants from different departments and lasted from two to three hours. Workshops were attended by an average of ten people and lasted for an average of five hours.

Considering the aim of the project and its relevance to the company's reporting process, financial managers were initially asked to participate in explorative talks organised by the Sustainability Unit. During these meetings, views and opinions on the project of the emerged from sustainability and finance managers and were of primary relevance in spreading the development of the project throughout the subunits of the organisation. Other managers became involved, which provided further understanding as to how sustainability was embedded within company's initiatives, and how it was analysed and disclosed through accounting and reporting practices. Managers from Risk Management, Operations and Business Development, at the corporate level, were invited to workshops and meetings to reconsider the company's approach to sustainable development. Their involvement in the project was key to exploring their perceptions of the process of integration of sustainability performance within the business.

During meetings and interviews, the managers involved provided different understanding and interpretations of the concept of sustainability. The managers took their own individual positions and approaches to sustainability due to their roles and responsibilities within the organisation, and due to the debate that emerged in the development of the project. In this way, different meanings of sustainability emerged from debating the various ways in which sustainability determinants and performance affect the company's financial viability.

Participation in meetings and workshops was important to acquire proximity to the field by witnessing managers' discussions and discursive statements directly, in real time, as they were unfolding (Atkinson and Shaffir, 1998). It also contributed to directly experience and "feel" (Gill and Johnson, 2002, p. 144) the way in which sustainability issues were connected to the company's

financial performance and “de-fined”<sup>30</sup>, (i.e. bounded and/or discussed - Quattrone, 2017), during the project of Integrated Reporting. During the three years of investigation, the analysis focused on how managers referred to the concept of sustainability during their conversations and discussions. Observations at meetings and workshops were critical to experiencing the complex inter-organisational interpretations and approaches that managers had in relation to sustainability within LOGIC’s reporting process. Furthermore, informal conversations with the organisation’s members, as well as the study of internal documents, served to increase proximity to the field.

During meetings, detailed notes were taken to capture different viewpoints on sustainability and its integration in organisational strategies and business objectives. Since most of the key topics brought out during discussion were reiterated by participants, (such as, when they wanted to emphasise their perspective), extensive notes were taken to capture participants’ actual dialogues (Ryan *et al.* 2002).

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<sup>30</sup> The word *define* comes from the Latin *de-* which is used as a prefix that means "completely" or "apart, in a different direction, between", if the prefix *de-* is related to *dis-* + *finire* "to bound, limit,".

	<b>Time Period</b>	<b>Number of meetings</b>	<b>Hours</b>
Meeting between managers from the Sustainability and Finance Units at the corporate level.	September 2013	1	2
Meetings between managers of the Sustainability Unit.	October, November 2013	3	8
Meeting between managers from the Sustainability and Finance Units at the corporate level.	November 2013	1	4
Workshop (external) between managers from different multinational companies interested in Integrated Reporting.	November 2013	1	3
Workshop (internal) between 11 managers from units at the corporate level, and units in the upstream and downstream divisions.	December 2013	1	6
Meetings between managers from the Finance and Sustainability Unit at corporate level, and the operations and Research and Development Units at the upstream.	March 2014	1	2
Meeting between managers from the Finance Unit of the upstream and the Sustainability unit.	March 2014	1	2
Meetings between managers from the Finance and Sustainability Units at the corporate level.	September, October, November 2015	3	6
<b>Total</b>		<b>12</b>	<b>33</b>

**Figure 5.2** – List of meetings

Interviews were semi-structured and open-ended, lasting typically from one to two hours and usually located at the company headquarters, according to the availability of the managers and in respect for their working necessities (Robson, 2002; Burns, 2004) (see Figure 5.3).

The adoption of semi-structured and in-depth interviews allowed the interviewees to answer freely, leading the discussion into areas that were not expected, but which turned out to be significant in addressing the research question and objectives (Saunders *et al.*, 2007; Ryan *et al.* 2002). Moreover, the adoption of semi-structured interviews enabled the respondents to “think aloud” about what sustainability meant for them and the organisation as a whole, rethinking and reviewing their reporting process in order to illustrate the connection between financial and non-financial performance. This approach allowed the researcher to gain access to further internal documents and collect a richer and more detailed set of data (Saunders *et al.*, 2007; Yin, 2004).

Some respondents were interviewed more than once to clarify key issues that emerged as the study progressed. Different respondents were asked very similar questions in order to acquire a variety of perspectives on the same issues, confirm understanding and avoid any interpretative bias (Smith *et al.* 2002).

The content of the interviews and the issues discussed varied throughout the three-year project on connectivity of information (2013 – 2016) to better understand the meanings that interviewees ascribed to sustainability as a concept, as well as the integration of its determinants with financial issues in the annual report (Saunders *et al.*, 2007).

While initial interviews were more focused on understanding the broader context and background of LOGIC, the specific focus of the discussions ranged from issues of coordination and integration to the role played by formal and informal reporting systems in dealing with sustainability issues, and from financial and non-financial indicators to the emergence of Integrated Reporting. A number of interviews also focused on the understanding of specific tools, such as risk management, business models, materiality

determination processes and strategic planning. Other interviews aimed at learning how LOGIC's management systems functioned, by focusing on the Board of Directors, the Management Committee, the inter-functional workgroups and the focus groups. Questions were short and simple without making any references to the theoretical issues explored in this study.

Most of the interviews were recorded and transcribed into electronic files. The initial interviews (15 in total) were not recorded to ensure that informants talked freely about the issues being discussed without being unduly worried about the recording. This gave them time to gain confidence and establish trust in the researcher and the research method. Once this confidence had been gained, interviews were recorded with the permission of the informants. When permission for recording was denied, extensive notes were taken.

Although recording interviews is time-consuming and generates a huge amount of data to transcribe and analyse, it represents a very useful technique for defining and identifying various meanings and understandings of sustainability issues for the company, which are of particular significance to the research aims as well. Audio records of interviews and conversations were initially listened to in full in order to understand and take notes of what was being said during the interview or the meeting. Subsequently, specific emphasis was given to those parts of the conversations in which the concept of sustainability was used or challenged (Dick, 2004; p. 208). While the audio records of the interviews progressed, extensive notes were taken to better grasp the interviewees' perceptions from expressions, pauses and other non-verbal cues, which may be interpreted in different ways according to the situation in which the interview took place and people who were involved. Immediately after each interview, the notes were completed and reviewed, and the audio-recordings were transcribed (Robson, 2002), to ensure that the nature of the explanations provided during the interview was not lost in time and to avoid any mix up between the data gathered from different interviews (Ghuri and Grønhaug, 2005).

In the transcriptions of the audio recordings the name or surname of the interviewees was not revealed in order to ensure confidentiality and

anonymity. Instead, only the speaker's professional position/role was included. To avoid any bias of data reporting and translating, written accounts of the interviews and meeting recordings were brought back to the managers for the verification of their content.

The interview records were coded according to the professional position/role of the interviewees. Then, they were classified into themes according to the multiple understandings of sustainability that emerged during the workshops and meetings, which were then organised to determine the content of the annual Integrated Report. In particular, three different themes, according to actors' understanding of sustainability, have been identified as the main themes: (1) sustainability as it is embedded into the business; (2) sustainability as comprising mainly social and environmental issues, which are distinct from financial objectives; (3) sustainability as involving projects and initiatives with a social/humanitarian impact in the country where the company operates.

Finally, during the breaks in the canteen at LOGIC's headquarters, notes of a number of informal discussions were taken to further reflect on the findings and the chain of events as they were unfolding, as well as to understand whether formal and informal discussion were coherent, and not biased, during the interviews (Robson, 2002) (see Figure 5.3).

<b>Interviews</b>	<b>Code</b>	<b>N. of interviews</b>	<b>Hours (approx.)</b>	<b>Time Period</b>	<b>Topics discussed</b>
Head of the Sustainability Unit	HOS	6	9	October – November 2013 March 2014 September – October 2015	Meaning of sustainability and integration within the business. Evolution of sustainability and sustainability reporting within the company. Development of Integrated Reporting and kick-off of the connectivity project in the upstream.
Sustainability Manager 1	SM1	10	20	October – November – December 2013 February – March 2014 September – October 2015 February – March 2016	Meaning of sustainability and integration within the business. Evolution of sustainability and sustainability reporting within the company. Development of Integrated Reporting and kick-off of the connectivity project in the upstream. Benefits and criticism of connecting multiple perspectives in the development of a connectivity performance measurement.
Sustainability Manager 2	SM2	4	8	October – November 2013 March 2014	Meaning of sustainability and integration within the business. Evolution of sustainability and sustainability reporting within the company. Development of Integrated Reporting.
Integrated Risk Manager	IRM	1	1,5	February 2014	Evaluations of sustainability risks. Risk management process and its relation to the voluntary reporting process of LOGIC. Integration between sustainability and other business risks. Responsibility of managers in collecting and communicating information on risks (financial and non-financial).
Finance Manager (Corporate) 1	FM1	3	6	November 2013 September 2015 October 2015	Meaning of sustainability and integration within the business. Responsibility of Finance in measuring or collecting performance on sustainability initiatives. Responsibility of Finance in the preparation of the Integrated Report and kick-off of the connectivity project.
Finance Manager (Corporate) 2	FM2	2	4	November 2013 October 2015	Meaning of sustainability and integration within the business. Responsibility of Finance in measuring or collecting performance on sustainability initiatives. Responsibility of Finance in the preparation of the Integrated Report and kick-off of the connectivity project.

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Operations Manager – Upstream 1	OMUP1	3	6	December 2013 March, 2014	Definition of sustainability at the operational level. Dimensions of sustainability relevant to the Upstream and their connection to the upstream outcome. Implementation of the connectivity project in the upstream as a pilot project.
Operations Manager – Upstream 2	OMUP2	1	2	March 2014	Dimensions of sustainability relevant to the Upstream and their connection to the final outcome.
Business Development Manager – Upstream 1	BDUP1	2	4	March 2014	Definition of sustainability at the operational level. Dimensions of sustainability relevant to the Upstream and their connection to the final outcome. Implementation of the connectivity project in the upstream as a pilot project.
Business Development Manager – Upstream 2	BDUP2	1	1,5	March 2014	Dimensions of sustainability relevant to the Upstream and their connection to the final outcome. Integration between financial and non-financial performance in defining the best initiative to develop.
R&D Manager – Downstream	R&DD O	2	4	February – March, 2014	Definition of sustainability for the downstream. Relevance of sustainability performance for research and development. Evaluation of sustainability performance in determining the feasibility of a project.
R&D Manager – Upstream	R&DUP 1	1	2	March 2014	Definition of sustainability at the operational level and connection between sustainability and financial performance in the upstream.
Finance Manager – Upstream 1	FMUP1	2	4	September – October, 2015	Role of the Finance management in the development of the connectivity project in the upstream. Integration of sustainability and financial performance.
Finance Manager – Upstream 2	FMUP2	2	4	September – October, 2015	Role of the Finance management in the development of the connectivity project in the upstream. Integration of sustainability and financial performance.
<b>Total</b>		<b>40</b>	<b>76</b>		

**Figure 5.3** – List of interviews

## 5.5 Data analysis

The research analysis was structured by first focusing on the contents of published reports (e.g. LOGIC's CSR, sustainability and Integrated Reports) to explore how the concept of sustainability was represented and how its meaning evolved over time according to the development of the reporting process. Second, the analysis focused on the ways in which the meaning of sustainability was constructed throughout the reporting process, exploring how individuals engaged with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold. In particular, the analysis focused on the discursive interaction that took place within LOGIC throughout the development of the integrated reporting process from 2013 to 2016. Further, the most influential actors and the social interaction that took place in this process were identified (Fairclough, 1992; Phillips *et al.* 2008).

The first analytical phase focused on the role that accounting and reporting practices play in the attempt to represent sustainability within organizations. To investigate how the concept of sustainability was represented through accounting and reporting practices and the mechanism that accounting and reporting practices trigger as they attempt to represent sustainability within organizations (see research questions one and two), LOGIC sustainability reporting process has been explored and the evolution of the meaning of sustainability since 1996 (around 20 years) when the first Health, Safety and Environmental (HSE) report was published.<sup>31</sup>

Although social and environmental issues were part of LOGIC's business approach since mid 1950's, the development of the sustainability report (from 1996 to 2009) and the introduction of integrated reporting (from 2010 to 2015) had a relevant role in figuring out what was meant to be sustainable for the business. Consequently, it has been explored how the meaning of sustainability was represented through sustainability reports (or similar such

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<sup>31</sup> This research focuses on published reports because, when asking managers about how sustainability was defined and represented within the organization, they mainly referred to the company's sustainability and/or integrated reports.

as Health, Safety and Environmental; Corporate Social Responsibility; and most recently Integrated Reports) by shedding light on how these practices contributed to make sustainability issues and performance more identifiable and visible within LOGIC.

LOGIC's sustainability and integrated reports have been chronologically analysed (Yin, 2004, p. 126) through a time ordered matrix (Miles and Huberman, 1994 p. 119) and classified in three periods (e.g. from 1996 to 2005; from 2006 to 2009; from 2010 to 2015). In each period the following issues have been analysed: 1) how sustainability was represented through reports and the meanings that these representations entailed; 2) the main social context and external contingencies that influenced the evolution of sustainability reporting within LOGIC; 3) the key practices used; and 4) the units responsible for the preparation of the reports. Evidence from the data analysed and the related matrix is reported in chapter six.

The second analytical phase focused on how individuals engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold, determining what is the role of accounting and reporting practices within this process. To address the third and fourth research questions, particular attention has been given to the continuous interplay and interactions between subject positions, concepts and objects that took place during LOGIC's integrated reporting process. In particular, the analysis focused on the development of a project, which started in October 2013 and ended in March 2016, to illustrate how sustainability gains meaning and becomes meaningful through accounting and reporting. During the project, it has been analysed how sustainability issues and interpretations unfolded throughout LOGIC's reporting process, explaining how this gained meaning due to the confrontations and debates that took place among different managers and subject positions.

During the three-year project, the key subject positions involved<sup>32</sup> have been identified, defining their discursive statements and the material references these statements were attached to throughout the discussion.

The managers' discursive statements, collected during interviews and meetings, have been organised in a single document, coded according to the roles of the participants involved and ordered according to the time period in which they have been recorded (Yin, 2004, p. 102).

Further, these statements were organised and analysed according to the activity, performativity and connectivity circuits proposed by Hardy *et al.* (2000) framework (See Yin, 2004, p. 111-112). In particular, a thematic conceptual matrix has been developed (Miles and Huberman, 1994 p. 131) to explore for each theme of the three circuits (i.e. nine themes in total)<sup>33</sup> the continuous interplay between: 1) the subject positions involved; 2) their own understandings of sustainability and the meanings that emerged; 3) the text they referred to when talking about sustainability (i.e. images and the diagrams of LOGIC's business model, MBO system or pieces of published documents) and 4) whether specified, the metaphors used to describe a certain concept of sustainability.

The study of the interplay between sustainability discourse and LOGIC's reporting process required the analysis of multiple sources of evidence which have been collected and then triangulated according to the analysis of the evidence (Yin, 2004, p. 13; see also Ryan *et al.* 2002). In particular, the analysis focused on managers' day-to-day interactions, as well as the internal texts used (i.e. company's business model; strategic plan and references to the management by objectives plan) to connect sustainability and financial performance within the organization.

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<sup>32</sup> Initially, LOGIC's Sustainability Vice President and the sustainability managers who were responsible for the preparation of the integrated report have been contacted. For this reason, sustainability managers have been considered as the main referents for the project on integrated thinking within LOGIC. During the project, the key managers who participated to its development have been selected. In particular, managers from different units have been interviewed (such as the Finance Unit Corporate, Integrated Risk Management, Finance Unit in the Upstream, Operations Management in the Upstream, and Research and Development in the Upstream).

<sup>33</sup> See Figure 4.4 at p.106 of this thesis

In particular, the analysis of the activity circuit focused on the development and preparation of the project for integrated reporting. Throughout this process, the interplay between sustainability and the financial managers' interpretation of what is meant to be sustainable, and how it is measured within the company, has been emphasized and taken into account.

The analysis of the performativity circuit focused on the engagement process enacted by the sustainability managers in sharing the importance of the project and its relevance for improving the company's annual Integrated Reporting process with a broader audience.

The analysis of the connectivity circuit focused on the application of the project as pilot within the company's upstream subunits. This required further interviews at the operational level, involving managers from Operations, Research and Development and Planning and Control for the upstream.

The result of this analysis is presented in the following chapters (Chapters six and seven). The following section sets out in detail the limitations of single case study research.

## 5.6 Methodological limitations

Through the analysis of a single case study, this research needs to achieve both authenticity and plausibility, demonstrating that the researcher's interpretations are grounded in the case study.

The question of interpretation arises as a significant problem in case study research in the field of accounting, as well as any study domain. As mentioned by Berry and Otley, (2004), “[i]nterpretation is not so much the logical transformation from one language to another, allowing for the expression of meanings [...]. It is rather the giving of new meanings by interpreting events and data through (or perhaps into) a theoretical frame, which provides insight to the actors in the field as well as to the researchers” (p. 244).

This research particularly acknowledges that the case study methodology, as a form of field studies, can be considered as being composed of narratives, in which the texts produced and collected in the research process are not simple

and isolated “facts”, but according to Czarniawska (1998), acquire meaning and relevance according to the ways in which researchers interpret and link them into a plot. In other words, the texts and the facts produced and collected influence the narratives that the researchers intend to produce in relation to their interpretation of the material collected.

In order for these texts, experiences and data to become plausible and meaningful, they are linked together into a plot, that is, “the basic means by which specific events, otherwise represented as lists or chronicles, are brought into a meaningful whole” (Czarniawska, 1997, p. 18). The plot of this study, i.e. the way in which the evidences are linked coherently, has been framed by the literature and the theoretical framework adopted, according to what the study aims to achieve (Busco and Quattrone, 2015; Quattrone, 2006).

This issue of interpretation creates concern about the reliability and validity of the information narrated in interpretative case study research (Ryan *et al.* 2002; Saunders *et al.*, 2007). According to Scapens, (2004), reliability relates to the objectivity of the data reported and, furthermore, it is the extent to which the evidence is independent of the person using it. Validity instead relates to the truthfulness of the data reported, which should provide, in some sense, a 'true' reflection of the real world (p. 268).

However, the notions of reliability and validity are not easily definable in an interpretative methodological approach, which looks at organisations' social reality as created through human interaction and context specific (Ryan *et al.* 2002; Scapens, 1990). As mentioned by Taylor (2001), “all knowledge is considered to be situated, contingent and partial within case study analysis, and for this reason, researchers should be able to provide reasonable interpretation of the data collected” (p. 319). Thus, alternatives to criteria of reliability and validity are needed for case study research (Ryan *et al.* 2002).

In case study methodology, researchers are required to achieve *procedural reliability*, demonstrating the adoption of appropriate and reliable research methods and procedures. The research should be built on a good research design that is aimed at clearly addressing the research questions. All evidence

should be collected and recorded through extensive notes, and the case analysis should be fully documented (Ryan *et al.* 2002; Scapens, 2004).

In so doing, the research design has been described by explaining how data have been organized and analysed, in the attempt to address the research questions. Through the analysis of the main evidence this thesis identifies the links and interrelated issues that took place throughout the development of sustainability accounting and reporting practices within LOGIC (Miles and Huberman, 1994). In particular, the study illustrates how raw data have been gathered, organized and analysed according to the theoretical framework adopted (Yin, 2004, p. 111-112).

Although, at the early stage of this study, computer software such as NVivo has been considered to be appropriate to automate and manage the large amount of data collected (Richards, 1999), it did not help at identifying and understanding the contextual situations in which organizational texts (e.g. sustainability and integrated reports) were produced and meanings emerged in practice.

Certainly, this research acknowledges that computer software such as NVivo are extremely helpful at coding words or key phrases determining how many times these words and phrases are pronounced and creating links (i.e. nodes) between the contents and the subjects interviewed (Richards, 1999). However, this study does not focus on how much is said about a certain aspect, but rather how it is said and the meaning that different participating subjects attached to it.

As mentioned by Phillips and Hardy (2002), although computer software such as NVivo are convenient tools for managing and automating the analysis of large amounts of data, they do “not improve” the analysis in terms of the way in which the researcher explores multiple meanings and traces their implications — as a part of a subjective process — and it certainly does not make the analysis any more “rigorous” or “valid.” (Phillips and Hardy, 2002 p. 78). Also, van den Hoonard and van den Hoonard (2008) maintain that there is no guarantee that the analysis made through NVivo or other computer software is any better than manual analysis of raw data. Actually, they sustain

that the structure imposed by NVivo may “although imperceptibly, constrain the analysis of data, precluding the interplay among creative insights, memoing, and continuing organising and connections of information that results from continuous interfaces with data and notes” (van den Hoonard and van den Hoonard, 2008, p. 188). Consequently, traditional qualitative data analysis procedures are considered as more suitable to the aim and focus of this research (Miles and Huberman, 1994; Yin, 2004).

To produce a reasonable and reliable interpretation of the ways in which LOGIC has framed sustainability within its accounting and reporting process, this study focussed on a variety of sources, not merely on single pieces of texts produced, but also on the interrelationships between texts, changes in texts, changes in subject positions and understanding of sustainability over a period of three years. Also, within this study, the social context (i.e. interactions among multiple subject positions) in which the texts (i.e. the integrated reporting project) were produced has been analysed.

The validity of the data collected and analysed is “concerned with whether the findings are really about what they appear to be about” (Saunders *et al.*, 2007; p. 150). In discussing the question of validity in case study research, the literature often distinguishes between internal and external validity (See Ryan *et al.* 2002; Saunders *et al.* 2007 Scapens, 2004; Yin, 2004). The internal validity of the information presented can be addressed by triangulating the information and data provided in this document with other kinds of evidence that regard the same issue. This study addresses internal validity concerns by considering multiple sources of evidence that were collected through a continuous back and forth questioning of interpretations and discussion of recorded field data during a period of three years. In particular, managers quotes have been analysed in accordance with the theoretical lens adopted in this thesis to illustrate and explain the specific internal organisational dynamics between discursive concepts, objects and subject positions, allowing a plurality of meanings of sustainability and interpretation to unfold through accounting and reporting (Ryan *et al.* 2002; Yin, 2004).

External validity generally refers to the concept of generalisability, which indicates whether research findings can be equally applicable and replicated to other research settings, such as other organisations (Ryan *et al.* 2002; Saunders *et al.*, 2007; Yin, 2004). However, the nature of the case study method is such that generalizability and replication are impossible, except if it is assumed that the data collected and the actions of the subjects under investigation are in some ways universal. As mentioned by Berry and Otley (2004), most case study research “cannot be repeated except in the broadest sense, their results cannot be used for prediction, and the value of the study lies in the insightful nature of descriptions and explanations offered” (p. 249).

Also, Ryan *et al.* (2002) maintain that generalisation in interpretative qualitative studies is not easy to achieve, and it would be more appropriate to talk about the “*transferability* of the findings from one context to another and fittingness as to the degree of comparability of different contexts” (Lincoln and Guba, 1985, p.124 – See also Ryan *et al.* 2002).

In this regard, this thesis does not seek to generalise the results achieved to other organisational contexts, because “cases studies are not ‘sampling units’ and should not be chosen for this reason” (Yin, 2004; p. 31). Thus, this research does not attempt to provide some form of generalizable and universal truth on a specific organisational fact or social reality, as it comprises “interpretations of interpretations” and, as such, it is not able to represent absolute truth (Scapens, 1990).

Instead, through the theoretical lens adopted, this study provides a template through which the integration and construction of sustainability discourse through the interactions developed during the company’s reporting process can be *transferred* to other case studies (Yin, 2004; p. 31).

## 5.7 Summary and further thoughts

This chapter describes the research design, data collection and data analysis. The methodological approach explained in this chapter is relevant to the aims of the research, because it allows the micro (textual) and macro context (organisational social interactions) to be linked and enables the investigation

of knowledge production of abstract understandings such as sustainability through the interaction of different subject positions. Considering the interpretive nature of the methodology used, this study investigates texts, concepts and social interactions (Fairclough, 1992) that characterize the way in which a multinational organisation, such as LOGIC, plans, measures and reports its annual sustainability performance.

Whereas most of the previous studies on the relationship between sustainability discourses and corporate reporting concentrate on the analysis of the texts contained in the reports (Laine, 2009; Milne *et al.*, 2009; Tregidga *et al.*, 2014), the case study methodology adopted in this thesis combines the analysis of LOGIC's corporate reports (texts) over a period of 20 years with the discursive statements and social practices that took place during their production. A case study methodology is used (see Ahrens and Chapman, 2006; Ryan *et al.* 2002) to investigate how discourses make sense of organisational aspects, such as sustainability, through social interaction and negotiation, which are necessary to attach meanings and understandings to things and situations.

As argued by Fairclough and Wodak (1997), "discourse is not produced without context and cannot be understood without taking context into consideration" (p. 277). Along these lines, direct observations and the case study methodology (Ahrens and Chapman, 2006; Ryan *et al.*, 2002) employed in this thesis are appropriate to explore discourses as they were produced in the specific context in which they generated effects. Through the direct observations of meetings and workshops it has been possible to observe the different subject positions involved throughout the Integrated Reporting process, as well as to record (or take detailed notes when recording was not possible) their 'voices' during the data collection process.

The results of the research are discussed in the following chapters.

## **Chapter Six**

### **6. The case of LOGIC: The evolution of sustainability reporting from 1996 to 2015.**

#### **6.1 Introduction and structure of the chapter**

This chapter explores the role of accounting and reporting practices as organizations attempt to represent sustainability.

In particular, it addresses the first two research questions (RQ1 and RQ2) by providing an in-depth analysis of the dynamics and contingencies through which the meaning of sustainability emerged and evolved within LOGIC, together with the accounting and reporting practices used to represent it.

Three periods of reporting have been identified (i.e. from 1996 to 2005; from 2006 to 2009; from 2010 to 2015), describing, for each of them, the main external contingencies that influenced the adoption of the reports, the meaning of sustainability associated with them, the key practices used and the units responsible for the preparation of the report.

The chapter is structured as follows. Section 6.2 introduces LOGIC's approach to sustainability since its establishment in the early 1950's. Section 6.3 goes into more depth in regard to the first accounting and reporting process for sustainability, which started in 1996 and ended in 2005. The analysis of the first reporting phase (1996 – 2005) shows how sustainability was mainly interpreted as being an environmental concept, disconnected from traditional business objectives and focused on reducing pollution. Section 6.4 describes the second phase of sustainability reporting, which began in 2006 and concluded in 2009. During this second period sustainability became more formalized within the company's business model, focusing on the interests of a broader portfolio of stakeholders. Section 6.5 explores the third sustainability reporting phase, between 2010 and 2015, in which the adoption of integrated reporting contributed to the sharing of a new approach to sustainability that considered environmental, social and economic issues as

being an integrated part of the company's strategies. Some comments and concluding remarks are provided in Sections 6.6 and 6.7.

## 6.2 LOGIC's approach to sustainability and the evolution of sustainability reporting

Since its establishment in the early 1950s, LOGIC's sustainability approach was aimed at promoting key business alliances with international producer countries by investing in proprietary technologies and training initiatives for local employees. LOGIC's commitment to the host countries' requests contributed to an increase in the number of agreements signed with international institutions, thereby improving the exploration and production of oil and gas worldwide (in South America, Africa, and the Middle-east). For instance, in 1962, LOGIC built its first company health centre and a training centre for African personnel.

From the 1970s to the 1980s, LOGIC was required to improve its investments in research and development, thereby launching new operating programs for the exploration of renewable resources and in the field of energy savings.

In the early 1990s, increased market globalisation required companies to find a balance between competitiveness, economic growth, increased consumption, improved standards of living of the social community, as well as respect for the territory and environmental quality. Also, in 1992 the U.N. Earth Summit in Rio de Janeiro increased companies' awareness about the necessity to measure and communicate how traditional business activities affect the environment and the society as a whole. In particular, it was recognized that the oil industry plays a leading role in sustainable development and economic growth by promoting innovative technological solutions for exploring and extracting energy resources that have a lower environmental impact. This period coincided with an increasing international expansion and liberalization of trade and capital markets, privatizations and deregulation of economic activities, with a rapid expansion of new information through communication technologies.

To react to the increase in external competition, LOGIC began a profound transformation in the governance and organizational structure of the company from 1996 to 2001. LOGIC's internal management and external compliance evolved rapidly, due to increasing interactions with public bodies, institutions, and the media that was more interested in the company's performance and achievements towards global sustainable development.

LOGIC's approach to environmental, social and economic issues steadily evolved throughout this period, including the accounting and reporting practices that were implemented.

To describe how the meaning of sustainability evolved within LOGIC, including the evolution of the accounting and reporting practices adopted, in this chapter three main evolutionary phases have been identified. The three phases have been analysed according to the effect of contextual initiatives and regulations; the nature of the report produced; the key practices used in order to represent sustainability performance within the report; as well as the unit responsible for the production of the report.

The first phase started in 1996 and concluded in 2005, when the company's reporting approach was reviewed due to the external pressures dictated by its international expansion and privatization process. In this first phase, LOGIC developed the first version of the health, safety and environmental report, providing some information on the company's impacts on the environment and the health and safety of the employees. The second evolutionary phase of sustainability reporting began in 2006 and concluded in 2009, during which the institutionalisation of globally accepted sustainability guidelines and standards from international initiatives and regulatory institutions (e.g. GRI, UN Global Compact) resulted in the publishing of LOGIC's first "sustainability" report. In this second phase, the meaning of sustainability became more formalized within the organization's reporting process, combining health, safety and environmental issues with the corporate approach on social responsibility. The third and last evolutionary phase began in 2010 and concluded in 2015. This reporting phase coincided with the implementation of integrated reporting, in order to better measure and

communicate how key sustainability initiatives, objectives and performance affect the organization's strategic approach and long-term value creation.

### 6.3 Phase One – from 1996 to 2005: sustainability as an environmental and social concept.

The transformations that LOGIC underwent between the mid-1990s and the early 2000s, along with the changes that had taken place in the global economic system, have led the company towards broader levels of autonomy and different institutional responsibilities because of its new structure as a private company, and its exposure to international competition and interaction with society, such as: public opinion, public bodies, institutions, the media and communities. The institutional context in which LOGIC was operating at that time was characterised by an increasing attention to the effects of corporate activities on the environment and to the necessity to manage and report them. In particular, as an oil and gas company, LOGIC was required to extend its communication practices to better account and report the environmental, health and safety performances achieved during each year.

In 1996, LOGIC published its first report on health, safety and the environment (HSE) and was one of the first companies in Europe to create its own norms of self-regulation by issuing a set of principles and guidelines (i.e. "Code of practice"), to encourage an ethical, decision-making approach<sup>34</sup>. LOGIC's report was produced on a yearly basis, illustrating primarily how company initiatives affected environmental development, with a focus on the activities of the upstream segment of the value chain.

Between 1996 and 2002, LOGIC's approach to sustainability was meant to combine the issues and the performances that were related to the impacts of the organization's operations on the environment and on the safeguard of the health and safety of the employees. The emergence of an increased number

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<sup>34</sup> The Code of Practice was developed to direct LOGIC's management decisions in a series of key areas such as business ethics, transparency and correctness in accounting and reporting, industrial relations, health, safety and environmental protection, with the aim of improving employees' professional development, stimulate dialogue and mutual respect with local partners in order to develop LOGIC's socio-environmental sustainability of the company's operations in the host-countries' territories.

of international institutions that regulate corporate voluntary reporting<sup>35</sup>, together with the exceptional participation of a wide number of companies in the U.N. Johannesburg Summit in 2002, contributed to improve the scope of LOGIC's HSE reporting process. Consequently, more emphasis was given to the impact of the organizational activities on the social community and internal workplace.<sup>3637</sup>

At the group level, an HSE department was created to define and update the Group Code of Practice guidelines; ensure the coordination of HSE management systems; audit the effectiveness of HSE management in the business areas and consolidate HSE performance indicators; define sustainability strategy and develop coherent initiatives; as well as promote the dissemination of information and best practices (LOGIC, 2001).

A data base was developed to better control the data input of the reporting process, building up statistical series for both consolidated and individual companies, as well as developing trend analysis. In 2001, HSE data were collected and reported by approximately 260 units, operating in more than 65 countries around the world.

The establishment of the HSE department also incentivized the development of an experimental HSE reporting system that was organized around four management processes: planning, implementation, control and corrective actions, and management review (see Figure 6.1)<sup>38</sup>.

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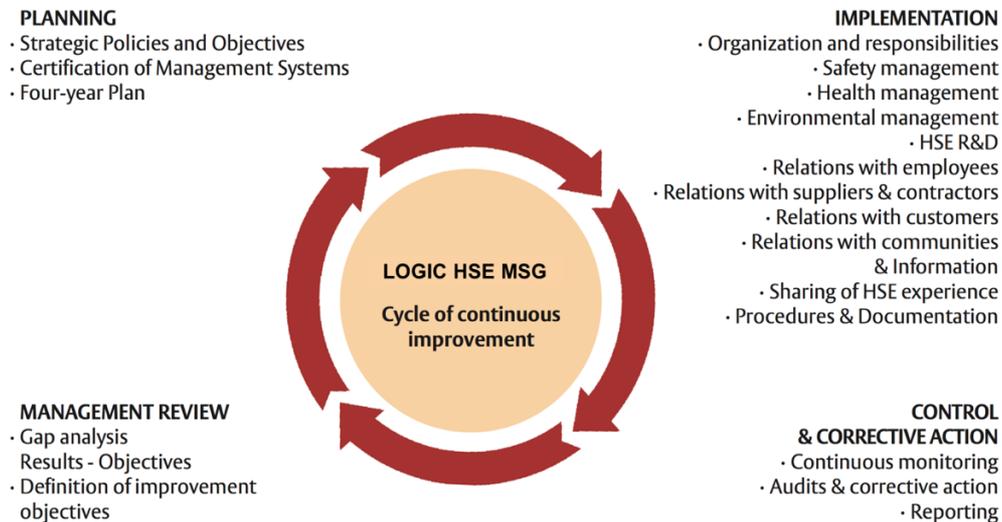
<sup>35</sup> For further information on the topic, please take a look at Chapter 2.

<sup>36</sup> In 2001 LOGIC signed a protocol of intentions with partner companies to improve the control of environmental performance and health care in the workplace (LOGIC, 2001). This protocol was aimed at stimulating managers' consultation and collection of information on the following issues: training, health, safety and environment, international industrial relations and employee shareholding.

<sup>37</sup> LOGIC, (2001), Health and Safety Report.

<sup>38</sup> The planning process was aimed at defining the objectives and schedules, technical, professional and financial resources to be included in the following four-year strategic plan. The implementation process comprised three further sub-categories: 1) the development of pre-arranged activities to ensure the achievement of HSE improvement objectives that were included in the strategic plan and the operative control of the HSE performance of business activities; 2) the emergency preparedness, which was dependent on the level of contingency planning; reporting and communication activities; 3) the involvement of employees, external parties and other stakeholders (such as local communities, governments, institutions and associations) in the pursuit of HSE objectives, also with regard to the company's commitment and results. The control process required the monitoring of annual HSE targets and objectives for identifying eventual corrective actions through continuous auditing and reporting. The management review process completed the HSE management system cycle and was

Furthermore, the HSE management system was implemented internally by LOGIC's business segments to take account of the specific needs of the operative context; keep LOGIC's corporate management up to date on HSE performance; and ensure the achievement of pre-established targets.



**Figure 6.1**– LOGIC's prototypical HSE management system (Source adapted from LOGIC's HSE report, 2002 p. 15)

In 2002, LOGIC created a Corporate Social Responsibility (CSR) unit to support the already existing HSE department in managing sustainability issues, performance, and impacts of the initiatives that cut across different areas of the business. The CSR unit promoted cohesiveness and awareness among the different organizational areas and dialogue with external stakeholders on the following issues: Human Resources, Security, Health Safety and Environment, Customer and Supplier Relations.

With the establishment of the new CSR unit, the HSE report was substituted by a Corporate Responsibility report in 2003 (also for 2004 and 2005), which focused mainly on LOGIC's respect for individuals, health and safety in the workplace, dialogue with labour representatives and on the development of the territories that host LOGIC's operations.

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developed in two activities: an analysis of the gap between results and targets; and the definition of objectives for the subsequent cycle, (LOGIC, 2001).

The development of the CSR reporting process within LOGIC was favoured by the occurrence of a growing number of international initiatives and regulations that required companies in the oil and gas industry to provide transparent communications about their responsibilities regarding social and environmental impacts, as well as explain how they operate to fulfil social demands (e.g. IPIECA and The Global Reporting Initiative sector supplement). In particular, multinational companies were expected to contribute to the development and economic growth of the poorest countries by offering new models of cooperation and promoting growth, progress and achievement of local people potentials (LOGIC, 2003).

In 2003, the concept of sustainability gained new meaning by focusing on “the adoption of a socially responsible business conduct”<sup>39</sup> and by giving higher emphasis to the social development of the communities in the developing countries in which LOGIC was operating at that time<sup>40</sup> (LOGIC, 2003).

The new approach to sustainability as a corporate social responsibility issue also influenced the contents published in the report, giving higher relevance to the company’s respect for the development of individuals by focusing on the company’s workforce safety and health, and the respect and development of the territory. However, environmental, social, health and safety initiatives, although being recognised as part of the company’s code of practice and corporate social responsibility, were still represented separately in the report.

The following chart briefly illustrates the evolving meaning of sustainability within LOGIC from 1996 to 2005, according to the contextual initiatives that took place in that period; the nature of the report produced; the key practices used and the units responsible for the preparation of the report (See Figure 6.2).

As explained in the following section, some of the most significant developments in terms of sustainability reporting within LOGIC took place

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<sup>39</sup> Corporate Responsibility report 2003, p. 9.

<sup>40</sup> Terms such as “Sustainability”, “Sustainable development” and “Sustainable value” appeared 79 times in 81 pages of the report.

in the period between 2006 and 2015 when the meaning of sustainability gained greater importance within the company’s initiatives and business model.

The evolution of sustainability reporting in LOGIC	From 1996 to 2005	
External contingencies	<ul style="list-style-type: none"> <li>• Globalization and internationalization of Oil and Gas companies</li> <li>• Privatization process of the company from 1996 to 2001</li> </ul>	<ul style="list-style-type: none"> <li>• Rio + 10, UN Earth Summit in Johannesburg, 2002</li> <li>• Introduction of international regulations and guidelines on Corporate Social Responsibility (i.e. GRI and Global Compact)</li> </ul>
Meanings of Sustainability	1996-2002: Sustainability as combining environmental and Health and Safety issues disconnected from traditional business objectives	2003-2005: Sustainability as Corporate Social Responsibility, introducing the importance of stakeholders' engagement
Report	Health and safety and Environmental report	Corporate Social Responsibility Report
Key practices used	HSE Management System	
Unit responsible for the preparation of the report	• HSE Department in 2001	• CSR unit in 2003

Figure 6.2 – The evolution of the meaning of sustainability from 1996 to 2005

#### 6.4 Phase two – from 2006 to 2009: connecting environmental, social and economic performance in a sustainability report.

The increasing pressures from external stakeholders and political institutions who were asking for more transparent reporting processes highlighted the inconsistencies between existing corporate social responsibility reporting practices, the broader evolution of the organizational activity and the external socio-contextual environment. Considering the increasing necessity to understand the role of organizations in the achievement of sustainable development, national institutions and regulators have developed guidelines, principles and standards to enhance organizations’ accounting and reporting in this regard (e.g. Global Compact, Global Reporting Initiative guidelines).

During this second evolutionary phase of reporting, “sustainability” within LOGIC gained further meaning by combining economic, social and environmental issues within the same reporting system and considering

sustainable development as a target to be pursued by involving internal and external stakeholders within the company's decision-making process<sup>41</sup>.

To strengthen the company's positioning and reputation towards sustainable development, in 2006 LOGIC consolidated its relations and memberships with some leading rating agencies on sustainability performance and reporting, such as the Dow Jones Sustainability index.

The development of the first sustainability report in 2006 contributed to reinforce the company's commitment to sustainable development, promoting LOGIC's stakeholder engagement and the involvement of the Board of Directors towards the achievement of long-term sustainability objectives. Higher relevance was given to the role of stakeholders for the company, formally taking into consideration not only their expectations, but also actively involving them in the implementation and development of LOGIC's sustainability principles and initiatives. In particular, a list of stakeholders who were interested in the company's activity towards sustainable development was illustrated, explaining for each the dialogue initiatives adopted (LOGIC, 2006; p. 24). Also, the structure of the report changed, highlighting the challenges of sustainability that most affect LOGIC's operations, from the upstream to the downstream; the company's governance structure and management system approach to sustainability; the company's commitments towards sustainable development and future expectations and strategies.

In order to make sustainability issues and objectives relevant for all organizational subunits, in February 2006, LOGIC launched a project called "Leadership and sustainability". The project was aimed at stimulating participants' reflection on the ethical component of usual managerial decisions, outlining a shared vision of sustainability and providing further information on the existing connection between sustainability initiatives, decision-making processes and managerial action.

From the development of the project on "Leadership and Sustainability", two main outputs were produced. First, in June 2006, the CSR unit and the HSE

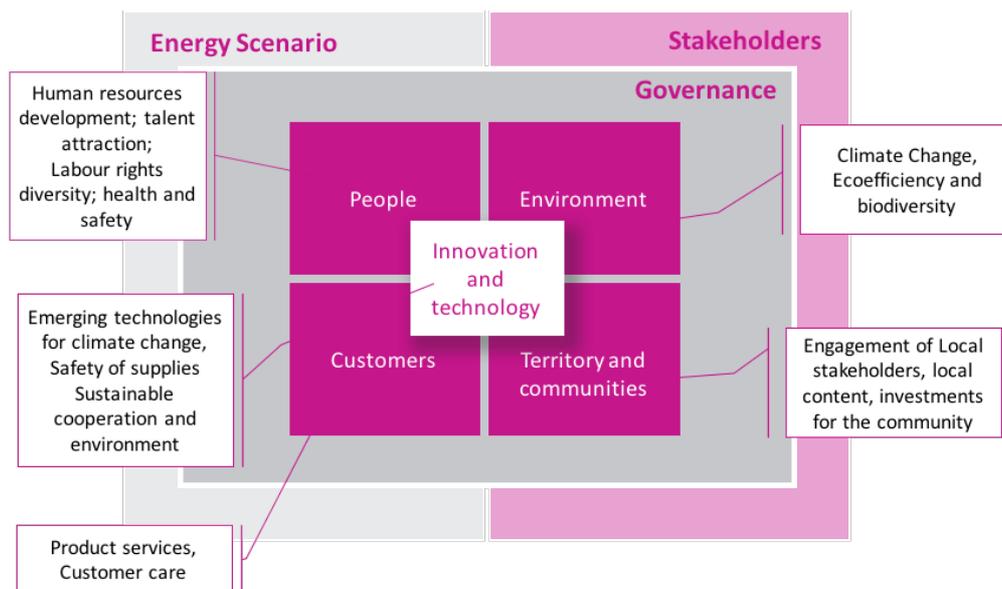
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<sup>41</sup> LOGIC, 2006; Sustainability report; p. 5

department were integrated into a new “Sustainability Unit” that was responsible for the preparation of internal and external reports on sustainability, in coordination with other guidelines and reporting tools provided by the CFO. A foundation was also created to promote and manage the development of projects and philanthropic initiatives in favour of host countries’ wellbeing and life quality, and to prevent poverty and social exclusion.

Second, sustainability objectives were included in the annual master plan. LOGIC’s commitments and action for sustainable development were set forth and approved by the Board of Directors as part of the Strategic Plan for 2007-2010, and in March 2007 the principles were approved for the organizational model for sustainability, which became fully operative by 2008.

A first illustration of the company’s strategic approach to sustainability was represented in 2007, highlighting the main drivers (e.g. People, Environment, Territory and Communities, Customers, Technological Innovation, Climate Change and Energy Efficiency that affect LOGIC’s business model to innovate over time and to invest in new technologies (see Figure 6.3). These were all surrounded by adequate governance guidelines and stable relations with external stakeholders.



**Figure 6.3** – LOGIC’s conceptual model of sustainability (Source adapted from LOGIC’s sustainability report, 2007 p. 15).

Building on the managerial experience gained through the prototypical implementation of the HSE management system in 2002, LOGIC presented its reviewed, sustainable reporting process and introduced the HSE integrated management system<sup>42</sup> in 2007 in order to support the reporting process and monitor sustainability initiatives and performance in accordance with the company's main business strategies.

The sustainability reporting process was structured into four main processes: Planning, Implementation, Control and Reporting (see Figure 6.4).

During the planning process, objectives and areas for sustainability that were relevant to the company's strategic plan were identified by the Sustainability Unit in conjunction with corporate departments and appropriate business areas.

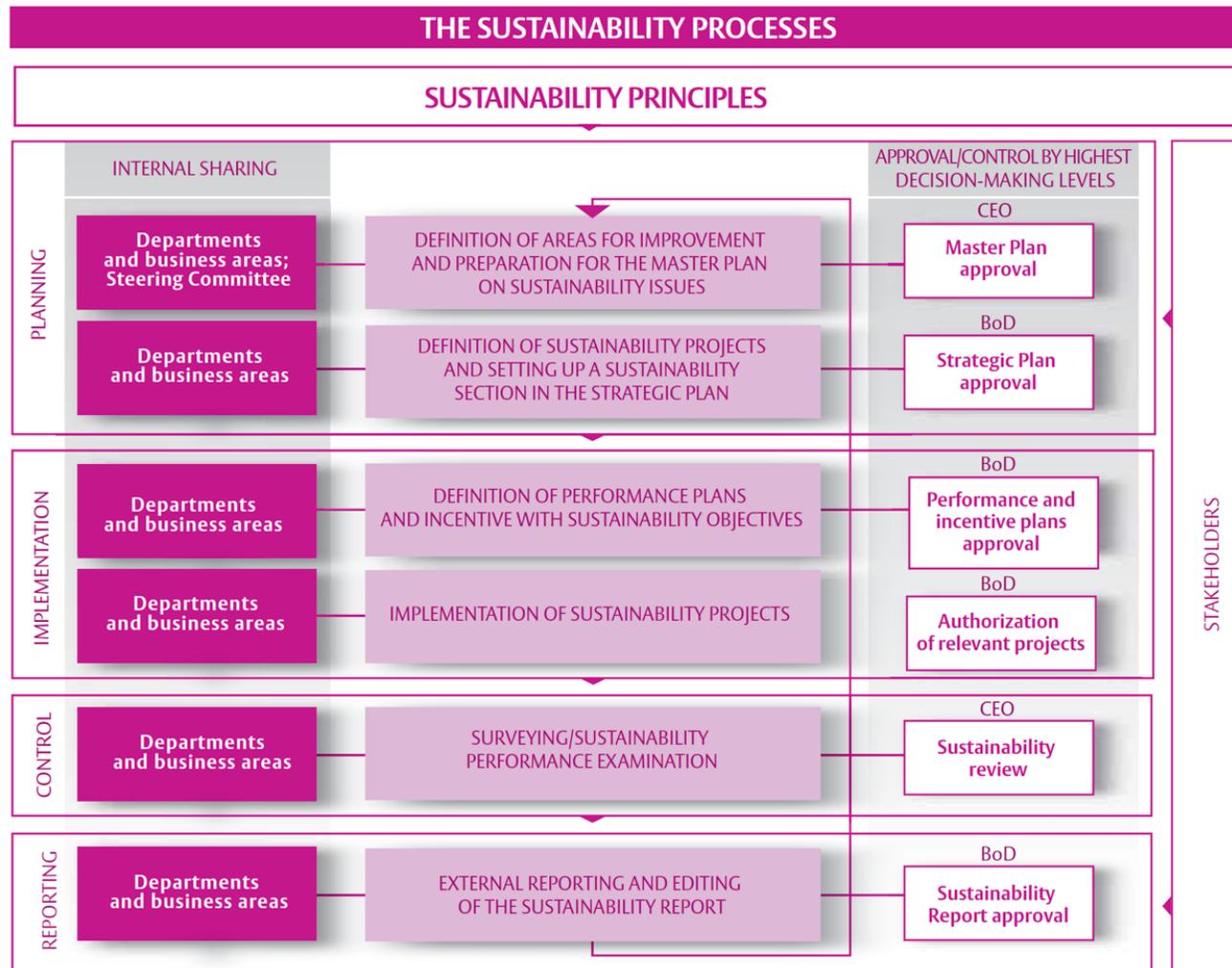
In particular, managers of the corporate departments and business areas were responsible for managing, measuring and controlling sustainability project performance and targets on the basis of the guidelines issued by LOGIC's CEO. Following the approval of the CEO, the corporate departments and business areas, together with the Sustainability Unit, were responsible for establishing the sustainability projects that were to be included in the ordinary planning and reporting processes.

During this process, managers were required to determine how their responsibilities for sustainability and business projects affected their appraisal and performance evaluation. As an incentive for achieving sustainability targets and objectives, top managers were evaluated according to the performance achieved that was in line with the group Sustainability results for the year and the Management by Objectives (MBOs) system.

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<sup>42</sup> The HSE integrated management system involved two levels of action: the first focused on the steering, coordination and monitoring of sector and corporate HSE departments; and the other on the technical-operational management of individual sites, which receive management guidelines and adapt them to fit their specific technical/plant/environmental situations (LOGIC, 2007; pp. 22 – 23).

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**Figure 6.4** – LOGIC’s Sustainability Process (Source adapted from LOGIC’s sustainability report 2007 p. 16)

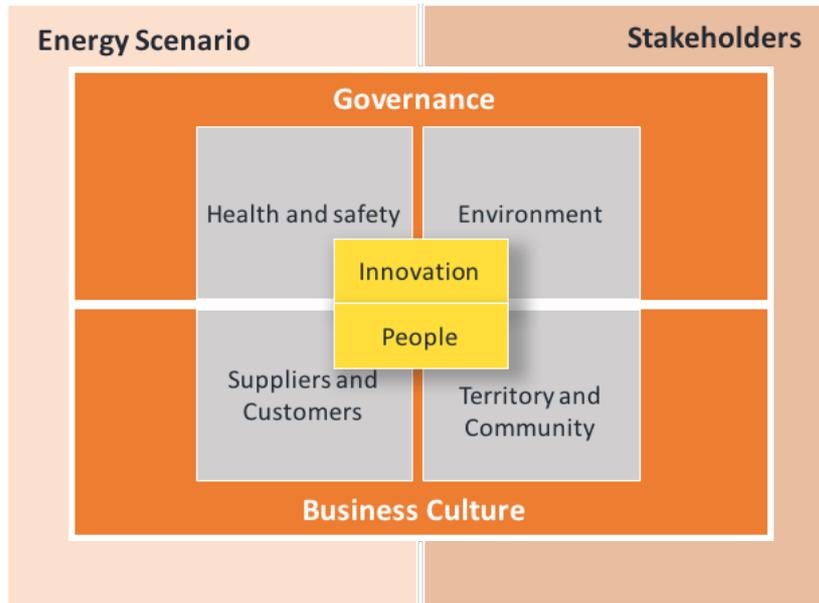
The control process for sustainability projects was pursued by collecting and submitting the main sustainability KPIs of the projects to the attention of the Board of Directors and the CEO, who had a central role in determining the information to report in the Sustainability and Annual Report (reporting process).

In 2008, LOGIC's Sustainability process and HSE integrated management model became fully operational, involving different departments in the determination of the main organizations' sustainability objectives and targets. The completion of the full year management and reporting process contributed to identifying those initiatives that particularly influenced the organization's approach to sustainable value creation. Priority intervention areas, objectives and action plans for the four-year period from 2008 to 2012 were reviewed and implemented according to the suggestions of LOGIC's main stakeholders.

Areas of improvement on the organization's sustainability initiatives were defined according to the main stakeholders' requests and the following four years of LOGIC's strategic initiatives and objectives (2009 – 2012).

In contrast to the previous reporting versions, LOGIC's 2008 sustainability report was completely re-structured, giving higher importance to three macro areas: the contextual issues and future trends of the oil and gas industry, the corporate approach to sustainability issues and the relations with external stakeholders (e.g. customers, governments and local institutions).

Also, the 2008 sustainability model slightly changed its structure, by showing people training processes and internal development as central dimensions of the organization's sustainability model, together with innovation in research and development (see Figure 6.5).



**Figure 6.5** – LOGIC’s sustainability model (Source adapted from LOGIC’s sustainability report 2008 p. 28)

In 2009 the company decided to publish its last “sustainability” report (the last of its category) to leave space for a new form of report that would be able to illustrate the cause-effect relationships between financial and non-financial information. Because of the transitional role of the 2009 report, not many changes have been registered since 2008. The 2009 report mainly focused on the company’s stakeholder engagement process, illustrating the key issues highlighted by the most relevant stakeholders and classifying them according to the company’s main strategic objectives and materiality for the business. A materiality assessment was presented, analysing the relevance of each topic considered to be material according to the company’s strategic objectives and the main stakeholders’ expectations. The level of internal significance of the topics was determined by analysing the company’s short, medium and long-term strategies, in light of the sustainability performance that was achieved in the past.

The chart below briefly illustrates the evolving process of sustainability within LOGIC’s reporting period from 2006 to 2009, according to the contextual initiatives that took place during that period; the nature of the report produced; the key practices used and the units responsible for the preparation of the report (see Figure 6.6).

Representing sustainability within organizations:  
the role of accounting and reporting practices.

The evolution of sustainability reporting in LOGIC	From 2006 to 2009		
External contingencies	<ul style="list-style-type: none"> <li>• Increased laws and regulations, both domestically and internationally (i.e. multiplicity of guidelines and directives on transparency of accounting practices for sustainability in Europe)</li> <li>• International stakeholders pressure for higher transparency.</li> <li>• Consolidated relations and memberships with some leading rating agencies on sustainability performance and reporting, such as the Dow Jones Sustainability index.</li> </ul>		
Meanings of Sustainability	2006-2009: Sustainability does not make distinctions between Environmental and social issues. Sustainability gives name to the report.		
Report	Sustainability Report		
Key practices used	<b>2006</b> <ul style="list-style-type: none"> <li>• Launch of the project on leadership and sustainability to stimulate participants reflections on ethical issues.</li> </ul>	<b>2007</b> <ul style="list-style-type: none"> <li>• First Sustainable Business Model published.</li> <li>• First Integrated Management Sustainability process developed.</li> </ul>	<b>2008-2009</b> <ul style="list-style-type: none"> <li>• The Integrated Management Sustainability process is fully operational.</li> <li>• Adoption of the GRI Materiality Matrix.</li> </ul>
Unit responsible for the preparation of the report	The Sustainability Unit replaced the CSR unit and the HSE department		

**Figure 6.6** – The evolution of the meaning of sustainability from 2006 to 2009

In 2010, after having issued a series of sustainability reports, LOGIC realized that the simple act of reporting data about the company sustainability initiatives was not enough. What was missing was a broader process of analysis and communication that would be able to illustrate the strategic leverages of the company towards sustainable value creation.

The following section describes LOGIC’s integrated reporting journey from 2010 to 2015, explaining how the meaning of sustainability has changed over time, also due to the application of this new reporting process.

## 6.5 Phase Three – from 2010 to 2015: integrating and connecting sustainability performance within LOGIC’s strategies

### 6.5.1 *Applying integrated reporting within LOGIC: combining sustainability and financial performance in the same report.*

In the aftermath of the financial crisis in 2008, the notion and functioning of capitalism, the ultimate purpose of the business, as well as the concept of corporate value creation have been questioned, together with the existing

logic, principles, and practices used to manage and approach sustainable development.

External factors such as the evolution of national and international laws and regulations, (i.e. multiplicity of guidelines and directives on transparency of accounting practices for sustainability in Europe, SEC guidelines and Dodd-Frank Act in the United States, Grenelle II act in France to name a few) required LOGIC to improve its accounting and reporting system in order to clarify the connection between traditional business and sustainability performance in their annual reports. Additionally, the devastating accident of the British Petroleum deep-water platform in the Gulf of Mexico in late 2000, required oil and gas companies to demonstrate how the impacts generated by a non-optimal management of intangibles on business results can affect the medium and long-term company reputation and financial viability.

It was around this time, that senior managers from different units in LOGIC questioned the effectiveness of their existing sustainability reporting practices, with the intention of trying to better comprehend how and whether these practices were aligned with the main organization's strategies and objectives. Particularly, managers within LOGIC's Sustainability Unit realized that a new approach was needed in order to communicate the ways in which sustainability and financial performance influence each other and the long-term viability of the business.

In 2010, the managers of the Sustainability Unit, in accordance with the Board of directors, discontinued the preparation of the sustainability report and adopted a prototype version of integrated report as their official Annual Report. As explained by the Head of the Sustainability Unit:

“After having published Sustainability Reports for several years, we realized that we needed a more comprehensive report to inform stakeholders about all strategic drivers the company is relying upon in its business operations, to produce sustainable value in the long term.”  
(HOS)

However, the absence of adequate principles, guidelines and reporting practices made the collection and representation of multiple performance factors in one report difficult. Indeed, the 2010 integrated annual report represented merely an embryonic attempt to put into one report a collage of

information about the company's traditional and sustainability activities. The integrated reporting process became more structured in the following five years, in which new management accounting systems and key practices were adopted to improve the connectivity between financial and sustainability performance. This process required a reorganization of the business activities and a profound redefinition of LOGIC's governance structure, decision-making processes, operating mechanisms, planning and monitoring systems.

With the implementation of the integrated reporting system, new rules and routines emerged to regulate the processes of gathering, collecting, accounting and reporting sustainability-related information. In particular, the involvement of different managers in the preparation of the integrated report, concurrently with the evolution of the IIRC international integrated reporting framework, contributed to the rethinking of LOGIC's internal and external management and communicating process, thereby increasing the awareness of the link between financial and non-financial performance.

Also, LOGIC's organizational structure changed, moving from a division-based structure, to becoming streamlined and refocused on the priority of the company's core business. In 2013, a "sustainability and external scenarios committee" was established as part of the Board of Directors to instil and inspire the organizational culture of the importance of integrating financial and non-financial performance, as well as business and sustainability strategies, as two relevant issues in the company's decision-making process.<sup>43</sup>

Further reinforcement of LOGIC's adoption of integrated reporting came from their participation in the 2011 pilot programme launched by the IIRC, which contributed to rethink and discuss the best practices for connecting

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<sup>43</sup> A clear example of taking decisions according to the integration between business and sustainability strategies refers to the maximization of the company's industrial value and know-how. In the period between 2013-2015, LOGIC restructured its assets in order to move to a low carbon approach of the business, transforming and enhancing most of its sites, which for 60 years had been part of the history of the company (see Section 6.5.3). In particular, LOGIC's strategy in Italy ranged from the consolidation of the Upstream sector, converting low-margin sites into bio-refineries, to refocus the exploration and production on specialties and green chemical products. The decisions made regarding this conversion combined the company's objective of profitability with the protection of employment levels and environmental preservation.

financial and sustainability performance. Furthermore, a work group was created in 2011, gathering managers from different functions such as: corporate planning, sustainability, external relations, corporate governance, and integrated risk management.

All these initiatives contributed to sharing and developing a new meaning for sustainability as being integrated within the business strategies and value creation. This new understanding of sustainability, as an integral part of the business objectives and strategies, also emerged from the accounting and reporting practices that the company used.

The 2011 version of the integrated report was a great improvement from that of 2010, giving details on LOGIC's external scenario and industrial growth. Greater emphasis was given to the communication of the company's strategies for the following four years, the business model, governance and integrated risk management.

Differing from the sustainability business models seen in 2007 and 2008, LOGIC's 2011 business model illustrated the strategic, organizational and sustainable aspects of the business and was designed around three circles framed by the organization's rules of corporate governance. The circles refer to the distinctive assets (i.e. value chain activities), strategic guidelines (i.e. drivers that lead to the creation of sustainable value), and pillars that influence the organization's ability to create value over the long term (see Figure 6.7).

LOGIC's integrated risk management model (IRM) represents the second most relevant practice presented in 2011, and broadly developed in 2012. The integrated risk management model was aimed at ordering, classifying and assessing the most relevant financial and non-financial risks that affect the company's sustainable value creation process. Based on the guidelines provided by the Board of Directors, the IRM model identifies, analyses and assesses the impact and probability of occurrence of risks according to the relevance to the country in which LOGIC operates, regulatory developments, environment, finance, strategy and operations. The score attributed to each risk is then illustrated in a matrix that combines the probability of occurrence and its levels of impact through quantitative and qualitative parameters,

which are continually monitored to identify areas of improvement; analyse risk evolution in terms of treatment measures and prevent the occurrence of potential new risks. The 2011 integrated report also introduced a specific section, entitled “Consolidated Sustainability Statement”, in which the key performance indicators of social and environmental initiatives were illustrated.<sup>44</sup>

In 2012, LOGIC had to readapt its value chain activities to better address the three major shocks that affected the energy sector at that time, such as: the collapse of gas consumption; the decline of oil demand and refining margins; and the dramatic fall of oil prices in Europe (LOGIC, 2012). Also, the company’s business model has been reviewed, considering the company’s ability to deliver sustainable value as a central issue to be pursued.

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<sup>44</sup> The sustainability consolidated statement was prepared in accordance with the “Sustainability Reporting Guidelines, version 3.1” issued by the GRI, comparing the last three years (2009-2011) sustainability performance with a focus on the principles of materiality, completeness, and stakeholder inclusiveness.

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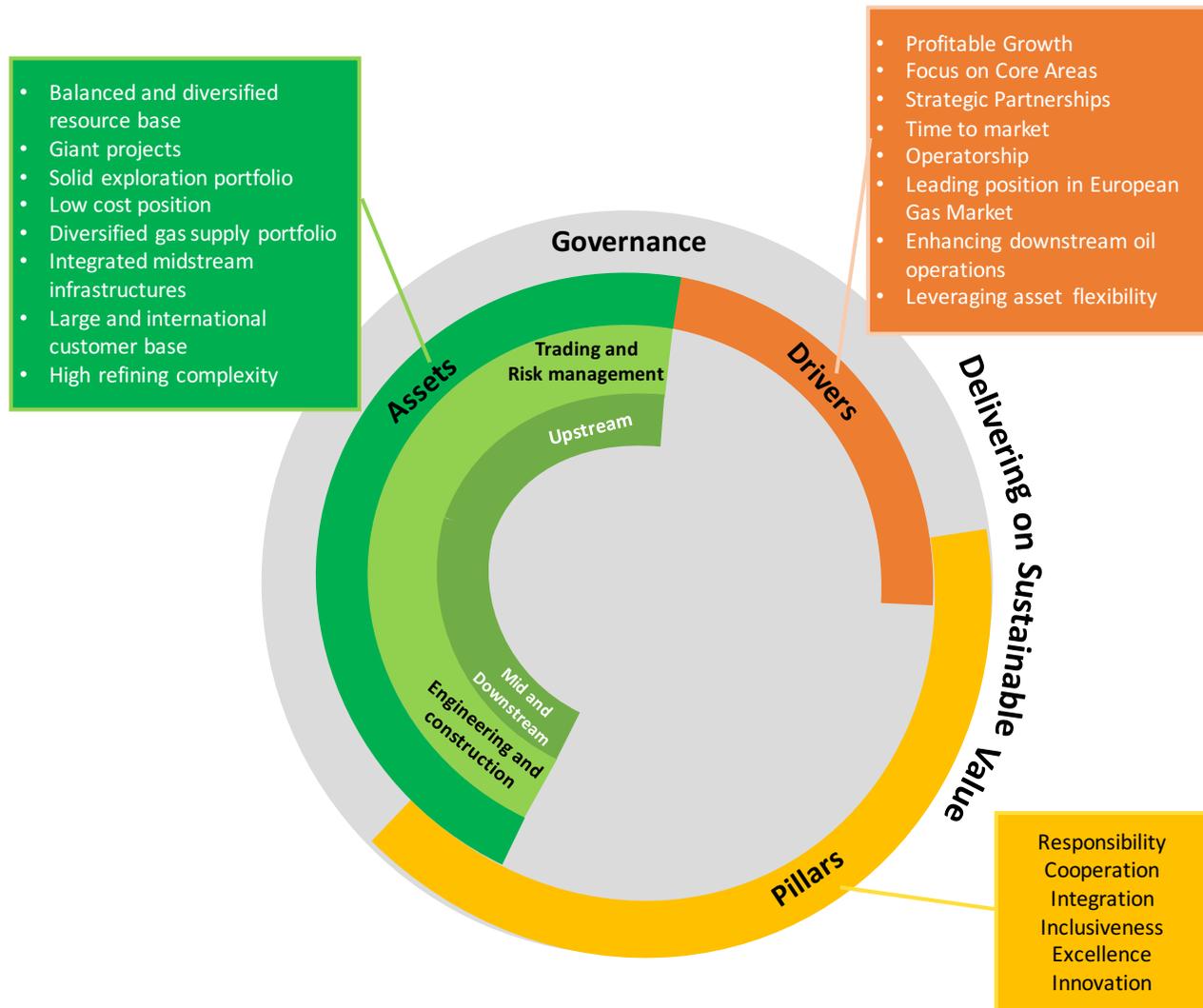


Figure 6.7 – LOGIC’s integrated business model (Source adapted from LOGIC’s integrated report 2011)

The 2012 business model illustrates the company's governance structure and the integrated risk management process as the base for the main assets, drivers and strategies that characterize the company's ability to deliver sustainable value (see Figure 6.8). Within this description, sustainability issues are conceived as main drivers for achieving LOGIC's business goals with a focus on exploration activity and replacement of reserves.

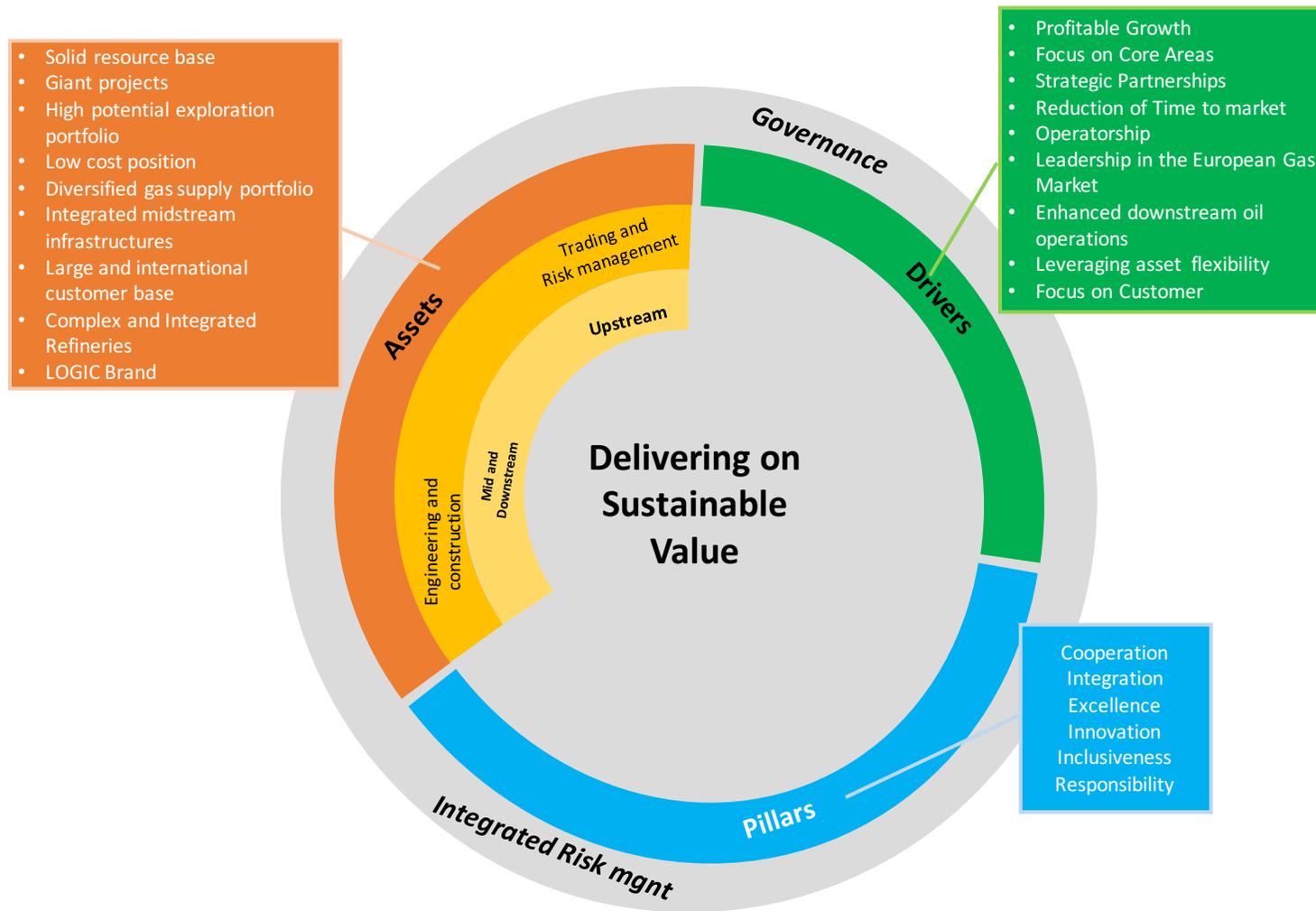
Although the implementation of integrated reporting in 2011 and 2012 contributed to spread awareness about the necessity to understand the initiatives and drivers through which the company creates sustainable value in the long term, sustainability and financial performance were still represented as being separate from each other and not very connected. Financial and sustainability information were brought together in the same annual report but illustrated separately and matched as a collage of information and figures.

The absence of a framework or guidelines to support the preparation of the integrated report made the integration of different kinds of information difficult. Further, the increasing amount of information to collect and analyse made the internal communication process difficult between different functions and perspectives. These difficulties affected the length of the two reports published in 2011 and 2012, which were still quite long (around 260 pages). After the publication of the Integrated Reporting Framework in 2013, more efforts have been made in the development of a management control system able to represent the cause and effect relationship between financial and sustainability performance. In particular, to improve the connectivity between sustainability and financial performance towards the assessment of the sustainable value created by the company, between 2013 and 2015 the Sustainability Unit led the development of a prototypical project for integrated thinking and reporting, which was adopted at the group level in 2015<sup>45</sup>.

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<sup>45</sup> The development of the project for integrated thinking and reporting will be analysed in depth in Chapter Seven exploring the process through which sustainability issues have been discussed in practice to determine its integration in the company's strategic objectives.

Chapter Six - The case of LOGIC:  
The evolution of sustainability reporting from 1996 to 2015.



**Figure 6.8** – LOGIC’s integrated business model, 2012 (Source adapted from LOGIC’s integrated report 2012 p. 12)

6.5.2 *Connecting multiple perspectives and performance: the 2013-2015 integrated reporting development.*

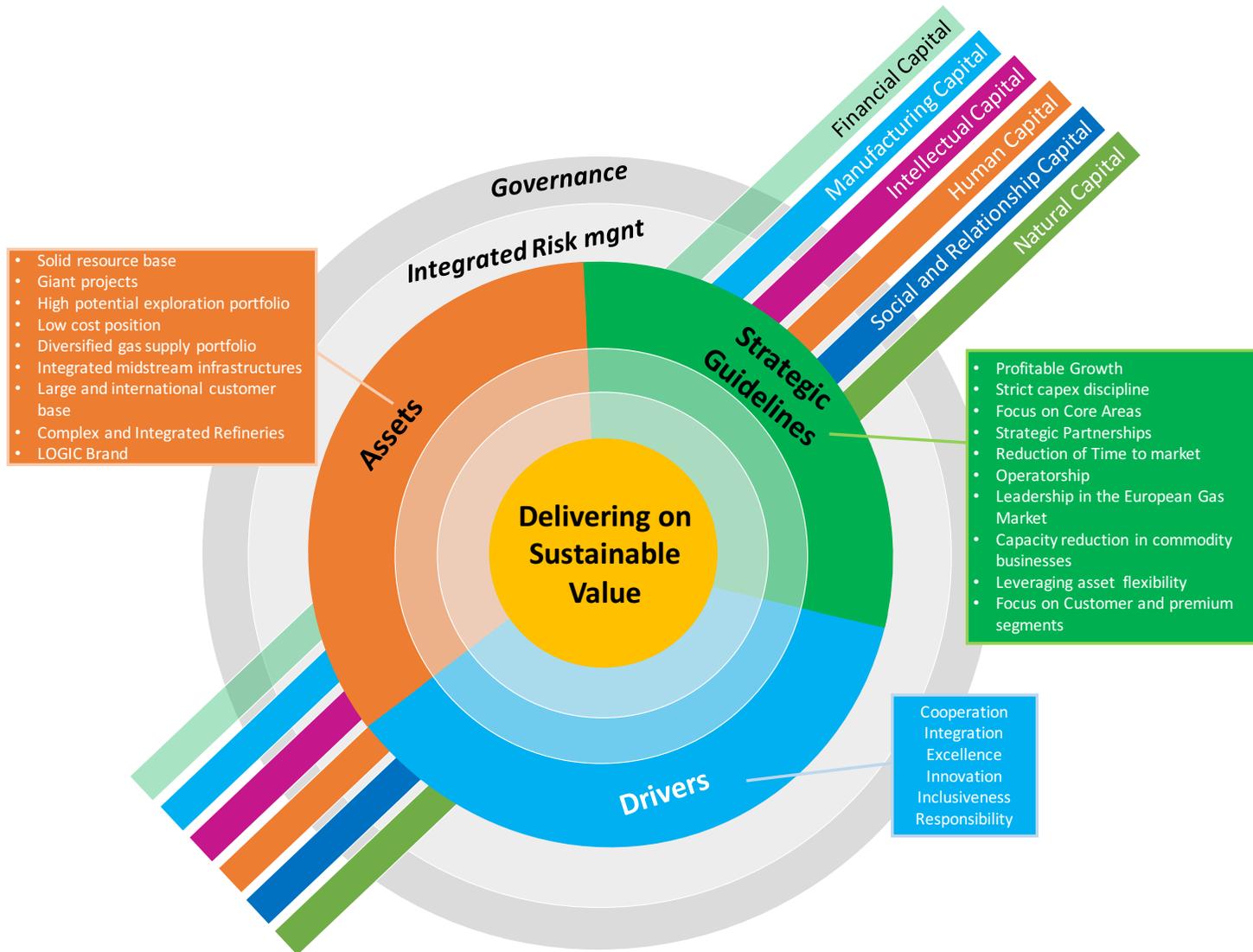
The 2013 annual report was the third official integrated report published by LOGIC and the first prepared in accordance with the guidelines and principles of the prototype framework published by the IIRC in December 2013. This integrated report described the competitive context, the main challenges of the market for each segment of the value chain (from the upstream to the downstream), the financial and non-financial performance achieved, and the related targets for the following three years (2014-2017).

Also, LOGIC's business model was redesigned with the aim to illustrate how multiple sources of capital (i.e. capitals) affect the organization's strategies and sustainable value creation in the long term.<sup>46</sup> The capitals (i.e. financial, manufacturing, intellectual, human, social and relationship, and natural) are represented as cutting across the business model and providing the basis for the achievement of the company's strategic guidelines, assets and drivers. For each capital, the report illustrates in a table the most relevant objectives, initiatives and actions that affect the company value creation process and, more generally, the value created for and perceived by multiple organizational stakeholders (see Figure 6.9 and 6.10).

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<sup>46</sup> Some of the most relevant KPIs per capital are illustrated along with the description of LOGIC's value chain from the upstream to the mid-downstream. Concerning financial capital, the report provides some data about the net profit for the year compared to 2012, the net cash of operating activities and the dividends paid. Concerning manufacturing capital, data on the capital expenditures for 2013 and the hydrocarbon reserves discovered were provided. Also, the report gives some information concerning the investments made in R&D and the number of patents detained. Concerning human capital, some data are provided regarding the percentage of employees hired during the year and the percentage of woman. Then concerning social and relationship capital, the report gives some data on the value of investments made in host countries. Some further data on the reduced number of oil spills and green-house gas (GHG) emissions, compared to the previous year, are provided to explain their impact on the environmental capital.

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**Figure 6.9** – LOGIC’s integrated business model, 2013 (Source adapted from LOGIC’s integrated report 2013, p. 4)

Representing sustainability within organizations:  
the role of accounting and reporting practices.

LOGIC Initiatives/ Capitals		Stock of Capital	LOGIC's main Actions	Value Creation for LOGIC	Value Creation for LOGIC's Stakeholders
<b>Financial Capital</b>	<ul style="list-style-type: none"> <li>Financial Structure</li> <li>Liquidity Reserves</li> </ul>	<ul style="list-style-type: none"> <li>Cash Flow from Operations</li> <li>Bank Loans</li> <li>Bonds</li> <li>Maintaining strategic Liquidity</li> <li>Hedging</li> <li>Dividends</li> <li>Buyback</li> <li>Working Capital Optimization</li> </ul>	<ul style="list-style-type: none"> <li>Going Concern</li> <li>Lower Cost of Capital</li> <li>Reduction of Working Capital</li> <li>Leverage Optimization</li> <li>M&amp;A Opportunities</li> <li>Mitigation of Market Viability</li> <li>Credit Worthiness</li> </ul>	<ul style="list-style-type: none"> <li>Yields</li> <li>Share Price appreciation</li> <li>Social and Economic Growth</li> <li>Satellite Activities</li> </ul>	
<b>Productive Capital</b>	<ul style="list-style-type: none"> <li>Onshore and Offshore plants</li> <li>Pipeline and Storage plants</li> <li>Liquefaction Plants</li> <li>Refineries</li> <li>Distribution Networks</li> <li>Power Plants</li> <li>Chemical Plants</li> <li>Buildings and other equipment</li> </ul>	<ul style="list-style-type: none"> <li>Technological Upgrade</li> <li>Process Upgrade</li> <li>Investments in new Businesses</li> <li>Maintenance and development activities</li> <li>Increase Environment Certifications</li> </ul>	<ul style="list-style-type: none"> <li>Returns</li> <li>Enlarging assets portfolio</li> <li>Increase assets value</li> <li>Reduction of Operational risks</li> <li>Energy and operational efficiency</li> <li>Reputation</li> </ul>	<ul style="list-style-type: none"> <li>Availability of energy sources</li> <li>Employment</li> <li>Satellite Activities</li> <li>Reduction of direct GHG emissions and responsible use of resources</li> </ul>	
<b>Intellectual Capital</b>	<ul style="list-style-type: none"> <li>Technologies and intellectual properties</li> <li>Corporate internal procedures</li> <li>Corporate governance systems</li> <li>Integrated Risk management</li> <li>Management and control systems</li> <li>Knowledge Management</li> <li>ICI</li> </ul>	<ul style="list-style-type: none"> <li>Research and development expenditures</li> <li>Partnerships with center of excellence</li> <li>Development of proprietary technologies</li> <li>Application of procedures and systems</li> <li>Audit</li> </ul>	<ul style="list-style-type: none"> <li>Competitive Advantage</li> <li>Risk mitigation</li> <li>Transparency</li> <li>Performance</li> <li>License to Operate</li> <li>Stakeholders' acceptability</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of Environmental and social impacts</li> <li>Transfer of technologies and know-how to host countries</li> <li>Contributing to the fight against corruption</li> <li>Green Products</li> </ul>	
<b>Human Capital</b>	<ul style="list-style-type: none"> <li>People's Health and safety</li> <li>Know-how and skills</li> <li>Experience</li> <li>Engagement</li> <li>Diversity (Gender, seniority, Geographical)</li> <li>LOGIC's thinking</li> </ul>	<ul style="list-style-type: none"> <li>Safety at work</li> <li>Recruiting, education and on the job training</li> <li>Promotion of human rights</li> <li>LOGIC's people engagement</li> <li>Knowledge management</li> <li>Welfare</li> <li>Leveraging on diversity</li> <li>Enhancing individual talents and remuneration in accordance to a merit system</li> </ul>	<ul style="list-style-type: none"> <li>Performance</li> <li>Efficiency</li> <li>Competitiveness</li> <li>Innovation</li> <li>Risk mitigation</li> <li>Reputation</li> <li>Talent Attraction</li> </ul>	<ul style="list-style-type: none"> <li>Create employment and preserve jobs</li> <li>Wellness of LOGIC's people and communities</li> <li>Increase and transfer know-how</li> </ul>	
<b>Social and Relationship Capital</b>	<ul style="list-style-type: none"> <li>Relationships with stakeholders (Institutions, governments, communities, associations, customers, suppliers, NGOs, industrial partners, universities)</li> <li>LOGIC's brand</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholders' engagement</li> <li>MoU with governments and local authorities</li> <li>Projects for local development and local content</li> <li>Strategic partnerships</li> <li>Involvement in international panel discussions</li> <li>Development of programmes on research and training</li> <li>Partnerships with trade unions</li> <li>Quality of services rendered</li> <li>Brand management</li> </ul>	<ul style="list-style-type: none"> <li>Operational and social licence</li> <li>Reduction of time to market</li> <li>Country risk reduction</li> <li>Market share</li> <li>Alignment to international best practices</li> <li>Reputation</li> <li>Competitive advantage</li> <li>Supplier reliability</li> <li>Customer retention</li> </ul>	<ul style="list-style-type: none"> <li>Local Socio-economic development</li> <li>Customers and suppliers satisfaction</li> <li>Share of expertise with territories and communities</li> <li>Satisfaction and incentives for community</li> <li>Promoting respects of Workers' rights</li> </ul>	
<b>Natural Capital</b>	<ul style="list-style-type: none"> <li>Oil/gas reserves</li> <li>Water</li> <li>Biodiversity and ecosystems</li> <li>Air</li> <li>Soil</li> </ul>	<ul style="list-style-type: none"> <li>Exploration, production, transporting, refining and distributing hydrocarbons</li> <li>Investments in new businesses (Bio-refineries)</li> <li>Investments in technological and process upgrades</li> <li>Remediation activities</li> </ul>	<ul style="list-style-type: none"> <li>Hydrocarbon reserve growth</li> <li>Opex Reduction</li> <li>Mitigation of operational risks</li> <li>Reputation</li> <li>License to operate</li> <li>Stakeholder recognition</li> </ul>	<ul style="list-style-type: none"> <li>Reduction of gas flares</li> <li>Reduction of oil spills and blowout</li> <li>Preservation of biodiversity</li> <li>Green Products</li> <li>Containment of Water consumption (Reinjection and Water reuse)</li> <li>Energy efficiency</li> </ul>	

Figure 6.10 – LOGIC's capitals, KPIs and strategic initiatives 2013 (Source adapted from LOGIC's integrated report, 2013 p. 5)

The integration of LOGIC's strategies with sustainability initiatives found its establishment in the 2014 integrated report. For the first time since its publication, LOGIC's integrated report was aimed at explaining how the main strategic objectives were affected by the different capitals involved in the value chain by identifying the main initiatives that contribute to their achievement. A table illustrates the correlation between the main strategies from the upstream to the downstream (columns) and the key capitals that affect the organizational ability to create sustainable value (rows). Also, the report lists the key performance indicators of each capital in a table, classifying them according the main strategies of the segments of the value chain. The indicators are analysed for a period of three years.

The principle-based approach suggested by the framework of the IIRC helped LOGIC's reporting process evolve over the years, enabling the company to better understand its approach to sustainable value creation and how it affects the company's main strategic objectives. In particular, the integrated reporting process provided managers with a useful "box" in which to store the different performance information and capitals that influence the capacity to create sustainable value over the long term.

Although the reports for 2013 and 2014 were better structured and more oriented to the integration of financial and non-financial performance in order to achieve the company's strategic objectives, the two reports do not explain the correlations and interdependencies between sustainability initiatives and traditional business activities. In 2013 and 2014, it was still not very clear how sustainability and financial performance affect the value creation process and the main activities of the organization's value chain. Financial and non-financial capital were illustrated in the report, providing an inventory of information, without, however, delving into the analysis of its cause-effect relationship on the company's strategic objectives (see Figure 6.11).

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Strategic objectives/ Capitals	Cash Flow and Value Generation			
	increase the value of explorative resources growth in upstream cash generation	return to structural profitability in the gas & power business	Turnaround in refining & marketing and Chemical businesses	Focus on efficiency
Financial Capital	<ul style="list-style-type: none"> <li>Investment selectivity</li> <li>Reduction of opex per barrel</li> <li>Reduction of exposure to partners/National Companies</li> <li>Reduction of time-to-market</li> </ul>	<ul style="list-style-type: none"> <li>Gas contracts portfolio restructuring</li> <li>Working capital optimization</li> <li>Simplifying the operations and optimization of logistic costs</li> </ul>	<ul style="list-style-type: none"> <li>Investment selectivity</li> <li>Opex reduction</li> <li>Working capital optimization</li> </ul>	<ul style="list-style-type: none"> <li>Capex reduction</li> <li>G&amp;A costs reduction</li> <li>Working capital optimization</li> </ul>
Productive Capital	<ul style="list-style-type: none"> <li>Exploration portfolio renewal</li> <li>HPC computing Center</li> <li>Proprietary instruments for seismic activity</li> <li>Operatorship</li> <li>Project execution optimization</li> <li>Asset integrity</li> </ul>	<ul style="list-style-type: none"> <li>Continental hub monitoring</li> <li>Enhanced of Asset Back Trading</li> <li>Upstream integration</li> <li>Power plant optimization</li> </ul>	<ul style="list-style-type: none"> <li>Critical sites reconversion/rationalization</li> <li>Promotion of energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Process optimization</li> <li>Lean Organization</li> </ul>
Intellectual Capital	<ul style="list-style-type: none"> <li>R&amp;S investments</li> <li>Proprietary technologies development and patents management</li> <li>Development of technologies to increase the recovery rate</li> </ul>	<ul style="list-style-type: none"> <li>Take-or-pay risk integrated management</li> <li>Development of innovative products and services</li> <li>Evolution in processes and systems</li> </ul>	<ul style="list-style-type: none"> <li>R&amp;S investments</li> <li>Business innovation</li> <li>Research applied in green business</li> </ul>	<ul style="list-style-type: none"> <li>Proprietary technologies development and patent management</li> <li>Continuous improvement</li> <li>Change management</li> </ul>
Human Capital	<ul style="list-style-type: none"> <li>Safety in the workplace</li> <li>Recruitment, education and training on the job</li> <li>Internal know-how enhancement</li> <li>Promotion of human rights</li> <li>Knowledge management</li> </ul>	<ul style="list-style-type: none"> <li>Safety in the workplace</li> <li>Reorganization/streamlining operations</li> <li>Internal know-how enhancement</li> <li>Change management</li> </ul>	<ul style="list-style-type: none"> <li>Safety in the workplace</li> <li>Internal know-how enhancement</li> <li>Internal mobility</li> <li>Development of new skills</li> </ul>	<ul style="list-style-type: none"> <li>Safety in the workplace</li> <li>Involvement of employees</li> <li>Internal know-how enhancement</li> </ul>
Social and Relationship Capital	<ul style="list-style-type: none"> <li>Partnerships with governments and local authorities</li> <li>Territorial development and Local content projects</li> <li>Increase in access to energy</li> <li>Respect of human rights</li> <li>Promotion of transparency</li> </ul>	<ul style="list-style-type: none"> <li>Gas advocacy</li> <li>Relationship with customers and suppliers</li> <li>Know-how in negotiations</li> </ul>	<ul style="list-style-type: none"> <li>Trade union dialogue</li> <li>Local stakeholder management</li> <li>Strategic partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Trade union dialogue</li> <li>Stakeholders management</li> </ul>
Natural Capital	<ul style="list-style-type: none"> <li>Increase in oil&amp;gas reserves</li> <li>Oil spill reduction</li> <li>Blowout reduction through optimization of upstream operations</li> <li>Gas enhancement for zero gas flaring</li> <li>Biodiversity protection and sensible areas</li> </ul>	<ul style="list-style-type: none"> <li>Energy efficiency initiatives</li> <li>Promotion to customers of energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Investments in biorefining and green chemistry</li> <li>Promotion of energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of energy efficiency</li> <li>Efficient use of resources</li> </ul>

Figure 6.11 – Correlations between LOGIC’s strategies and capitals (Source adapted from LOGIC’s integrated report, 2014)

A first attempt to address the connectivity between financial and non-financial performance was made between 2015 and 2016, when the report showed a connectivity map for the first time. The connectivity map represented the outcome of a project for integrated reporting that started in 2013 and was launched by the Sustainability Unit to better illustrate how the company's sustainability initiatives and performance affect the long-term financial viability of the business (see Figure 6.12).

The connectivity map graphically illustrates the cause-effect connections among actions and initiatives taken in the upstream segment of the value chain to achieve the main strategic objectives, (i.e. fuel value and increase explorative resources, growth in upstream cash generation), and to respond to LOGIC's external challenges. Further, the map shows the effects that these initiatives may have on the achievement of positive financial performance for the year, in comparison with future targets (i.e. connecting arrows). Also, it identifies the risks that may inhibit the achievement of LOGIC's short, medium and long-term strategic objectives and the main performance for the year.

Coherent with the previous reporting years, the 2015 integrated report illustrates the main challenges that the company faces and the actions it must take to achieve the objectives of the following four-year plan. Also, the risk management process is described, analysing the top risks for the year and the actions taken to mitigate their impacts. The development of the connectivity map required the active participation of multiple managers in order to better highlight how sustainability initiatives affect the company's sustainable value creation process over the long-term. Also, the development of the connectivity map and more broadly of integrated reporting within LOGIC had relevant effects on the organization decision making process. As explained in the following paragraph, the development of the connectivity map and the illustration of the cause-effect relations between multiple capitals enabled managers within LOGIC to balance economic, environmental and social performance to decide whether converting or not a traditional refinery into a bio-refinery and produce proprietary bio fuels.

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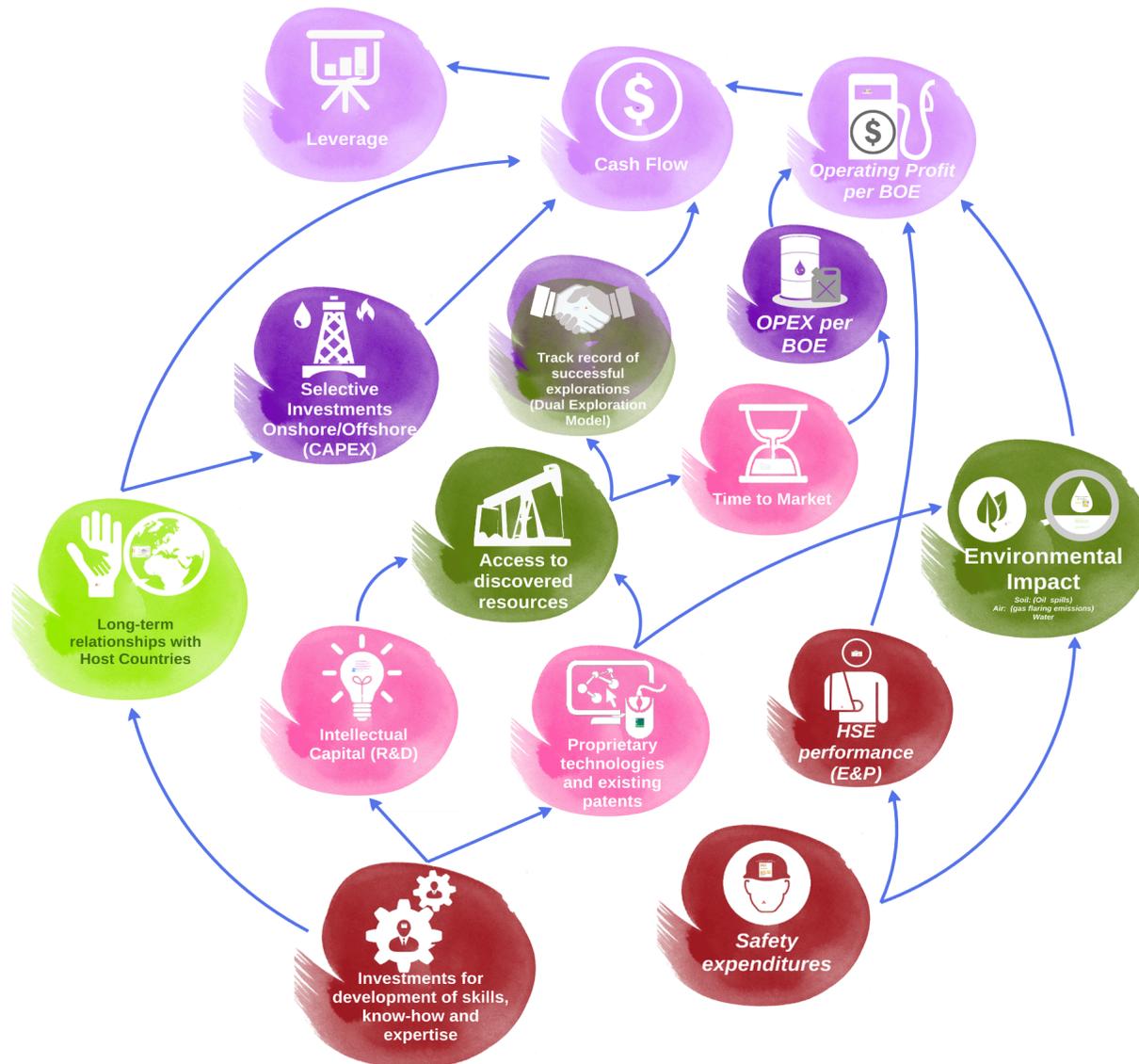


Figure 6.12 - LOGIC's connectivity map (Source adapted from LOGIC's integrated report, 2015 p. 20)

6.5.3 *Accounting and reporting for innovation: turning a break-even struggle into the first world's converted bio-refinery*

Together with the strategies undertaken and the performance(s) achieved by a – traditionally solid, but recently more vulnerable – upstream sector, LOGIC's new approach to reporting has recently accounted also for significant decision-making processes related to the struggling Downstream sector, where the refining business went through a major process of innovation and transformation in search of new market opportunities. With the intention to address the challenges presented by Asian competitors, the substantial reduction of the demand and refining margins in Europe, as well as the new environmental protection and climate change legislation, LOGIC has built on the results of its investment in research to position the conversion of older industrial sites at the centre of its Downstream strategy. This resulted in the construction of the first bio-refinery in the world, which was created through the conversion of a traditional refinery by using a patent filed by LOGIC. According to LOGIC's report this generated an eighty percent savings in investment costs compared to building a new bio-refinery, and also resulted in LOGIC's entry into a new business sector by making, rather than buying, the minimum bio content in fuel (ten percent by 2020) in order to comply with the European regulations. As described next, the rationale of this decision was built, monitored, and maintained through integrated reporting and its multi-capital rhetoric.

LOGIC's annual reports and accounts suggest that the last decade has been a critical period for the petrochemical and refining industry in Europe. The growth of low-cost chemical production and refining operations in Asia, together with the collapse of consumption and refining margins in Europe, have severely tested the refining industry leading to the closure of numerous plants on the old continent. In the 2008 – 2014 period, fuel consumption fell by twenty percent and since 2009, eleven refineries with a total capacity of 1.4 Million of barrel of oil equivalent per day have been closed in Europe. At the same time, the environmental protection and climate change legislation has had a significant impact on all the downstream sectors' decisions such as

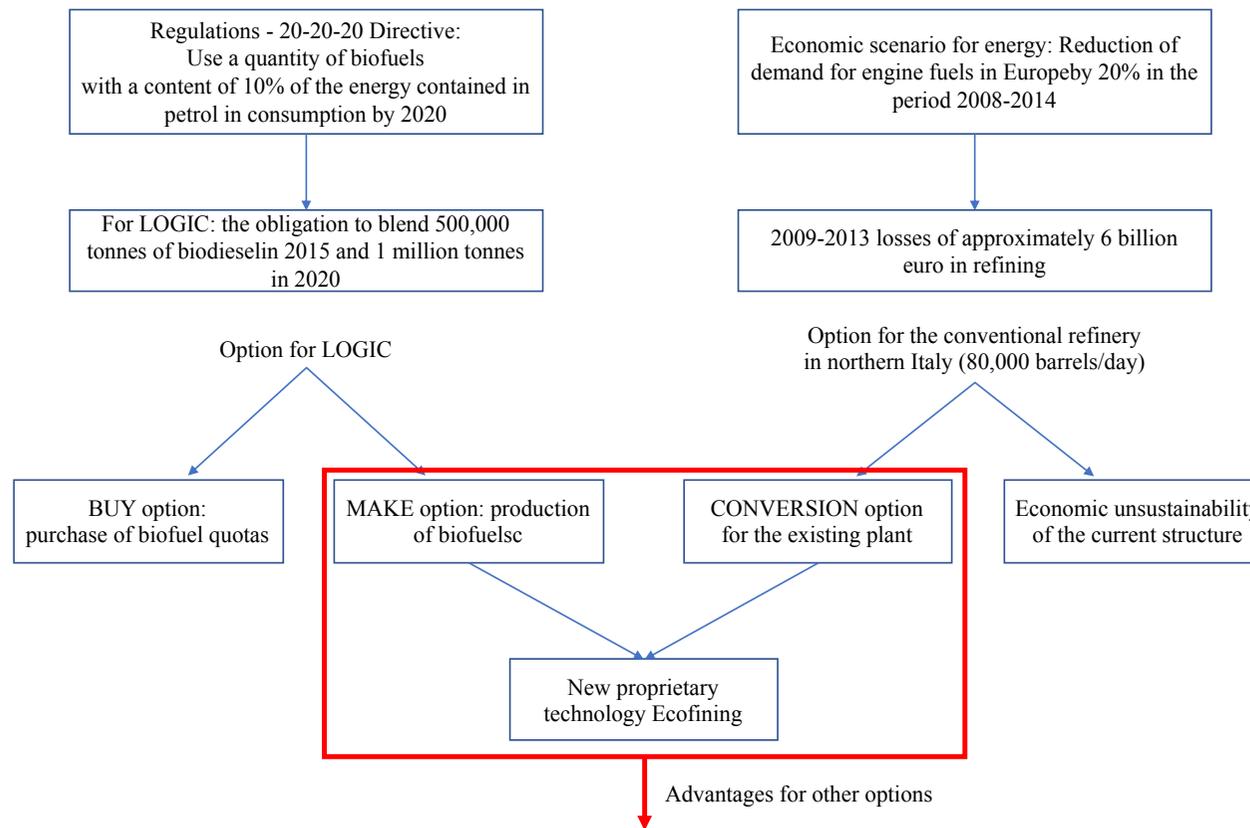
the prohibition on the production of polyethylene bags, reduction of greenhouse gases linked to fuel, and the goal of increasing by ten percent the bio-content of fuels by 2020.

The challenges posed by the market and the regulation led LOGIC to take the decision of building in northern Italy the first bio-refinery in the world to be created from the conversion of a traditional refinery (see Figure 6.13). The biodiesel produced will be used by LOGIC to comply with the European regulations on the minimum bio content in fuel. In the face of these regulatory constraints, LOGIC has opted for the industrial (“make”) solution rather than the commercial (“buy”) one. Therefore, as suggested by LOGIC’s 2014 report, this investment will not increase global demand for vegetable oil, which will in fact be reduced given the characteristics of the proprietary technology that LOGIC uses.

The conversion from a traditional oil-refinery to a bio-refinery entailed investment costs that were eighty per cent lower than would have been required to build a new refinery from scratch. This made it possible to requalify the existing industrial site, which was unprofitable at the time. The site has been integrated into the local context and its reconversion – according to LOGIC – had the full support of local economic players since it has made it possible to keep employment at pre-crisis levels. Additionally, advanced progresses have been made on the definition of initiatives to collaborate with public sector waste collection companies operating in the area of the converted refinery in order to increase the collection of used household oils and use said oils as a feedstock in the bio-refinery.

The process used, and the final product, are made possible by applying innovative technological solutions that are the result of investments in research and development and collaboration with expert partners. The plant uses a proprietary technology under development since 2005 in partnership with an American company.

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**Financial capital:** Target of economic sustainability for the site by 2017. Construction of a Green Refinery: synergies with pre-existing plants reduce construction costs by 75% (saving of 400 M€).

**Natural capital:** given the characteristics of the Green Diesel produced, the quantity of vegetable oil required is 15% lower than in the other processes used. Possibility to use the quota of second and third generation feedstocks. Reduction in the weight of NOX and SO2 emissions respectively 45% and 65% and the reduction of particulate emissions by 32%.

**Human capital:** maintain employment (biorefinery personnel 200 people highly skilled).

**Social and relational capital:** in addition to the direct and indirect employment effects, pursuit of local procurement chains with second generation feedstocks (e.g. waste oils). Several meetings held with local institutions to present the project (Local Administrations, Trade unions, Confindustria).

**Intellectual capital:** development of new skills in the biorefining process and in the use of second and third generation feedstocks. 10 LOGIC patents registered.

**Manufacturing capital:** enhancement of the existing plant.

**Figure 6.13** – LOGIC’s account of the decision-making process and consequences of world’s first bio-refinery  
(Source: LOGIC for 2014, p. 82)

Figure 6.13 (see bottom part) summarizes what a refinery, eventually, “is”, according to how it is looked at. Thus, for example, from a financial point of view it is a target of economic sustainability after years a struggle to achieve breakeven, also through the enhancement of an existing plant. From an environmental perspective is a way to move towards compliance with the European Union regulations as well as reduce emissions. Differently from a human resource and relationship view point is a way to maintain employment directly, and indirectly through the pursuit of local procurement chains with second generation feedstocks. Finally, the Bio-refinery is portrayed by LOGIC report and accounts as the best example of innovation featuring the development of new skills in the bio-refining process with ten patents registered.

The world’s first bio-refinery, as well as its positive consequences for a number of stakeholders, led LOGIC, and the interested parties, to finalize a plan for converting a second unprofitable refinery (in the south of Italy) to a bio-refinery. Again, according to LOGIC’s reports this sustainable plan will combine the Company’s objective of profitability with the defence of employment levels and environmental preservation. Another refinery in the south of Italy will be turned into a modern hub for the production of high quality bio-fuel by using the LOGIC’s proprietary technology as well as advanced logistic hub. The staff in excess will be deployed in LOGIC’s upstream activities in the south of Italy, for which a re-launch is foreseen.

To summarise the third phase of reporting within LOGIC, the chart below briefly illustrates the changes in LOGIC’s approach to sustainability from 2010 to 2015 according to: the contextual initiatives that took place in that period; the nature of the report produced; the key practices used and the units responsible for the preparation of the report (see Figure 6.14).

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The evolution of sustainability reporting in LOGIC	From 2010 to 2015		
<b>External contingencies</b>	<ul style="list-style-type: none"> <li>• Improved National standards and guidelines on voluntary reporting               <ul style="list-style-type: none"> <li>• Climate change</li> </ul> </li> <li>• Competitors' environmental disasters</li> <li>• The advent of the International Integrated Reporting Council</li> </ul>		
<b>Meanings of Sustainability</b>	<b>2011-2012:</b> Sustainability as integrated within company's strategies. However, financial and sustainability performance are still separated. Collage of information	<b>2013-2014:</b> Sustainability as integrating multiple capitals (financial, manufacturing, uman, intellectual, social and relationship and natural) but classified as an inventory of information.	<b>2015:</b> Sustainability as integrated within the company business strategies connecting financial and non financial performance.
<b>Report</b>	Integrated report		
<b>Key practices used</b>	<ul style="list-style-type: none"> <li>• Financial and non-financial performance</li> <li>• Integrated Business Model</li> <li>• Integrated Risk management Process</li> <li>• 4 year Strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>• Capitals</li> <li>• Integrated Business Model</li> <li>• Integrated Risk management Process</li> <li>• 4 year Strategic plan</li> <li>• Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>• Capitals</li> <li>• Integrated Business Model</li> <li>• Connectivity Map</li> <li>• Integrated Risk management Process</li> <li>• 4 year Strategic plan</li> <li>• Materiality assessment</li> </ul>
<b>Unit responsible for the preparation of the report</b>	Sustainability Unit with the support of a workgroup composed of different managers from corporate planning, sustainability, external relations, corporate governance, and integrated risk management.		Sustainability and Financial Unit with the support of the working group

**Figure 6.14** – The evolution of the meaning of sustainability, from 2010 to 2015.

## 6.6 Twenty years of sustainability reporting within LOGIC and its effect on the organisation's strategies.

This chapter provides an in-depth analysis of the dynamics and contingencies through which the meaning of sustainability emerged and evolved within LOGIC, additionally due to the accounting and reporting practices used to represent it.

In particular, this chapter analyses the sustainability reporting process within LOGIC from 1996 to 2015, defining three reporting phases and describing for each of them the primary external contingencies that influenced the adoption of the reports, the meaning of sustainability associated to them, the key practices used and the units responsible for the preparation of the report.

The analysis of the first reporting phase (1994 – 2005) shows how sustainability was interpreted mainly as an environmental concept that was disconnected from traditional business objectives and focused on reducing pollution by adopting renewable energy sources.

The privatization process started in early nineties, including the need to improve the company's reputation and competitiveness in the market by expanding its external and internal communication process, thus improving the company's approach to sustainability including issues related to the health and safety of employees. The integration and monitoring of health and safety performance required LOGIC to develop an *ad-hoc* performance measurement system that was able to collect and monitor non-financial performance.

New responsibility centres were established, such as the HSE department and the Corporate Social Responsibility Unit to facilitate the collaboration among different departments and to identify the sustainability initiatives that most influence the reputation of the company. As a result, the establishment of the new centre of responsibilities and the adoption of the HSE management accounting system contributed to give higher significance and relevance to sustainability issues influencing managers' actions and responsibilities.

However, the performance reported on the initiatives for the health and safety of employees and environmental development were still separate from each other and not even linked to the company's traditional activities. Sustainability as a concept was rarely mentioned and mainly referred to the idea of environmental development.

Sustainability gained further meaning in 2003 when the definition of Corporate Social Responsibility emerged. The concepts of sustainability and corporate social responsibility were often used interchangeably as synonymous, giving higher emphasis to the health and safety of employees and the social and economic development of the communities in which LOGIC was operating at that time.

The analysis of the second phase of sustainability reporting focuses on the process of formalisation of sustainability in the company between 2006 and 2009. The structure of the reports changed in order to focus more on the future trends and challenges of the markets and the actions to be taken to mitigate risks and create opportunities. The adoption of the health and safety management system at the group level and its restructuring into an integrated

management system that supported the sustainability reporting process within LOGIC, contributed to share a meaning of sustainability that combined social and environmental development with stakeholder engagement.

In 2006, the establishment of the Sustainability Unit contributed to make the meaning of sustainability more established within company management and reporting practices. The development of internal workshops (i.e. the “leadership and sustainability” workshop) and the presentation of the sustainability business model were pursued to stimulate questioning among managers about the ethical component of usual managerial decisions and to create awareness of the existing connections between sustainability, decision-making processes and managerial action. However, sustainability as a concept was still perceived as being separate from the company’s business strategies.

Sustainability developed further meaning within the company’s evolving reporting phase between 2010 and 2015, when LOGIC started a process of reconceptualization of sustainability initiatives, integrating them within the main business strategies to determine how environmental, social and economic initiatives affect the company’s value creation process in the long run. During this third reporting phase, beginning in 2010, however, the adoption of integrated reporting further highlighted the discrepancies between financial and sustainability performance, in the process of illustrating the correlations between them.

Although attempting to summarise in one single report how multiple capitals and initiatives influence the ability of the organization to create sustainable value in the long term, LOGIC’s integrated reports were not able to communicate sustainability as a core aspect of the business without explaining whether and how sustainability and financial performance affect each other. An initial list of financial and non-financial performances related to the different capitals that affect the organization’s capacity to create value is provided in the 2013 report. The same performances have been classified in 2014 according to the main strategic objectives to be achieved through the company’s value chain. However, information reported between 2011 and

2014 still seemed disconnected, providing only a list (or an inventory) of data, which, although being gathered within the same reports, does not illustrate any connection. It was not very clear how sustainability initiatives and performance influenced and affected the reputation of the company, as well as the viability of the business in the long term.

The first connection of the multiple financial and non-financial performances that drive the achievement of specific organizational strategies can be found in 2015, when the connectivity map was published. The development of the connectivity map through integrated reporting had relevant effects on the decision-making process of the company. Further, the development of the connectivity map and the identification of the main capitals that affect the company's value creation process have been fundamental to determine the conversion of a traditional refinery into a bio-refinery in northern Italy.

The development of the connectivity map was a result of an in-depth accounting process that started in 2013 and ended in 2015, which will be explored in more detail in Chapter Seven.

The following chart synthesises the evolution of sustainability reporting and the meaning of sustainability, the key practices adopted and the unit responsible for its preparation from 1996 to 2015 (see Figure 6.15).

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The evolution of sustainability reporting in LOGIC	From 1996 to 2005		From 2006 to 2009	From 2010 to 2015		
<b>External contingencies</b>	<ul style="list-style-type: none"> <li>Globalization and internationalization of Oil and Gas companies</li> <li>Privatization process of the company from 1996 to 2001</li> </ul>	<ul style="list-style-type: none"> <li>Rio + 10, UN Earth Summit in Johannesburg, 2002</li> <li>Introduction of international regulations and guidelines on Corporate Social Responsibility (i.e. GRI and Global Compact)</li> </ul>	<ul style="list-style-type: none"> <li>evolution of laws and regulations, both domestically and internationally</li> <li>International stakeholders pressure for higher transparency.</li> </ul>	<ul style="list-style-type: none"> <li>Improved National standards and guidelines on voluntary reporting                             <ul style="list-style-type: none"> <li>Climate change</li> </ul> </li> <li>Competitors' environmental disasters</li> <li>The advent of the International Integrated Reporting Council</li> </ul>		
<b>Meanings of Sustainability</b>	<p><b>1996-2002:</b> Sustainability as combining environmental and Health and Safety issues disconnected from traditional business objectives</p>	<p><b>2003-2005:</b> Sustainability as Corporate Social Responsibility, introducing the importance of stakeholders' engagement</p>	<p><b>2006-2009:</b> Sustainability does not make distinctions between Environmental and social issues. Sustainability gives name to the report.</p>	<p><b>2011-2012:</b> Sustainability as integrated within company's strategies. However, financial and sustainability performance are still separated. Collage of information</p>	<p><b>2013-2014:</b> Sustainability as integrating multiple capitals (financial, manufacturing, human, intellectual, social and relationship and natural) but classified as an inventory of information.</p>	<p><b>2015:</b> Sustainability as integrated within the company business strategies connecting financial and non financial performance.</p>
<b>Report</b>	Health and safety and Environmental report	Corporate Social Responsibility Report	Sustainability Report	Integrated report		
<b>Key practices used</b>	HSE Management System		<ul style="list-style-type: none"> <li>Model of Sustainability</li> <li>Integrated Management Sustainability process</li> <li>Materiality assessment process</li> </ul>	<ul style="list-style-type: none"> <li>Financial and non-financial performance</li> <li>Integrated Business Model</li> <li>Integrated Risk management Process</li> <li>4 year Strategic plan</li> </ul>	<ul style="list-style-type: none"> <li>Capitals</li> <li>Integrated Business Model</li> <li>Integrated Risk management Process</li> <li>4 year Strategic plan</li> <li>Materiality assessment</li> </ul>	<ul style="list-style-type: none"> <li>Capitals</li> <li>Integrated Business Model</li> <li>Connectivity Map</li> <li>Integrated Risk management Process</li> <li>4 year Strategic plan</li> <li>Materiality assessment</li> </ul>
<b>Unit responsible for the preparation of the report</b>		<ul style="list-style-type: none"> <li>HSE Department in 2001</li> <li>CSR unit in 2003</li> </ul>	Sustainability Unit	Sustainability Unit with the support of a workgroup composed of different managers from corporate planning, sustainability, external relations, corporate governance, and integrated risk management.		Sustainability and Financial Unit with the support of the working group

**Figure 6.15** – The evolution of LOGIC's sustainability reporting process, from 1996 to 2015.

## 6.7 Summary and some further thoughts

What is meant to be sustainable for a business? And how do sustainability initiatives and performance affect the organization's ability to create value in the long run?

As Gray (2010) suggested, these questions probably have no answer and cannot be answered at the organizational level. It is suggested that organizations communicate to external stakeholders how they contribute to sustainable development through their reporting process, by explaining how and whether they are able to create or destroy value for the community in which they operate. However, sustainability reporting and, more recently, integrated reporting practices are often implemented for legitimacy purposes without explaining whether the information reported reflects the actions taken by the company towards sustainable development (Milne and Gray, 2013; Van Bommel, 2014; Higgins *et al.* 2014; Zappettini and Unerman, 2016).

As illustrated in Chapter Three, sustainability accounting and reporting practices cannot provide complete representations of what an organization does to be sustainable (Gond, 2009; Gray, 2010; 2006). Accounting and reporting practices are intrinsically incomplete and are not able to provide answers regarding what is meant to be sustainable for a business (Busco and Quattrone, 2014; Quattrone, 2015). On the contrary, they help envisioning corporate financial and sustainable challenges and goals, shaping how users perceive, understand and relate to sustainability (Quattrone, 2009; 2015)

As described in this chapter, the implementation of multiple approaches to sustainability reporting over time, as well as the practices and routines adopted to manage multiple performances and perspectives (Contrafatto and Burns, 2013), all contributed to the evolution of what sustainability means as it was integrated into the business.

The analysis in this Chapter illustrates that sustainability and integrated reports provided users with a "space" through which the meaning of sustainability and the significance of its determinants were reconsidered and

reinforced according to the company's principal strategies (Contrafatto, 2014).

In particular, the production of texts as organizational "discursive objects" (Hardy *et al.* 2000), such as those produced by the HSE and, in particular, sustainability and integrated reports have contributed to "make" sustainability a "discursive concept" that is recognizable and operable in practice, and that is continually gaining meaning within the company's principal strategies because of the involvement of different actors in their development (Miller and Napier, 1993, p. 641).

To better explore the role of accounting and reporting practices in making the concept of 'sustainability' meaningful within organizations, the narrative analysis of sustainability reports over several years is not sufficient (Tregidga *et al.* 2012). As argued by Tregidga *et al.* 2012, "while much is known about the content of formal reports, much less is known about [...] how organizational reporting and communication is constructed and its potential consequences" (p. 224).

The next chapter takes a deeper look into the process of the production of integrated reporting to determine what being sustainable means within LOGIC and how sustainability initiatives affect the company's traditional business performance. In particular, it focuses on the debates that have emerged during the development of the project regarding the connectivity of information launched in October 2013. During the connectivity project that was developed within LOGIC, multiple actors were required to question what being sustainable means while looking at the achievement of the company's strategic objectives and determining the existing cause and effect relationships between financial and non-financial performance.

The next chapter explores how the development of a project for integrated reporting allowed top managers and middle managers to discuss what being sustainable really means for the business and how it affects the company's long-term viability.

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In particular, it explores how sustainability issues and initiatives unfold during the reporting process and gain meaning due to the confrontations and debates that take place among different managers and subject positions.

## Chapter Seven

### **7. Making sustainability meaningful within LOGIC's integrated reporting: Discussing sustainability as a discursive concept**

#### 7.1 Introduction and structure of the chapter

This chapter addresses the third and fourth research questions (RQ3 and RQ4), by exploring how participating subjects engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold, and the role of accounting and reporting practices within this process.

In line with the theoretical insights explained in chapter four, this chapter explores the discursive statements produced by the different subject positions involved in the design of a project for integrated reporting within LOGIC. In particular, it analyses the discursive practices that took place during the development of the project, looking at the discursive statements and texts that were part of/embedded in. Further, this chapter explores the conditions under which these texts were produced throughout the Activity, Performativity and Connectivity circuits proposed by Hardy *et al.*, 2000 (see Figure 4.4. at p. 106 of this thesis).

Through the analysis of the evidence, this study maintains that accounting and reporting practices are not valuable because they provide faithful representations of what an organization does about sustainability. On the contrary, accounting and reporting create a discursive space through which the concept of sustainability is moulded into practice because of the ongoing interplay between the objects it is attached to (i.e. integrated reporting), and the subject positions involved in this process. At the same time, accounting and reporting practices unfold themselves, and evolve, as a consequence of the debate about sustainability that this process produces, changing the subject positions that are involved in it.

The results of the analysis are set out as follows. After a first explanation of the motivations behind the adoption of a project for integrated reporting started in October 2013 and ended in March 2016 (Section 7.2), Section 7.3 delves into the activity circuit proposed by Hardy *et al.* (2000). In particular, it examines how discursive statements about sustainability were purposefully produced and used by managers in the course of the project on integrated reporting. Section 7.4 explores the performativity circuit, during which managers from the Sustainability Unit broadened the development of the project to different business areas to illustrate the cause effect relations between financial and non-financial performance towards sustainable value creation. Section 7.5 focuses on the connectivity circuit during which the project was operationalised, stimulating questioning and disagreement, among the multiple subject positions involved, on what sustainability means for LOGIC and how it affects the company's long-term sustainable value creation. Section 7.6 concludes the chapter.

## 7.2 Sustainability as a strategic issue: making clearer the connection between sustainability and financial performance.

As illustrated in chapter 6, sustainability has been a key aspect of LOGIC's business model and reporting process since its establishment in early 1950's. Social and environmental reporting practices have been in use within LOGIC since the mid-1990s, when a first Health, Safety and Environmental report was published encompassing information on the Health and safety initiatives and the environmental impacts of its activities.

This process became more structured in early-2000s, when sustainability reporting was formalized and prepared in accordance with the guidelines of Global Reporting Initiative (GRI) and the Institute of Social and Ethical AccountAbility (ISEA). However, it was only after the second half of 2000s that LOGIC undertook a mayor pathway towards sustainability reporting by appointing a Sustainability Unit to centralize the sustainability reporting process and provide comprehensive information on the effects of the company's actions and initiatives towards sustainable development.

In 2010, the increasing national and international regulations on the relevance of sustainability reporting within organizations, required LOGIC to improve its existing reporting process, with the aim of describing sustainability issues and initiatives as integrated within the traditional business activities. In this context, LOGIC began its journey towards Integrated Reporting (IR), by participating in the Pilot Program launched by the International Integrated Reporting Council (IIRC).

Through the adoption of Integrated Reporting LOGIC aimed at communicating the organization's sustainability and financial performance in one single report, giving an overview of its value chain and business model, its strategy and the main features of the Oil & Gas competitive market, the organization's governance structure and its integrated risk management.

The implementation of integrated reporting required LOGIC to review its strategic planning process to identify new areas of improvement towards sustainable value creation in a future four-year plan. This process required managers of LOGIC's different business areas to preliminarily analyse the external context and the evolution of sustainability issues in LOGIC's international scenario; meet the increasing requests of multiple stakeholders and their expectations without disappointing the most relevant financial market requests; improve the company's integrated risk assessment and related mitigation plans. At the end of this preliminary process, specific operational and economic guidelines for sustainability were issued by the CEO to enable company's business areas to adapt their strategic targets in accordance with the new guidelines. On the basis of these guidelines, managers from different business areas engage and discuss their short-term and future four year planned business and sustainability objectives to define how their responsibilities towards sustainability affect their final appraisal and performance evaluation. This process entails active participation, questioning, and debate about how initiatives of sustainability contribute to the achievement of short, medium and long-term business results (See Figure 7.1).

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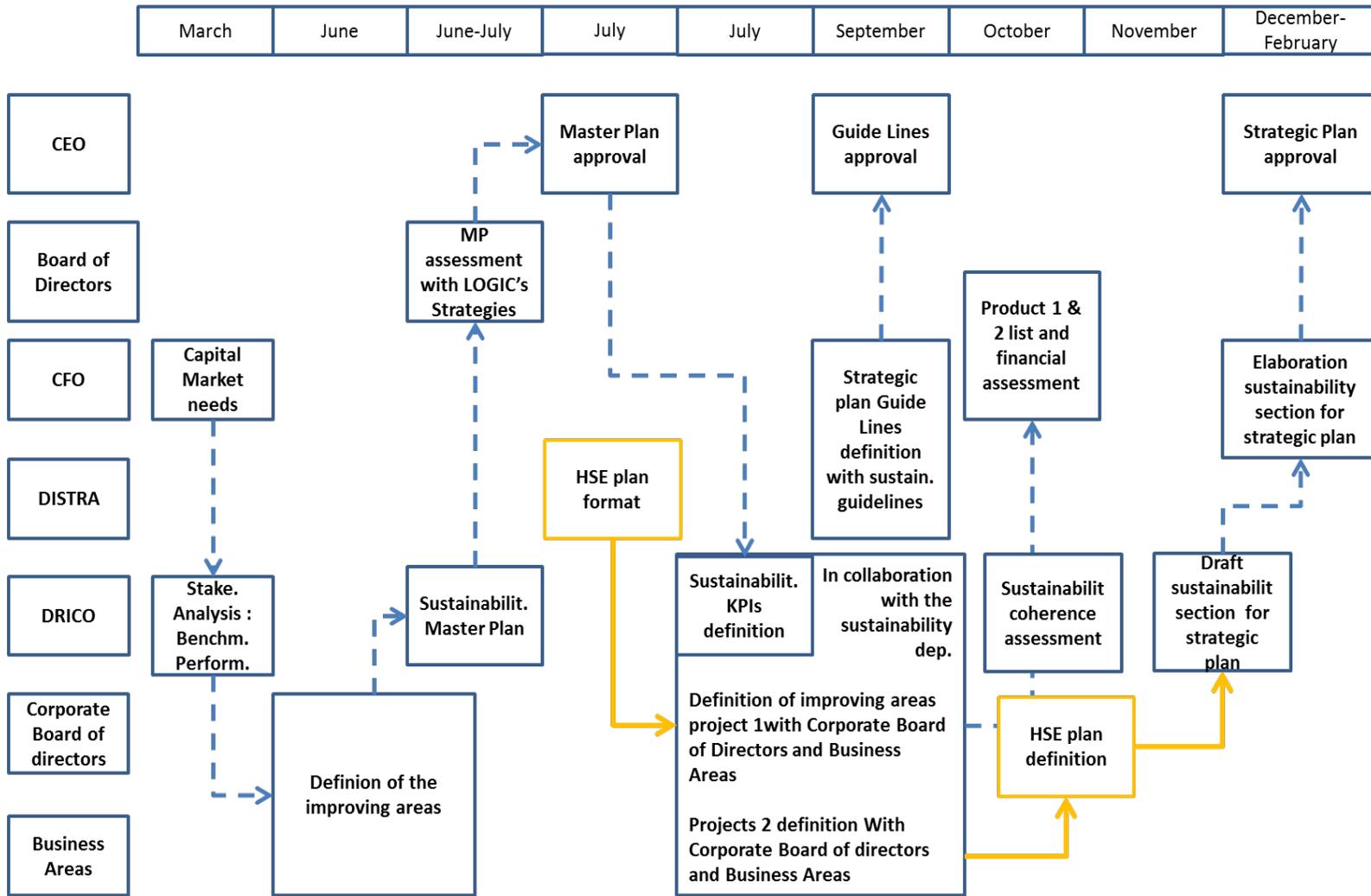


Figure 7.1 – Strategic planning process within LOGIC

In 2010, to support the integrated reporting process and improve the connection between financial and sustainability objectives, a workgroup was established and comprised managers from different business areas within LOGIC, such as: Sustainability Unit, Finance Unit, External Relations Unit, Corporate Governance Unit, and Integrated Risk Management Unit. As argued by a manager in the Sustainability Unit in 2013:

“The purpose of the workgroup is to promote within LOGIC what the IIRC calls integrated thinking, which in simple terms is related to the need to ensure a smooth collection, understanding and flow of data that should be fully embedded within the company's management system, and therefore able to support the preparation of the Integrated Report.” (SM1)

However, the manager also added that:

“Despite the efforts of the workgroup, colleagues still struggle when they have to offer us the information requested. It seems they have difficulties in understanding the rationale underpinning our requests. Indeed, they do provide us with some raw data, but I am sure many of them are not aware of the importance of this information to understand, monitor, and report the way in which our business model operates and adds value. I have the feeling they supply us with the information because they have to, but they are still too far away to fully grasp the importance of an integrated understanding of the business. This is the reason why we often end up with animated discussions on what has to be written in the integrated report, as well as on the measures to be considered when planning and reporting about sustainability.” (SM1)

With the intention of achieving a better understanding of “*the way in which initiatives of sustainability impact on the process of value creation, and on the achievement of the strategic business goals – both operational and financial*”, the Head of the Sustainability Unit championed a new cross-functional project started in October 2013 and ended in March 2016 in proximity of the publication of the 2015 integrated report. The purpose of the project was “*to explore the interdependences among social, environmental, and financial drivers, and their representation with the newly developed Integrated Report*” (HOS).

To achieve this objective, the Sustainability unit organized several meetings with colleagues from the Finance Unit. The main concern for the members of the Sustainability Unit was to ensure, within the Integrated Report, a representation of the concept of sustainability that was “*fully integrated with the multiple operating and financial performances that the business delivers*

*to our stakeholders, as well as reflect on the possible ways available for quantifying the underlying cause and effect relationships” (SM2).*

As described in the following section, during the early meetings of the project, discourses about sustainability were purposefully initiated by managers with the Sustainability Unit – and, in particular, by the Head of the unit – with the specific intention of re-designing the contents of the Integrated Report. According to Hardy *et al.* (2000), such discursive activities are part of the *Activity circuit*, which is described next.

### 7.3 The Activity circuit as individuals attempt to use discourses on sustainability strategically

In October 2013, the Sustainability Unit invited colleagues from the Finance Unit, and in particular from the Consolidated Financial Reporting Unit, to attend a number of preliminary meetings for sharing ideas and perspectives regarding the kick-off of a cross-functional project on integrated thinking and reporting focused on capturing the interdependences among social, environmental, and financial drivers, as well as on their representation within the company’s Integrated Report. As argued by a Sustainability Manager, the main purpose of the meetings was to involve the Finance Unit in designing a new approach to data gathering and representation within the Integrated Report:

“we are experienced enough to know very well that if we intend to develop a successful project we need to win Finance’s approval, and we need to have them on board throughout the journey.” (SM1)

Although the purpose of the project was focused on the preparation of the annual Integrated Report, as meetings started, a manager from the Sustainability Unit engaged in discursive statements about their understanding of the concept of sustainability. They did so with the specific purpose of capturing Finance managers’ attention and gaining their support for the project. In particular, managers from the Sustainability Unit referred to sustainability as being fully engrained in the business, and connected this meaning to material referents (e.g. texts, documents, graph) such as LOGIC’s strategic plan, business model and financial information, as being a more

familiar ambit for Finance managers. As the meeting started, the Head of Sustainability offered her view of sustainability:

“Sustainability is an integral part of our business. It is so engrained in the business that we should even avoid talking about sustainability. We should talk directly about the business, and this should happen during our daily operations, as well as when reporting information to stakeholders or engaging them in our reporting practices” (HOS).

The aspiration of integrating business and sustainability within the same reporting practices is further reinforced and emphasised by a second manager of the Sustainability Unit, who argued:

“We do not distinguish between business and sustainability. If we look at the business model diagram that was recently approved and published in the 2012 Integrated Report you can appreciate that sustainability is fully engrained within our operations. Business and sustainability are both part of the same pattern, our value creation journey.” (SM2)

The statements produced by managers within the Sustainability Unit reveal their understanding of sustainability as being fully integrated in the business and their aspiration and intentions to make it strategic for the organization. However, to do so, the Sustainability Unit had to gain the interest and support of the financial unit and the CFO. In this context, specific texts (e.g. reference to the business model and integrated report) were employed by sustainability managers to support their views. As they explained, the recently re-developed diagram of LOGIC's business model embodied sustainability as an integral part of the value creation process. As illustrated in the 2012 Integrated Report, the diagram representing the company's business model displayed “sustainable value creation” at the centre of LOGIC's value chain, which was then framed within a number of coloured rings showing the strategic guidelines, assets, and drivers at work<sup>47</sup>.

LOGIC's business model (BM) describes the way through which the organization pursues profitability and growth by creating value for its (internal and external) stakeholders, improves the efficiency of its production processes, as well as monitors and mitigates risks in the short, medium and long term.

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<sup>47</sup> See Figure 6.8 at chapter 6 p. 160

Within LOGIC integrated report, the BM shows LOGIC's modus operandi by describing the organization's governance structure, its integrated risk management, the asset involved throughout the value chain, and the main strategic guidelines and drivers that enable the organizations to build its long-term sustainable value creation process. In particular the main drivers of the sustainable value creation considered multiple aspects, such as Cooperation; Integration; Excellence; Innovation; Inclusiveness; Responsibility, which according to sustainability managers were all embracing sustainability and traditional business performance.

In this context, the business model was illustrated by sustainability managers with the objective of giving meaning to sustainability as fully embedded within the company's assets and drivers of innovation and value creation.

While discussing the relevance of sustainability for the business, managers within the financial unit were not totally convinced about the idea of developing a new reporting process that required further efforts in terms of data collection and analysis. They found it difficult to understand how sustainability initiatives, which had been considered as separate from the business, could now be embedded within the traditional organizational strategies and drivers. As a manager of the Finance unit pointed out:

“All the drivers that are represented in our business model refer to our traditional initiatives. Actually, I do not see any link between them and sustainability initiatives or our approach to sustainable value creation”

As the discussion continued in a second meeting in November 2013, members of the Sustainability Unit focused their attention on the fundamentals (strategic guidelines, assets and drivers) of the business model to introduce their views of sustainability and their approach to integrated reporting, by connecting the former with the latter through particular metaphors as well. For example, the Head of the Sustainability Unit offered her view regarding the need to fully embed sustainability within the process of financial reporting (and thereby within the Integrated Report) by using an interesting metaphor:

“Let me draw a comparison with the act of watching a movie. If you watch the last ten minutes of a movie you most likely know how the movie ends, you are aware of its final outcome. If this is a romantic movie, you know if the two are still together or not; while, in the case of an action movie, you most likely end up discovering who the killer

was. But, unfortunately, although you do get to see the final outcome of the movie, you still miss a lot to make sense of it. You miss a full appreciation of the themes of the movie, its significant passages, the unique and possibly complex story that has led to this specific final outcome. When you approach most of contemporary corporate reports, the feeling is similar to the one described above: it is difficult to fully understand how a number of different, and often stand-alone financial indicators are the ultimate result of a process of sustainable value creation that underpins them. It is difficult to appreciate the interplays among the multiple and heterogeneous value drivers featuring the *business model* hidden behind the numbers, and sustainability is exactly hidden there.” [HOS - emphasis added]

Using metaphors (e.g., the movie metaphor presented by the Head of Sustainability) and figures (e.g. the figure of LOGIC's business model published in the 2012 Integrated report), Sustainability managers connected their view of sustainability to financial information and reporting practices with the specific intent of gaining Finance's approval and having it on board throughout the journey of the project (SU1, as quoted above).

As argued by Hardy *et al.* (2000), whereas discourses are drawn upon in the attempt to achieve specific intentions, they are not simply domain of their producers, but capture “participants and audience” (p. 1234) as well, and engage with their identities. Within LOGIC, and following the attempt of the Sustainability Unit to push for new forms of reporting, Finance managers expressed their own views and concerns about the project. In particular, members of the Consolidated Financial Reporting Function stressed how the project being discussed would have implied a major re-thinking of the entire report, by combining “*the existing 260 pages, which are audited according to a number of international financial standards, with pieces of information coming from a number of heterogeneous systems, whose level of reliability is still to be proved*” (FM2). In addition, another Finance manager added:

“The structure and length of our report is currently in line with the industry standard. Why should we change it considerably? I understand the need to offer some additional information on environmental, social and governance issues, but this can be done in specific sections without necessarily pursuing a strong level of integration that has not been asked for, at least for the time being.” (FM1)

As discourses on sustainability (presented by Sustainability managers) were connected to reporting practices and the more familiar ambit of the Finance Unit (thereby engaging with their identities – Hardy *et al.*, 2000), Finance

managers expressed their concerns. In so doing, they extended the discursive statements on sustainability to a broader material referent rather than simply the Integrated Report. For example, during one of the meetings another Finance manager pointed out:

“I understand your point, I really do. Nevertheless, if we want to communicate sustainability as being fully engrained in the business model, we cannot start from the end by focusing on the reporting process first. Instead, we need to develop an integrated system for planning, measuring and then, obviously, reporting and rewarding that builds around this integrated view. Take the example of the strategic plan, or the MBO [Management by Objectives] system. They certainly do contain objectives and measures of sustainability but stand alone as separate set of items.” (FM2)

Ultimately, a solution was then proposed by one of the Sustainability managers, who suggested that:

“I believe we should explore what is material to the business. And to do that we need to engage Operations. We need to ask them how sustainability is material to them. How it affects what they do and what they seek to achieve on a day by day basis. Overall, we need to explore which elements within the sustainability arena impact on the operationalization of the business model. Ultimately, this is what we are asked to capture within an Integrated Report to make it really, well, integrated.” (SM1)

The case material presented above suggests that while the project for re-designing the Integrated Report was presented, Sustainability managers emphasised the necessity to consider sustainability as a relevant issue within the company’s business model and operations (See Point 1 of the Activity Circuit in Figure 4.4 at p. 106 of this thesis). In particular, the Head of Sustainability and colleagues attempted to use these discursive statements on sustainability purposively to convince managers from the Finance Unit about the need to re-design the Integrated Report along the lines suggested by an ‘integrated view’ of sustainability (i.e. a view of sustainability as being fully engrained in the business). To achieve this purpose, different symbols and metaphors were employed by participants (Point 2 of the Activity Circuit in Figure 4.4 at p.106 of this thesis), which connected discursive statements on sustainability to LOGIC’s business model and reporting systems to ‘bring Finance on board’ the project. However, as Finance managers connected discursive statements on sustainability to their more familiar ambit, they expressed their concerns, (regarding, e.g., the main drivers of the business

model, the length of the Integrated Report, its compliance with international standards or the need to include LOGIC's MBO system in the project), and extended the discursive statements of the Sustainability Unit to a broader material referent (Point 3 of the Activity Circuit in Figure 4.4 at p.106 of this thesis), i.e. LOGIC's planning, measurement and reporting system.

As discursive activities associated a concept of sustainability as integrated within the business through specific practices (e.g. the integrated report, the business model and the MBO system), these practices became a 'discursive object', i.e. material referents that acquired meaning through the concept to which they were connected (Hardy *et al.*, 2000). The debates emerged throughout the process of understanding how sustainability is embedded within the business model and how this process can be communicated externally, provided the conditions for the project (and for integrated reporting as an accounting and reporting practice) to unfold, following the need to define what was material for the business and, therefore, involve other functions within LOGIC. Furthermore, the association between the concept of sustainability and its discursive object did not fully define LOGIC's process of integrated reporting or what it was meant for sustainability in the company. Rather, such association was used by managers within the Sustainability Unit to pursue their specific intentions, since they could ultimately take their project forward and engage other functions in the project. As argued by the Head of Sustainability:

"It is now clear that we need to involve other functions in the project. We need to broaden the group of people who can help us illustrate the relationship between the financial and operating results and the drivers of sustainability. I have had a chat with the CFO [Chief Financial Officer] at the cafeteria today (18 November 2013), and we agreed that if we can broaden participation upfront [during the planning process], then it will be easier to measure and collect the data for a more integrated reporting process as well." (HOS)

Following the meetings and the conversations summarised above, and with the specific aim of bringing the project concerning LOGIC's Integrated Report to the attention of a larger audience, the Sustainability Unit decided to organize a one-day workshop in which a variety of managers from different functions would be involved. As argued by Hardy *et al.* (2000, p. 1236), "if the circuit of activity is to have political effect, it must engage other actors".

This process of engagement takes place within the *Performativity* circuit, which is discussed in the following section.

#### 7.4 The Performativity circuit: the emergence of Sustainability managers as warrant voices.

In December 2013, following the agreement between the Head of the Sustainability Unit and the CFO, managers from a variety of LOGIC's corporate, upstream and downstream divisions were invited to take part in a one-day workshop focusing on the drivers of sustainable value creation, and most importantly, on how to make them visible within the planning and reporting system. The workshop took place in a period – December – in which planning and reporting were a key issue within corporate conversations. The workshop was attended by 11 managers<sup>48</sup>.

The Head of the Sustainability Unit opened the workshop. Then after having briefly introduced the purpose of the meeting, she emphasized the importance of the project not only for understanding how the drivers of sustainability contribute to the achievement of LOGIC's business objectives, but also in terms of compliance with emerging international guidelines for corporate reporting. In particular, she referred to the content of a high-profile meeting she had recently attended in Tokyo with representatives from the United Nations, emphasizing that corporate reporting practices would become part of the new agenda for the Sustainable Development Goals of the United Nations:

“We must accelerate understanding of how to report on the relationships between sustainability initiatives and business objectives. Many of our stakeholders already demand this information and very soon our shareholders will also be under pressure to offer this evidence to the public and to the society. Companies such as [LOGIC] are playing a great role in building awareness around the United Nations Sustainable Development Goals. But soon we will be asked to do more. This process shall not be disconnected from the existing management

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<sup>48</sup> The following managers took part to the meeting: The Head of Sustainability (HSO); Sustainability managers (SM1 and 2) Operations Managers in the Upstream (OMUP 1 and 2); Research and Development in the Upstream (R&DUP1 and 2); Research and development in the Downstream (R&DDO); External Relations (ERU); Financial Manager corporate (FM1); Financial Manager in the upstream (FMUP).

system of our company, but fully embedded in goal-setting and reporting". (HOS)

Thus, before calling for the active contribution of the participants attending the workshop, she concluded:

"If we intend to align corporate goal-setting with global sustainable development priorities and make them public commitments as important ways of demonstrating the company's relevance to the advancement of sustainable development, we must first understand in depth what characterizes our value creation processes, and include it in our planning and reporting. And we are here today to begin a journey, a journey that necessarily starts from what is material to the business, and how sustainability initiatives impact on that." (HOS)

By engaging in the discursive statements above, the Sustainability Unit (and, in particular, the Head of the unit) attempted to bring broader discourses on sustainable development and on the concept of sustainability as a global phenomenon into the specific context of the meeting. She did so by referring to the United Nations agenda for sustainable development, and linking it to corporate reporting practices as well as to the specific contribution that stakeholders ("and soon also our shareholders" – as quoted above) would expect from LOGIC, both in terms of reporting and of actual efforts towards sustainable development. These discursive statements were purposefully produced to bring all participants attending the meeting (and therefore involving different functions within LOGIC) on board with the project, by introducing it as a necessary step to satisfy stakeholders and broader society, while presenting the Sustainability Unit as the obvious leader for this project.

None of the participants argued against the statements by the Head of Sustainability. Instead, they started to engage in an active discussion about how to contribute to the project. For example, following the introduction by the Head of Sustainability, a manager from the Operations Unit in the Upstream kicked off the discussion affirming that:

"The upstream division is the unit whose short-term financial performance is primarily influenced by social and environmental drivers of the business. In all countries where we operate we must take part in the social development of the local communities [...]. For example, I believe that the project [Alfa] in Africa offers a relevant example of this conversation today. The project is about education, water, health, human beings and not oil and gas per se; and so, I would be interested in measuring its relationship with the financial performance of the business". (OMUP1)

As the workshop continued, further examples were brought into the discussion by managers from other divisions. For instance, a manager from Research and Development of the Downstream division emphasized that:

“the purpose of our unit is to find ways to sell our products and beat the competition. We recently launched an initiative on continuous improvement through which we search for innovation as the core element in offering competitive products in the market. Innovation has to be pursued in our business and we encourage bottom up suggestions on new products. [...] Recently, one of our best products came from an innovative idea about green refinery. We hired potential innovators, we trained them, and we encouraged them to search for environmentally friendly solutions with high financial impact. There is a clear link between these two aspects, and we would love to measure it”.  
(R&DDO)

The above quotations show participants’ attempt to relate the broader discourses produced by the Head of Sustainability to their own experience and identities. Consequently, they brought measurement practices and financial performance objectives into the conversation. These material referents acquired a specific meaning as they were attached to discourses on sustainability. An example is provided by a manager from the External Relations Unit (ERU), who added his view:

“we need an integrated understanding of sustainability that our stakeholders should be aware of, even in the multiple countries where we operate. For example, in [one of these countries] the use of renewable energy won over the use of coal because the local government believed that short-term cost reduction objectives [through the use of coal] were less important than clean energy in the long term. Local governments are fundamental stakeholders for us since they can help our local partners look ahead towards long term value creation”.  
(ERU)

However, as managers started to connect the discursive statements produced by the Sustainability Unit (and particularly by the Head of the unit) to their own experience and identities, disagreement started to emerge. For example, a manager from the Research and Development Unit in the Upstream division engaged in the discussion from a more critical standpoint:

“I think we need to clarify what we are talking about here. What is our aim? Are we looking at EBIT [Earning Before Interests and Taxes] maximization or the optimization of sustainability initiatives? Are we focusing on the drivers or on the outcomes?” (R&DUP1)

Another manager from the Research and Development Unit in the Upstream division reinforced this argument by stressing that:

“Well, if we are looking at how sustainability contributes to value creation, I believe the discussion is very specific. Otherwise, if we look at how our operations create value to achieve business performance, the discussion changes. This is a much broader question.” (R&DUP2)

At this point, one of the Sustainability Unit managers replied:

“I really do not get your point. We are talking about the same thing but from two different sides, and they do influence each other. Our perspectives should not be separated. They are very much integrated. I guess what we are trying to say here is that if we wish to understand how business and financial performances such as cash flow, or barrel of oils produced, are maintained over time, we need to understand the impact that drivers, such as the ongoing relationships with host countries, the increase of proprietary technologies or HSE [Health, Safety and Environmental] policies, may have on them on an ongoing basis. And Integrated Reporting gives us the opportunity to stay focused on understanding how these material matters connect with each other”. (SM1)

As illustrated through the quotes and observations presented above, the workshop provided members of the Sustainability Unit with an opportunity to communicate their views and, most importantly, their intentions and aspirations towards sustainability as integrated within the business (i.e. the need to re-design the process of planning and reporting by embedding sustainability into such process), within a larger organizational context. As conversations unfolded during the workshop, the discussion shifted continuously from an understanding of LOGIC's planning and reporting system to managers' individual experiences of the drivers of sustainable value creation and of their relationships. This continuous shift, ongoing questioning, and lack of agreement between participants, gave managers from the Sustainability Unit the opportunity to bring the conversation back to their position regarding the role of sustainability (and of the Sustainability Unit) within LOGIC's planning and reporting system.

Indeed, while participants started questioning whether financial performance [e.g. EBIT in the quote above] or social and environmental performance [e.g. optimization of sustainability initiatives] were the purposes of the business, and how these two performance dimensions were related to each other and how they had to appear in corporate reports, the Head of the Sustainability Unit raised her voice.

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“At this point I ought to affirm that we cannot talk about relationships between business and sustainability. If we do so, we produce a dichotomy in our planning and reporting systems where it should not be. We should stop using the term sustainability soon if we want to avoid such a dichotomy. It is so engrained in the business that we cannot even use a different term for it. It is the business. This is the only term we should use.” (HOS)

Once again, this view was not contested by the audience. Instead, it was taken up by a manager from the Operations Unit of the Upstream division, who added:

“Yes, I found that particularly true in the Upstream business. However, if we all agree that sustainability is fully engrained in the business, now the question becomes the following: How can we design a planning and reporting system which is able to sustain this level of integration?”. (OMUP1)

Similarly, according to another manager of the same unit:

“The design of this system is the key issue here, and I am afraid it is a challenging one. Cause and effect relationships between social, environmental and financial aspects of the business are really difficult to identify and measure”. (OMUP2)

One of the managers from the Sustainability Unit again took the lead, pointing out that:

“The heart of the matter here is that we need to identify a new approach, a new method of planning and reporting that is able to capture the integration we are talking about. So, we should select a pilot project and, perhaps, we could develop it in the Upstream Division, if you agree. Performing the pilot in the Upstream Division will be highly relevant given the significant weight of this business on our overall performance”. (SM2)

As illustrated above, managers from the Sustainability Unit continued to raise their voices as the conversation unfolded. The Head of the Sustainability Unit, in particular, emerged as the warrant voice within the discourses being constructed. Indeed, the Sustainability Unit promoted and took the leadership of a pilot project for designing an integrated planning and reporting system within the Upstream Division. As emphasised by a manager from the Operations Unit of the Upstream division: “*Yes, I agree. We should be the first unit for your pilot project*” (OMUP1).

Within LOGIC, the workshop provided the conditions for discourses about sustainability to unfold and become embedded within a larger context, (Point 4 of the *Performativity* circuit in Figure 4.4 at p.106 of this thesis), in which

they started to *perform*, i.e. produce effects, within a context where individuals were very familiar with the issues that were the subject of the conversations. In particular, the Head of Sustainability – as well as members of her team – gradually established themselves as the warrant voice (Point 5 of the *Performativity* circuit in Figure 4.4 at p.106 of this thesis). This specific position of the Sustainability Unit was enabled through the complex connections between broader discourses regarding sustainability (i.e. the United Nations sustainable development agenda) and the material referents identified in planning and reporting practices within LOGIC. Through these connections, such practices were filled with specific meanings by meeting participants, and drove the conversations as discursive objects.

Despite the questioning and disagreement that emerged during the meeting, the Sustainability Unit, in light of its position of warrant voice (i.e. promoter and developer of integrated reporting), offered participants in the workshop a possible solution for moving ahead (the pilot project). Within this process, a number of texts were drawn upon by the warrant voice (Point 6 of the *Performativity* circuit in Figure 4.4 at p.106 of this thesis). For example, according to the Head of the Sustainability Unit, the term 'sustainability' should dissolve into business operations to avoid any 'dichotomy' (and segregation) in the language used for reporting purposes. Also, the United Nations Sustainable Development Goals were drawn upon to bring into the conversation a specific rhetoric for legitimizing the position of the Sustainability Unit and to sustain its intentions. These texts showed 'receptivity', i.e. they conveyed the meanings intended by their enunciators, since participants could directly link them with their perception of what was urgent for the organization. Furthermore, by connecting a broad concept of sustainability, (which LOGIC was expected to contribute to by stakeholders and society), to LOGIC's planning and reporting practices, the project unfolded further leading to a specific pilot study on the Upstream Division under the guidance of the Sustainability Unit.

Although individuals within the *Activity* circuit made discursive statements that were used 'strategically' to support their intentions, the *Performativity* circuit allowed these discourses to produce 'political effects' by presenting

them to a larger context (Hardy *et al.*, 2000) and by leading to a concrete outcome, i.e. the pilot project for the Upstream Division. Within this circuit the Sustainability Unit (its Head, in particular) had the warrant voice, dominating the conversation through the narratives employed. This did not mean that agreement on the concept of sustainability was achieved. But it meant that organizing effects (i.e. the pilot project) emerged from disagreement and questioning about the planning and reporting practices (as a discursive object). As it is illustrated in the next paragraph, within the *Connectivity* circuit these organizing effects connected discursive concepts and objects, while enabling their continuous unfolding.

### 7.5 The Connectivity circuit – different subject positions emerge

As the pilot project started in March 2014, managers from the Sustainability Unit and from the Upstream division (both from operations, and from the finance section within the division) met to discuss the way to represent and measure the interdependency between financial, social, and environmental performance as part of their planning and reporting system. The expected outcome for the project was to define a number of strategic objectives for all relevant performance dimensions, and then identify their cause-effect relationships. Such objectives and relationships had to be represented on a map (called ‘the connectivity map’), which had to then be related to specific performance indicators and initiatives, informing both planning and integrated reporting processes.

During the project meetings, different discursive statements were generated by the various participants as they attempted to define performance objectives for the Upstream Division and to relate social and environmental initiatives to the company’s financial performance. These discourses revealed different positions regarding the concept of sustainability as conversations shifted continuously in between the attempt to define sustainability and the metrics for linking it to financial performance. A first perspective on sustainability emerged through the discursive statements produced by managers from the Business Development Unit in the Upstream.

“Sustainability means safeguarding the environmental, economic and social conditions of the countries in which we operate. This is part of our tradition, and it is a critical factor in every project we implement, especially in developing countries.” (BDUP1)

During a meeting, and with the intention of reinforcing this viewpoint, a second manager from the Business Development Unit in the Upstream linked his talk to a specific project that was being implemented in Africa. She argued that:

“we are working on project [Alfa] which aims to ensure purified water, education, health and food to local communities. For example, we are now building eleven primary schools there. These projects follow the principles of the Millennium Development Goals [now SDGs, from September 2015] of the United Nations. This is sustainability for us. Of course, it is related to the business as it helps us build long term, trustworthy relationships with local governments to the benefit of the business in the country. But it is not the business itself, it is something different.” (BDUP2)

To reinforce this argument, a third colleague operating in the Upstream Business Development Unit, projected a video of the schools built in Africa and funded by LOGIC. Then he added:

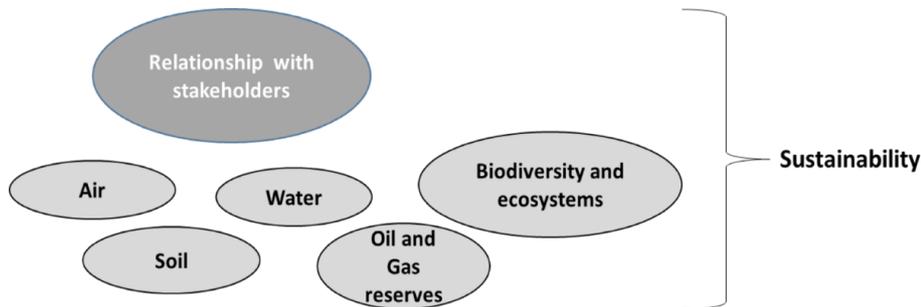
“So, for instance, although we acknowledge that Health and Safety lies under the broader umbrella of sustainability at the corporate level, instead, for us it does not. They are business related.” (BDUP3)

Different types of texts (including a video) were mobilized by the managers from Business Development, who linked their view of sustainability to specific projects for local communities (e.g. the project for building schools in Africa, as shown in the video). In addition, managers from Business Development referred to the format of LOGIC's budget:

“You see [holding a copy of the document] Health and Safety have their own chapter in the budget, which is different from the one we use to support initiatives of sustainability. They have nothing in common. Different kind of costs are incurred and they rely on different indicators, which are not connected with each other. Maybe, in the near future, we will formalize these interplays, but until that happens Health and Safety and Sustainability are separate here.” (BDUP1)

The discursive statements above reveal a narrow view of sustainability as being confined to specific projects for local communities, separate from LOGIC's business. These statements about sustainability were attached to a

number of performance objectives by business development managers (see Figure 7.2).



**Figure 7.2** - The construction of the connectivity map – first step  
(reproduced from Company’s material)

A different view on sustainability and its relationship with business performance was revealed by Finance managers working in the Upstream division. For example, one of them argued:

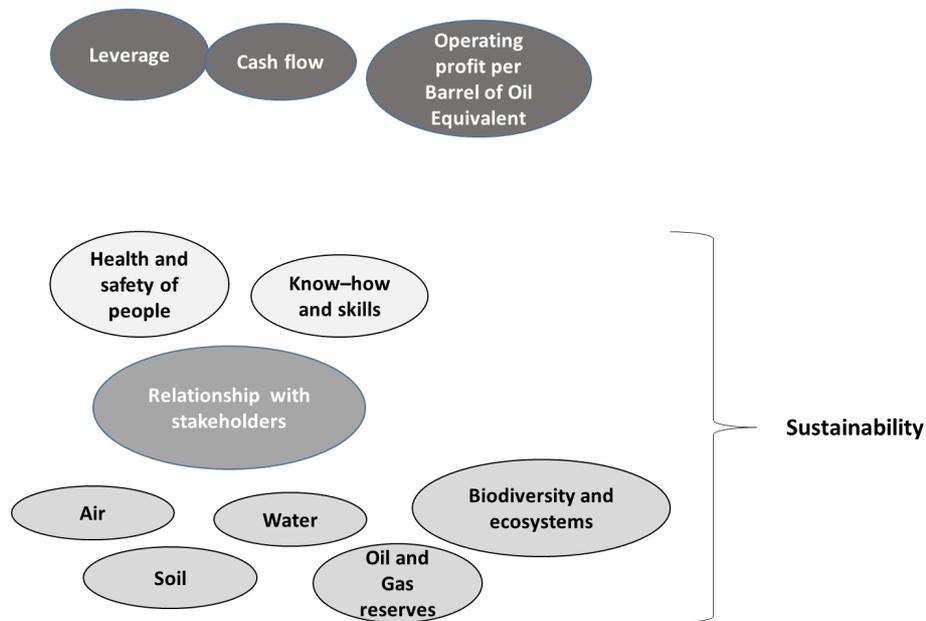
“Sustainability is about society and environment. This is a matter for the Sustainability division. Our key concerns relate to the financial sections of the report, where we have enough standards and obligations to fill up our days [...] As a matter of fact, within the planning process we separate the budget for sustainability initiatives from the budgets for business operations. They are two separate things.” (FMUP1)

The discursive statements above reveal a broader view of sustainability than the mere projects for local communities. However, as Finance managers attached this view to budgeting practices, they emphasised the separation between sustainability and business performance. Indeed, to support their position in relation to sustainability, Finance managers linked their discursive statements to the format of LOGIC’s budgets. In particular, by relying on the fact that the budget for sustainability initiatives was separate from the budget used for business operations, Finance managers sustained their argument about sustainability being related but still separate from the business operations. From this point of view:

“I disagree from colleagues from Business development. Health and safety are part of sustainability, as well as environmental protection, social development of the local community and social development of LOGIC’s employees. But let us keep business performance separate, as the format of our master budget does. On one side, we look at our financial growth in terms investments or costs and the cash flows; on the other we look at our production growth in terms of position on the

territory in which we operate and that we aim to develop sustainably".  
(FMUP2)

Whereas the format of the master budget was used to reinforce the Finance managers' subject position, their discursive statements on sustainability were attached to a larger number of performance objectives (see Figure 7.3), which purposefully separated sustainability from business (financial) performance.



**Figure 7.3** – The construction of the connectivity map – second step  
(reproduced from Company's material)

A third view on sustainability was offered by operating managers working in the Upstream Division. According to one:

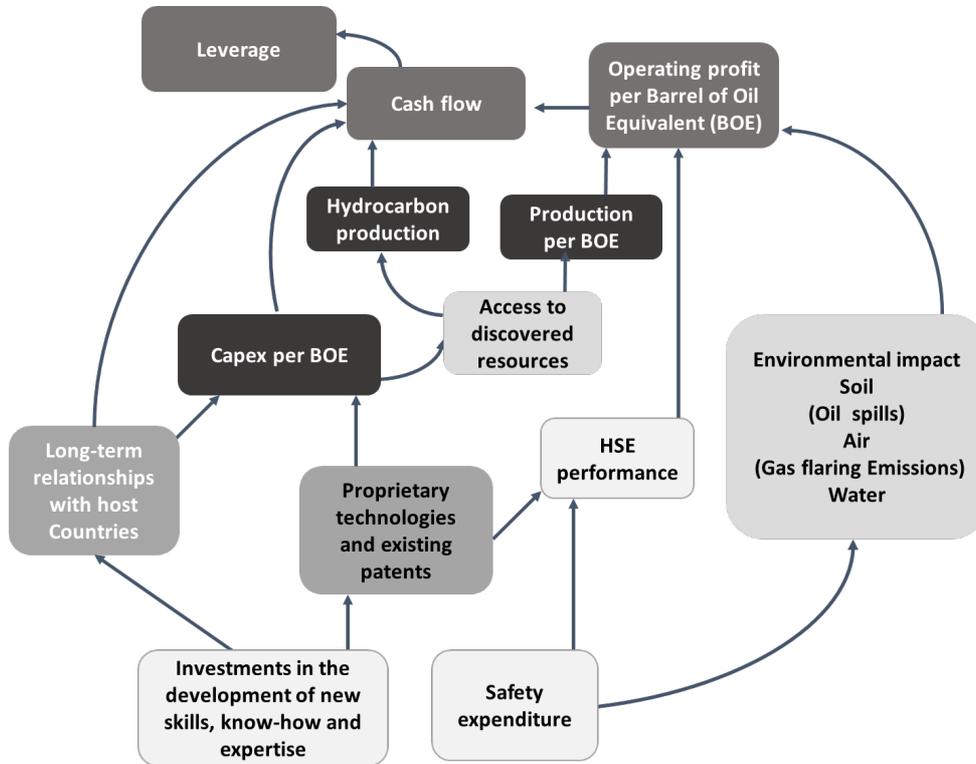
“Our business operates largely in developing countries. Therefore, it has to be embedded in the social development and growth plans of these countries. All of our strategic decisions have to take into account sustainability as being fully embedded in the upstream. There's no doubt about it.” (OMUP1).

A second operating manager from the Upstream Division echoed:

“Sustainability is so integrated within the business that it is almost impossible to separate it from strategic value creation. I think that distinguishing between targets of sustainability and strategic business objectives is contrived. They are all part of the same journey we undertake daily. They are intertwined within our business model.” (OMUP2)

The statements above reveal a view of sustainability as being fully embedded in the business, which was also shared by managers in the Sustainability Unit,

and which led to the identification of multiple performance objectives and their relationships (see Figure 7.4). Moreover, it had to inform the planning and reporting practices of LOGIC's upstream division.



**Figure 7.4** – The construction of the connectivity map – third step (reproduced from Company's material).

Within LOGIC, the pilot project for re-designing the planning and integrated reporting system of the Upstream division engaged a number of professionals from heterogeneous backgrounds who were asked to question how sustainability issues and performance were related to their traditional activities. The discursive statements produced by the Sustainability Unit “took” (Hardy *et al.*, 2000), as participants in the pilot project tried to link the concept of sustainability to their own experience (Point 7 of the Connectivity circuit in Figure 4.4 at p. 106 of this thesis). Whereas during the Performativity circuit the Sustainability Unit (and in particular the Head of Sustainability) acted as a “warrant voice” of a meaning of sustainability as part of the business strategies, within the Connectivity circuit, as participants in the pilot project attempted to connect their views of sustainability to their own experience, they filled this concept with different meanings. This connection resulted in the emergence of new subject positions, such as

Business Development managers, Finance managers of the Upstream division and operating managers (Point 8 of the Connectivity circuit in Figure 4.4 at p.106 of this thesis). According to managers from Business Development, sustainability is about external projects and initiatives with a social/humanitarian impact in local countries, while excluding all 'internal initiatives', such as Health and safety initiatives. In contrast, Finance managers of the Upstream division related sustainability mainly to social and environmental performance, as connected but separate from business performance. Finally, discursive statements from operating managers in the Upstream Unit emphasised a view of sustainability as being fully embedded into the business.

Different texts and symbols were employed by participants to the pilot project to support their different positions regarding what sustainability is and how it should be related to the business and financial performance within the process of integrated reporting. For example, Finance managers of the Upstream Division relied on the format of LOGIC's plans and budgets to support their statements on the separation between business and sustainability. Also, participants from the Business Development Unit linked their discursive statements to the videos of LOGIC's social initiatives in specific countries, as well as to LOGIC's budgets, to support their conceptualization of sustainability.

Although texts such as the video on social initiatives in Africa and the format of LOGIC's budget were drawn upon to support different views of sustainability that were held by emerging subject positions, these views were gradually attached to planning and reporting practices through a specific set of performance objectives, as well as their cause and effect relationships, with the intention of informing future planning and reporting for the Upstream division. Therefore, this process provided the conditions for planning and reporting to unfold, in practice, following the emergence of multiple subject positions and their discursive statements (Point 9 of the Connectivity circuit in Figure 4.4 at p.106 of this thesis). However, this process did not mean that agreement on the concept of sustainability had been achieved. Indeed, disagreement persisted.

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As managers could visualize all performance objectives on the map, they attempted to quantify cause and effect relationships between them, and identify appropriate performance indicators and targets. However, they struggled to achieve consensus as all managers maintained their subject positions. For example, a Finance manager from the Upstream division argued with members of the Sustainability Unit:

“You can decide whatever you want for the sustainability section of the plan, but then let us keep the financial targets separate. We do not see the connections as yet, and they are not easy to understand.” (FMUP1)

Also, a manager from Business Development re-emphasised his position:

“Every euro we spent on security or on people, health and safety are something different from what we do in terms of sustainability. So, how do we draw the connection between business and sustainability?” (BDUP3)

The above statement stimulated the reaction of one of the Sustainability managers involved, who argued:

“Health and Safety targets are part of our sustainability plan, which should not be separated from the business master plan. We should find ways to draw the connections” (SM1)

A Finance manager from corporate responded as follows:

“What is the impact of investment in training, safety, and relationships with host countries on the operating as well as financial targets? This is important for us, also because we need to be aware of the trade-off that is in place. Ideally, in the future, we would like to quantify these relationships. The CFO is beginning to look into this process.” (FM1)

In this context, the accumulation of different statements around the map influenced the context for future discourses activities and challenged the warrant voice of the Sustainability Unit in practice.

“It is clear that until integrated reporting is led by us, sustainability will be viewed as our matter and not as the company’s core business. Listening to a Finance manager who talks about initiatives of sustainability, he seems to be more convincing than listening to a sustainability manager who talks about links with business and financial performance. I trust we, as the Sustainability Unit, have to make a step back and let the Finance Unit lead the integrated reporting process if we want everybody here to think of sustainability as being fully integrated with the company’s business and operations”. (HOS)

A manager from the Sustainability Unit (SM1), argued:

“Everything, we are doing in this project is relevant for our process of planning, control and reporting. Through this connectivity map we are planning and controlling our sustainable value creation, and business strategies. The map is relevant for the company as a whole, because it shows how the initiatives of the business affect our sustainable value creation process. Through this map we can determine that there is no distinction between our sustainability plan and business master plan. For this reason, the Finance unit can have a crucial role in in this process.

Following the conversations above, the Sustainability Unit decided to move completely to the background. The Head of the Sustainability Unit believed that the project would have been much more successful if led by the Finance Unit, given the possibility for this unit to engage in more effective conversations with diverse groups of experts (i.e. all groups involved in the strategic planning of the company) and, thereby, incorporate the outcome of the project within the broader planning and control system of LOGIC. In November 2015, during an ad hoc meeting between Sustainability managers and the CFO, the latter accepted to take the lead of the project and committed to bring it further by integrating its outcomes within the strategic planning process of the company with the aid of the Sustainability Unit.

When the Finance Unit took over “the search for integration” (FM2) from the Sustainability Unit, the connectivity map was presented to the CFO, who championed the collection of all the necessary data to include the connectivity map in the Integrated Report of the following year (2015). Also, with the aid of the Sustainability Unit, the map was linked to an innovative matrix, showing the capitals, initiatives and targets for achieving the different performance objectives (see Figure 7.5).

While reviewing the information to be put in the map and the matrix, a manager of the Finance Unit affirmed that:

“what is most interesting of this map is that it enables us to determine the results we achieve towards our short, medium and long-term strategies. We were able to determine the connection among the different capitals and implicitly find which unit is responsible for it, facilitating the collection of certain data and information. Through the development of the map, we can determine what are the results of our approach to sustainable value creation”.

Further, as highlighted by a manager of the Sustainability Unit:

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“Through the connectivity map each business unit and each sub-function is required to find and measure themselves their own approach to sustainability by planning, controlling and reporting the performance of sustainability that affect their business strategies and *vice versa*. Then, through this map, every business unit can integrate sustainability and strategic objectives according to their needs”

Between 2015 and 2016, this map and the related performance indicators became part of LOGIC’s planning and reporting system by adjusting the current practices at work, under the guidance of the CFO and the finance unit. The map was then published in March 2016 within LOGIC annual integrated report, describing for each capital (rows of the matrix) the main KPIs achieved, the targets and the possible risks associated to different financial or non-financial initiatives. In this context, the unfolding of the Integrated Report and of accounting practices (through the map and the new matrix) provided the conditions for further discourses to take place about LOGIC’s management of sustainability and its integration within the business strategies. As illustrated in chapter six, the development of the connectivity map and the integration among different capitals enabled managers within LOGIC to determine whether converting a traditional refinery to a bio-refinery, assessing the effects of this decision in economic, social and environmental performance.

Such discursive activities are still ongoing within LOGIC.

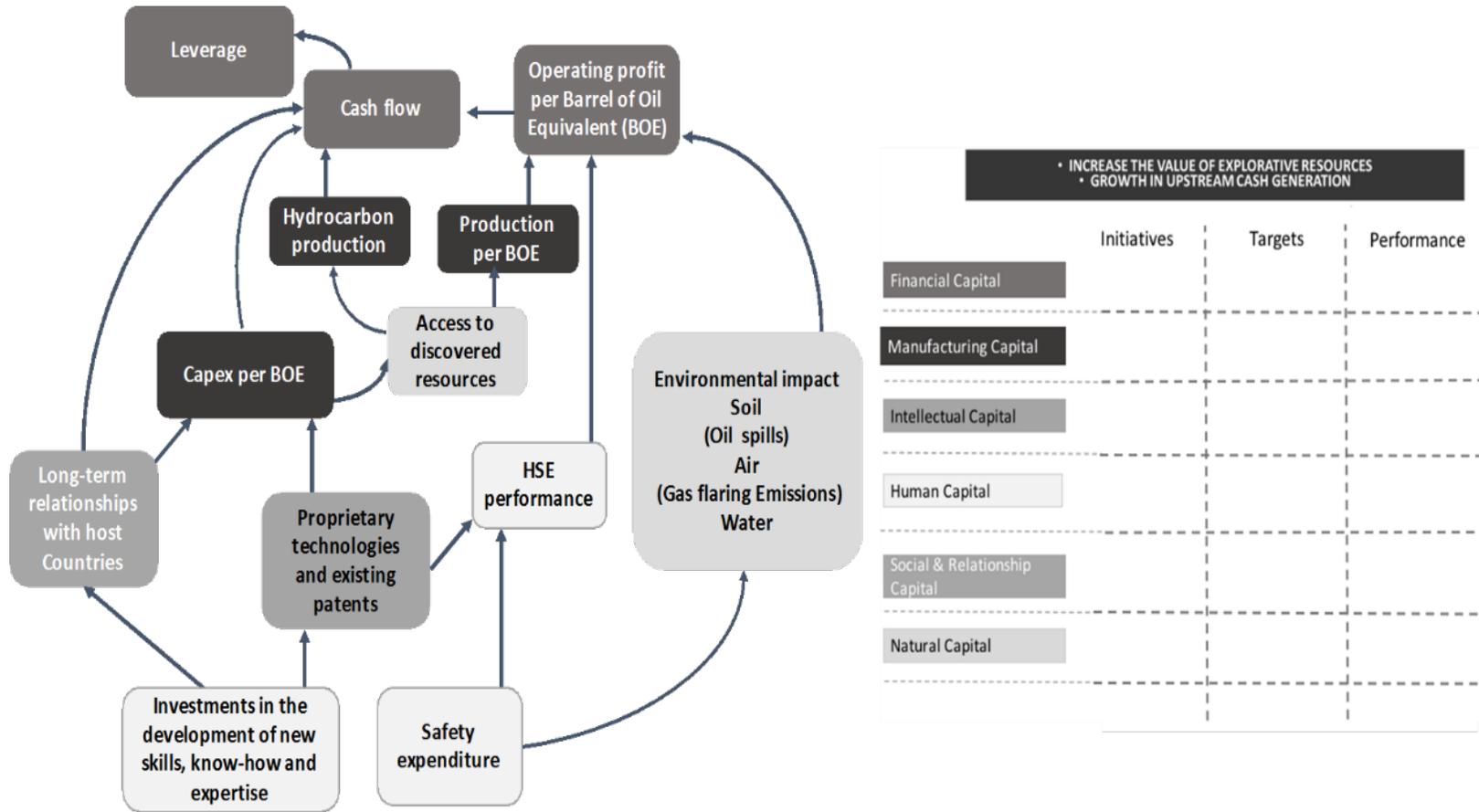


Figure 7.5 – Upstream connectivity map and matrix with capitals, initiatives, targets and actuals (reproduced from Company's material)

## 7.6 Summary and further thoughts

This chapter describes the main evidence of the research by exploring the role of accounting and reporting in giving meaning to sustainability and how these meanings unfold in practice because of the confrontations and debates that take place among different managers and subject positions involved in their preparation.

In line with the theoretical insights offered by the framework proposed by Hardy *et al.* (2000) the analysis has been structured by looking at the Activity, Performativity and Connectivity circles.

This chapter illustrates how a first meaning of sustainability emerged and was attached to accounting and reporting practices by the sustainability managers to involve and gain the approval of the finance unit in the implementation of a project for integrated reporting (See the Activity circuit at Section 7.3).

The concept of sustainability within LOGIC gained further meanings and relevance, when sustainability managers proposed themselves as spokesmen to present the development of a project on integrated reporting that would have shown how traditional business activities affect the environment and the society as a whole. The presentation of the project on integrated reporting required the participation of different business units, enabling individuals to connect their view on sustainability to their traditional activities and experience (see Performativity circuit at Section 7.4).

As the project started, disagreements on what was meant to be sustainable for the business emerged, producing different meanings according to the various perspectives of those who were involved in the production of the project on integrated reporting. The implementation of the project led multiple 'discourses' about sustainability to unfold in practice, because of the different ways of talking about, understanding and interpreting sustainability by the managers involved in the project

It was through the encounter between individuals' understandings and experiences on sustainability, that new positions emerged and offered the conditions for accounting and reporting (i.e. integrated reporting, MBO

system, strategic planning) to unfold in practice. The evidence presented in this chapter illustrated how sustainability gained meaning and became meaningful through accounting and reporting practices, triggering further questioning on the reliability of LOGIC's performance management system (which is still ongoing) (see Connectivity circuit at Section 7.5)

A discussion of the main research findings is provided at chapter 8.

## Chapter Eight

### 8. Discussion

#### 8.1 Introduction and structure of the chapter

This chapter discusses the main findings of the research in accordance with the research objectives, the research questions and the literature reviewed in this thesis.

The chapter is structured as follows. Section 8.2 addresses the first two research questions discussing how sustainability was represented within LOGIC and the mechanisms that these representations provide.

Section 8.3 goes into more depth in regard to research questions three and four discussing the main findings illustrated in chapter seven in accordance with the activity, performativity and connectivity circuits proposed by Hardy *et al.* (2000). Some concluding remarks are provided at Sections 8.4

#### 8.2 The role of accounting and reporting practices as organizations attempt to represent sustainability

As suggested earlier in the thesis, whereas several studies in the literature have discussed the representational ability of accounting and reporting practices, maintaining that a gap still exists between “what companies say” and “what they do” about sustainability, this thesis argues that the attempt to represent this concept, and give it meaning, through incomplete accounting practices may produce valuable effects. Therefore, rather than trying to address this gap and offer guidelines to fully define sustainability, this study explores how organizations’ attempts to represent sustainability (i.e. its *representing* – the process of representation) affect the way in which organizations understand and report on sustainability, changing its meaning over time.

In doing so, the first two research questions have been addressed:

RQ1. How is the concept of sustainability represented through accounting and reporting practices?

RQ2. What are the mechanisms that accounting and reporting practices trigger as they attempt to represent sustainability within organizations?

*How is the concept of sustainability represented through accounting and reporting practices?*

The first point addressed in this thesis refers to the need to explore the space between accounting as a means of representation and as construction of realities. Accounting for sustainability, with its ambiguities, inconsistencies and lack of a legitimate, unified corpus of knowledge and practices, is an interesting *locus*<sup>49</sup> to explore how accounting prospers exactly because of these ambiguities and inconsistencies (Christensen *et al.*, 2013). These allow accounting to emerge, proliferate and change over time (Meyer, 1986). When faced with the complexities of accounting for a multiple and heterogeneous variety of stakeholders, the incompleteness of accounting is magnified to a state that cannot be hidden by a faith in the power of its representations or in its power of reality making. Ambiguities (and not facts) cannot be ignored or reduced and are therefore to be embraced (Quattrone, 2017).

In doing so, accounting and reporting practices offer a number of representations (graphs, diagrams, tables, grid) that have a generative power. These representations reduce the complexities of the concept of sustainability and produce standardised measures that make it manageable and stable. Attempts to reduce the complexity of environmental impact to a measure (the case of carbon emissions, for instance) aim to make the unknown known, and unknowable knowable.

Accounting numbers therefore seem to be powerful not only because they reduce and standardize, but also because they reduce and ‘augment’, i.e. allow speculations on the unknown notion of ‘sustainable value’ (Carruthers, 2015, Busco and Quattrone, 2017). Between this strength (the ability to “close down”) and this weakness (the inability to define) of accounting, a space to

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<sup>49</sup> From Latin: the place where something is situated or occurs. A center of Activity

understand and report about sustainability, as well as to make sense of its unfolding meaning, emerges. How that happens and is sustained through accounting and reporting also needs to be addressed through the second research question.

*What are the mechanisms that accounting and reporting practices trigger as they attempt to represent sustainability within organizations?*

Figure 6.10 and 6.11 help making the point. How do these two figures represent sustainability? They do so by juxtaposing values – in the form of multiple capitals – that cannot be made homogeneous, but still force preparers and users to search for a compromise. They expose an inner tension between, for instance, financial and natural matters, provoking the readers to speculate on those tensions. Although this may well be in the intention of the preparers of this document, the way data are put ‘in form’ to become information available to stakeholders cannot work as an ‘answer machine’ for there are no obvious answers in this document of how to reconcile business and environment. However, the report creates room for speculation and mediation that is open to multiple interpretations. This is also the case for Figure 6.12 and 6.13 where the logical flow presented by the designer of the reports requires readers to address a series of choices (like in labyrinths where one faces a wall and is forced to reflect on whether to go right or left, Carruthers, 1990). Thus, the inconsistencies and incomplete spaces that integrated reporting leaves, are those that attract the users by giving them an active role. The user is no longer a spectator but an integral part of the process. Notably, this process is possible because accounting and reporting practices contribute to “closing-down” complex and unknown concepts (such as sustainability) to more manageable and known categories, as well as “opening up” a discursive space between multiple and diverse interpretations of sustainability. This discursive space facilitates the construction and reconstruction of the meaning of sustainability.

In this way, the generative power and incompleteness of accounting representations are the mechanisms that sustain the unfolding search for ‘sustainable value’ (see Figures 6,7; 6,8 and 6,9) that organizational

discourses entail, and that make integrated reporting a viable practice. Therefore, this thesis maintains that it is not in the enlargement of the realm of the measurable (from one to several capitals) that the power of accounting lies, but in the mechanisms of juxtaposing these heterogeneous capitals in a clear reporting format. Further, this thesis maintains that accounting can never tell the truth, it can never work as an answer machine (Burchell *et al.*, 1980) and we never find ourselves free from uncertainties and ambiguities (Revellino and Mouritsen, 2015). Instead, accounting and reporting can work as a ‘maieutic machine’ (Quattrone, 2015; Busco and Quattrone, 2017) which can force a community to ask questions with the never fulfilled promise of a compromise.

The first two research questions that characterize this study focus on the role of accounting and reporting practices as organizations attempt to represent sustainability. The remaining part of the study explores how participating subjects engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold, and the role of accounting and reporting practices within this process.

### 8.3 Making sustainability meaningful: discursive concepts, objects and subject positions

The second aim of this thesis is to *explore how participating subjects engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold*. In doing so, the following third and fourth research questions have been addressed:

RQ3. How is the meaning of sustainability constructed by participating subjects within organizations?

RQ4. What is the role of accounting and reporting practices within this process?

The following sections address the remaining research questions according to the main findings analysed in Chapter seven in line with the activity, performativity and connectivity circuits proposed by the framework of Hardy *et al.* (2000).

8.3.1 *Making meaningful connections between accounting and 'sustainability': planning and reporting practices as discursive objects*

As illustrated in Chapter seven, within the *Activity* circuit, discursive statements about sustainability were purposefully produced by managers from the Sustainability Unit to achieve their desired outcome, i.e. initiating and leading a major project for re-designing the Integrated Report.

As highlighted by Hardy *et al.* (2000), discourses do not possess meaning per se, but they become meaningful through the 'texts' they are supported by and within the 'context' where they are produced. Within LOGIC, specific texts (e.g. the diagram of LOGIC's business model, the MBO system or a number of different performance indicators) were used to link discursive statements on sustainability to specific material referents (i.e. the Integrated Report and broader planning and reporting practices). Such a connection was necessary in order to pursue the intentions of the Sustainability Unit, while simultaneously filling the concept of sustainability with specific meanings. This process made the material referent (e.g. texts, graphs, reports) of the concept of sustainability a 'discursive object'. This did not mean that the Integrated Report did not exist as an object outside of the ambit of sustainability. Rather, meant that it provided a 'discursive object' for making sustainability meaningful and put it into context.

Previous studies have emphasised the lack of representational ability of accounting in relation to sustainability (e.g. Adams, 2004; O'Dwyer *et al.*, 2011), and the need to fill the gap between what companies say and what companies do about sustainability (see Cho *et al.*, 2010; Gond *et al.*, 2009). Within LOGIC, meaningful connections between reporting practices and sustainability were produced because of the lack of representational ability. This triggered the attempt (and intent) of the Sustainability Unit to better 'represent' sustainability within corporate planning and reporting practices. This enabled multiple interpretations of sustainability, following managers' particular ideas and aspirations, within the discursive space provided by the project.

This process meant that, within LOGIC, the lack of representational ability of accounting in relation to Sustainability stimulated meaningful and unfolding connections with the concept of sustainability (rendering accounting practices a ‘discursive object’), which in turn caused generative effects (as illustrated in the Performativity circuit)

These findings extend Christensen *et al.* (2013)’s argument about the aspirational abilities of accounting. Christensen *et al.* (2013) argue that ‘sustainability talk’ may motivate individuals towards an imaginary future about sustainability, thereby shaping organizations. Within LOGIC, the lack of representational ability of accounting stimulated meaningful and unfolding connections with the concept of sustainability, rendering accounting practices a ‘discursive object’. In so doing, rather than stimulating broad aspirations about ‘sustainability’, within LOGIC accounting practices triggered managers’ specific interest and intentions of acquiring a dominant voice in the discursive space around accounting. Indeed, this process led to multiple subject positions, as well as the emergence of a warrant voice (as described in the *Performativity* circuit).

In so doing, this research goes beyond Christensen *et al.*’s (2013) argument on aspirational accounting, by showing that managers’ particular intentions may be entailed by accounting practices. Also, this study demonstrates that the gap between what companies *say* and *do* about sustainability does not necessarily mean that companies say something opposite to what they do (and aspire towards what they say, as in Cho *et al.* 2015). Rather, it means that the gap in the representational ability of accounting leaves space for individuals (the management team within LOGIC) to engage in a plurality of discursive practices, thereby leaving sustainability open to multiple interpretations.

These findings resemble Tregidga *et al.*’s (2018) argument about the hegemonic dimension of sustainability, whose universal nature of *empty signifier* stimulated different coalitions to fill it with particular meanings and develop a dominant corporate-focussed discourse about it. Through the case of LOGIC, this study further articulates this argument at the level of the individuals, by showing how the ubiquity of sustainability as a discursive

concept attracted managers' particular intentions, stimulating multiple subject positions within the organizations, as well as a dominant warrant voice. However, rather than constraining actions through their hegemonic dimension, these dynamics had enabling effects within LOGIC. This is discussed in the next section.

### 8.3.2 *Accounting and sustainability in context: the generative effects of subject positions*

According to Hardy *et al.* (2000), for discursive activities to generate organizing effects, they cannot be simply produced, but they have to be located in a 'meaningful context' (Hardy *et al.*, 2000, p. 1228). Such a context was provided by the Performativity circuit, taking place within LOGIC in the space for engagement offered by the one-day workshop organized by the Sustainability Unit, and involving a large number of experts from different functions. Within this larger context, managers from the Sustainability Unit – and, in particular, the Head of the Unit - built on discursive activities, and on the lack of agreement about how sustainability should be represented in the Integrated Report, to establish themselves as warrant voice.

This situation enabled managers in the Sustainability Unit to circumscribe the positions through which other subjects in the audience could speak, act and interpret discourses. This meant that, within the Performativity circuit participants in the audience did not have any other choice than to relate the concept of sustainability to the Integrated Report (rather than to other possible material referents such as specific projects for primary education in Africa), and through the specific view of the warrant voice. It followed that managers from the Sustainability Unit could achieve their desired outcome, i.e. being granted the leading role of a major pilot project for re-designing the planning and reporting system for the Upstream Division.

Previous studies acknowledge the role of texts and images in the generative production of discourses about sustainability (see, e.g., Milne *et al.*, 2009). Within LOGIC these texts were not meaningful *per se* but acquired meanings and produced effects through the ongoing engagement, questioning and interrogations of the different subject positions involved. This process

(regarded as a process of construction and re-construction of sustainability and accountability principles by Contrafatto, 2014) was informed within LOGIC by broader discourses on sustainability (for example, following the United Nations agenda for sustainable development). In light of the intention of the warrant voice, these discourses were moulded into the specific context of the project on LOGIC's Integrated Reporting through their meaningful connections with the different texts and material referents employed. It was through the encounter between managers' experience, material referents and unfolding concepts of sustainability that accounting and reporting practices became meaningful (as related to sustainability) within LOGIC and triggered further developments of the Sustainability Unit's project.

These findings extend Tregidga *et al.*'s (2018) argument about the ability of the concept of sustainability to attract multiple intensions and interpretations. This study shows how this process may take place inside organizations, at the managers' level, through such material referents as accounting and reporting practices. It was through these referents that managers could establish meaningful connections between their experience and 'sustainability', filling it with multiple meanings. Moreover, these dynamics did not have disruptive effects by providing a distorted vision of reality (as suggested by Gond *et al.*, 2009; Gray, 2006; 2010), but rather, stimulated further organizing, as well as unfolding accounting practices. As suggested by Christensen *et al.* (2013), such enabling effects (re)constructed organizing processes in practice. However, differently from Christensen *et al.* (2013), this study argues that they were not led by broad corporate aspirations about sustainability, but rather by managers' particular intentions and experiences, which were brought into context (i.e. connected to sustainability within the same discursive space) by accounting practices.

### 8.3.3 *The intertwined unfolding of meanings and accounting practices*

Within the Performativity circuit discursive activities started to take place and produce effects (i.e. the pilot project for the Upstream Division), through the interactions between discursive concepts (sustainability), objects (Integrated Reporting) and subject positions (the warrant voice and the audience).

However, it was throughout the Connectivity circuit that such activities ‘took’ (Hardy *et al.*, 2000), i.e. they were actually “received” by the participants in the pilot project. This did not, however, led participants to agree on the concept of sustainability. On the contrary, as discursive activities “took” (and participants in the project could actually “take” them into the ambits they were more familiar with), disagreement and multiple subject positions emerged, filling the concept of sustainability with different meanings according to their various perspectives. It was through such disagreement that new positions emerged and offered the conditions for the integrated reporting (as a discursive object) to unfold in practice – for example, with the introduction of the new performance objectives, the connectivity map and the new matrix, triggering further questioning on LOGIC’s performance management system (which is still ongoing).

These dynamics illustrate the close interrelationship between concepts, objects and subject positions during the production of discourses about sustainability. Rather than achieving a bounded definition, it was through these dynamics that sustainability could be filled with ever-unfolding meanings, remaining open to multiple possible interpretations. Such openness did not render sustainability meaningless, but rather it allowed this concept to produce effects and stimulate change through the unfolding meanings it was attached to by the different subjects involved.

This study reinforces the findings by Christensen *et al.* (2013), by showing the enabling effects of the gap between what companies says and do about accounting. However, in the specific context of LOGIC, this gap was not aspirational because talks about sustainability held the promise for a better future (as in Gibassier *et al.*, 2017) or were different from reality (as in Cho *et al.*, 2015). It was aspirational because talks about sustainability allowed multiple interpretations of reality (a plurality of discourses as in Tregidga *et al.*, 2018), which could all co-exist without achieving closure. It follows that the gap in accounting and reporting’s representational ability should not and possibly cannot be closed, as it held a generative potential without necessarily decoupling from reality.

This does not mean that any lack or gap in accounting's representations (or, more generally, between words and actions) has enabling effects and therefore should not be reduced. To retain its enabling effects, such gaps should be enough wide to allow for multiple interpretations of sustainability without undermining its 'universal' nature (Tregidga *et al*, 2018). Within LOGIC, accounting practices brought broad discourses about sustainability into context, without achieving closure and allowing for multiple interpretations. At the same time, accounting provided managers with a "discursive object" they could all recognize and connect their experiences with, thereby preserving the 'universal' nature of sustainability at the management level.

Furthermore, this thesis extends previous studies on sustainability accounting practices that have showed how these practices engage with different actors and unfold themselves because of such engagement (see, e.g., Spence and Rinaldi, 2014). This study demonstrates how broader discourses of sustainability are brought into micro discursive contexts through the dynamics between discursive concepts, objects and subjects, allowing a plurality of meanings and subject positions to co-exist thereby shaping accounting and reporting practices. For example, it was observed that the discussion around the attempt to represent sustainability through accounting and reporting practices generated additional performance objectives, as well as further performance measurement systems (e.g. the connectivity map and the new matrix).

Within LOGIC, integrated reporting unfolded, as it became the object for discursive activities and enabled the concept of sustainability to acquire evolving meaning, while becoming meaningful itself as it was attached to this concept.

#### 8.4 Summary and further thoughts

This chapter addressed the research questions by exploring the role of accounting and reporting practices in representing sustainability within organizations and explaining how participating subjects engage with

accounting and reporting practices to make sustainability meaningful as organizational discourses unfold.

Whereas most of prior studies have criticised accounting and reporting practices on the basis that they offer limited representations of the ways in which organizations operate to be sustainable (Gray, 2010; Tregidga *et al.* 2014), this study argues that the attempt to represent it, and give it meaning, entails an aspiration that has effects on the ways in which sustainability gains meaning and become meaningful within organizations.

As maintained by Milne *et al.* (2009), the ways in which organisations represent its sustainability initiatives are strongly implicated in the way in which they come to ‘know’ and ‘do’ sustainability. Also, Christensen *et al.* (2015a) highlights that communications about sustainability are not intended to provide perfect representations of existing organisational sustainability practices. But, accounting representations and discussions about sustainability are actions themselves and serve as aspirational disclosures and constitutive devices through which organisations pursue and define sustainability (Christensen *et al.*, 2013).

However, what is relevant for this research is not whether a gap exists between accounting actions and representations about sustainability (since this is not in dispute in the literature), but instead, whether such a gap might in fact be beneficial (at least in the short-term) in helping to motivate organisations to develop better practices towards sustainability.

By relying on the framework proposed by Hardy *et al.* (2000), this study maintains that accounting and reporting practices provide users with a space for interactions that help managers to define, understand and debate the organizational initiatives that affect the long-term sustainability of the business. Further, the research shows that accounting and reporting practices enable multiple discourses on sustainability to co-exist and unfold because of the questioning and debating that they stimulate.

This thesis demonstrates how different texts and symbols were employed and used as “discursive objects” by participants to support their different positions regarding what sustainability is meant to be and how it should be related to

the strategies of the organization. Different interpretations and positions emerged, thus assigning a certain meaning to sustainability according to the texts (i.e. the diagram of LOGIC's Business Model, the MBO system of other performance indicators) to which a certain meaning of sustainability was attached.

In this regard, accounting and reporting practices offer endless possibilities for the multiple interests that are at stake within organizations to engage in sharing their own experience and understanding of sustainability, acting according to their own aspirations and intentions, which by definition are always multiple, conflictual and therefore "*in-tensions*" (Busco and Quattrone, 2015; Quattrone, 2015). Further, this study provides evidence to support this argument maintaining that the tensions and overlap of the multiple aspirations articulated during the production of accounting and reporting practices are not necessarily counter-productive (Stark, 2009; Chenhall *et al.* 2013). Conversely, they generate productive re-combinations of knowledge and understanding of unclear concepts, such as sustainability, by stimulating a pragmatic organizational reflexivity on what is meant by sustainability for the business.

## Chapter Nine

### 9. Conclusions

#### 9.1 Introduction and structure of the chapter

*“What do you mean by sustainability?”* This was the first question asked to the Sustainability Vice President of LOGIC at the commencement of the study in October 2013. At that time, the long corridor on the way to her office on the 7<sup>th</sup> floor of the head office building displayed posters and photographs on the walls showing people from different countries standing together with bright smiles on their faces. Pictures of oil platforms, surrounded by astounding landscapes, brightened the corridors of the 7<sup>th</sup> floor. While these images may have been a form of image management to “window dress” (or “wall dress”) and persuade “spectators” of the benefits of LOGIC operations, they were also used to share an understanding of sustainability as an integral aspect of the actions and decisions taken within the organization.

Reflecting on the interviews conducted and the meetings participated in from that first encounter in 2013, it is clear that the concept of sustainability is perceived differently in diverse business units and according to the viewpoints of various managers. The managers used different management and accounting practices in order to better explain through what initiatives sustainability and sustainable value creation were planned, measured and reported. Within LOGIC, management and reporting practices (e.g. the diagram of LOGIC’s business model, the MBO system or a number of different performance indicators) were used as “discursive objects” to describe how ‘sustainability’ was embedded within the company’s traditional initiatives and activities.

The different meanings of sustainability that emerged throughout the analysis of the interviews, as well as in the different interpretations provided by the managers, sparked this researcher’s curiosity to discover the ways in which sustainability is represented and gains meaning through accounting and reporting practices.

This research explored the ways in which LOGIC attempts to represent sustainability (i.e. its *representing*) through accounting and reporting practices (particularly integrated reporting). Through the analysis of the project on integrated reporting that was developed from 2013 to 2016, this study has demonstrated how different meanings of sustainability unfold during the reporting process because of the questioning and debating that take place among the various managers and subject positions involved. This questioning and debating take place in LOGIC throughout the production of accounting and reporting practices due to the necessity to represent what is meant by sustainability for the business, thus filling sustainability with meanings and making it meaningful within organizational strategies.

This concluding chapter offers a summary of the thesis in terms of its contributions, implications, and limitations of the research. This chapter is structured as follows. Section 9.2 recaps the aims and background of the research. Section 9.3 clarifies the contributions and implications of the research by going through the key objectives and answering the research questions. Section 9.4 highlights the opportunities for future research and explores the main limitations of the study. Finally, some conclusive comments are provided in Section 9.5.

## 9.2 Aims and background of the research

This thesis explored the role of accounting and reporting practices as organizations attempt to represent sustainability. Furthermore, it demonstrated how participating subjects engage with accounting and reporting practices to make sustainability meaningful as organizational discourses unfold.

Several studies have criticised accounting and reporting practices for having offered limited representations of the ways in which organizations operate to be sustainable (Gray, 2010; Tregidga *et al.* 2014), and for their failure to fill the gap between what companies say and what they actually do about sustainability (Higgins *et al.* 2014). Building on that, this study argues that the attempt to represent sustainability, and give it meaning, entails aspirations

that have effects on the ways in which sustainability gains meaning and become *meaningful* within organizations.

As illustrated in the literature review, a significant gap has emerged between what is meant by sustainability and how organizations attempt to represent it and communicate their performance to external shareholders and stakeholders (e.g. Archel, *et al.* 2011; Milne and Gray, 2013; Unerman and Chapman, 2014). Although accounting and reporting practices are not able to provide faithful and complete representations of organizations' initiatives and performance regarding sustainability (Gond *et al.*, 2009; Gray, 2010; 2006), they have the potential to envision corporate financial and sustainability challenges, and thus affect how users perceive, understand and relate to sustainability (Quattrone, 2009; 2015). In particular, although sustainability is an "open-ended" concept which cannot be "de-fined" (i.e. literally to be completely bounded) with stable meanings, the ongoing attempt to represent *it* through accounting and reporting practices may produce different discourse, or various ways of talking about and understanding what is meant by being sustainable, inspiring new actions and interpretations among those involved in the process (Christensen *et al.*, 2013; 2015a).

While much is known about the ways in which organizations represent their performance and initiatives on sustainability (see Livesey, 2001; 2002; Milne *et al.* 2006; Laine, 2009; and Tregidga and Milne, 2006), much less is known about how sustainability gains meaning and is constructed through organizations' accounting and reporting practices (Tregidga *et al.* 2012; Cho *et al.* 2015; O'Dwyer and Unerman, 2016).

As mentioned by Tregidga *et al.* (2012) to explore how sustainability gain meaning within accounting and reporting practices, it is necessary to explore how these accounting and reporting practices are produced and construct "messages" (i.e. meanings) of sustainability within organizations, emphasising its potential effects.

According to Tregidga *et al.* (2012), to investigate how messages and notions of sustainability are constructed within organizations, it is necessary to go beyond a mere description of the message that is provided by public

communications and reports by focusing on the factors and motives underpinning the production of the organizational messages of sustainability (Tregidga *et al.* 2012). Cho *et al.* (2015) maintain that new studies regarding the ways in which actors within organizations interact during the reporting process would provide more information about how talks, decisions, and actions are designed and executed towards sustainability.

As mentioned in Chapter Three, and also in Chapter Eight, although accounting and reporting practices are intrinsically unable to completely represent how organizations act to be sustainable, this study demonstrates that the ongoing attempt to give it meaning (and represent it) within these practices is not without effects (Milne *et al.* 2009; Christensen *et al.* 2013; 2015a; 2015b).

Thus, the “open ended” nature of the concept of sustainability as well as the incapacity of accounting and reporting practices to provide complete representation of organizations’ activities towards sustainability, offer an opportunity to ‘talk about it’ in several ways, thereby, providing the potential to stimulate debate among different perspectives.

This thesis combined theoretical and empirical insights to show that accounting and reporting practices (and in this particular case integrated reporting) are not relevant for the way in which they reflect organizations activities and performance towards sustainability. However, accounting and reporting practices provide the condition for “sustainability” (as a discursive concept) to be filled with an ever-unfolding meaning, while engaging multiple subject positions during their preparation.

Building on Hardy *et al.* (2000) this thesis interprets ‘sustainability’ as a ‘discursive concept’, with no fixed meaning (i.e. empty signifier) that can be moulded into practice and most interesting gain further meaning (i.e. floating signifier Tregidga *et al.* 2011) becoming meaningful (i.e. filled of meaning) because of the ongoing interplay with the objects it is attached to (accounting and reporting practices) and the subject positions who are involved in their production.

More specifically, the framework proposed by Hardy *et al.* (2000) provides a useful theoretical lens to not only explore how the concept of sustainability is filled with meanings within organizations, but to illustrate how the process of accounting and reporting on sustainability contributes to increase discussion and questioning about what is meant by being sustainable for an organization.

Although the framework developed by Hardy *et al.* (2000) has not been used much (if at all) in accounting studies, this framework is relevant to show the performative actions that are carried out by actors throughout the production and consumption of texts.

By studying how discourse on sustainability is shaped by and influences the understandings, positions and activities of the actors who are involved in the production of accounting and reporting practices, Hardy *et al.* (2000) provides a valuable framework to bridge the more sociologically based theories and the more linguistic and textual approaches to discourse; a bridge that contributes to a better understanding of “how the transformations from practice, action, and habitus to person, characteristics and identity is performed through discursive practices” (Scollon, 2001, p. 158).

Further, in contrast to other theoretical lenses on discourse, which have previously been adopted in the literature (e.g. Laclau and Mouffe, 1985) and that suit a more macro context analysis of an organization’s approach to sustainability (see e.g. Milne *et al.* 2009; Spence, 2007; Tregidga *et al.* 2014), the framework proposed by Hardy *et al.* (2000) contributes to broadening the traditional linguistic analysis of texts and conversations by bringing issues of agency and text production (Phillips and Hardy, 2004) to centre stage.

### 9.3 Contributions to the research

This thesis offers a number of contributions. First, it adds to the literature on sustainability accounting and reporting practices by showing that these practices are not expected to offer complete representations or to provide “answers” to organizations on how to be sustainable. Rather, this thesis addresses the first research question (RQ1) by maintaining that accounting and reporting practices offer a number of representations (graphs, diagrams,

tables, grid) that have a generative power. In doing so, accounting and reporting representations affect the way in which organizations understand and report about sustainability, changing its meaning over time.

The meaning of sustainability within LOGIC's sustainability reports evolved in accordance with the practices used to represent it. The lack of definition of sustainability and the multiple interpretations attached to this concept, together with the incompleteness of accounting representations provided users with a space for interaction that helped managers to define, understand, debate and reflect on the organizational initiatives that affect the long-term sustainability of the business.

Importantly, this thesis demonstrates that sustainability can never be fully fixed (i.e. it is always contingent, as seen in Gray, 2010) and as such it could always take on different meanings. Thus, the "open ended" nature of the concept of sustainability (see for example Frame and O'Connor, 2011; Tregidga *et al.* 2011, 2012, 2014), as well as the incapacity of accounting and reporting practices to provide complete representations (see for example, Hines, 1988; Morgan, 1988; Shapiro, 1997; Mattessich, 2003; Messner, 2009; Jordan and Messner; 2012) of an organization's activities towards sustainability, offer opportunities to 'talk about it' in several ways, thereby, providing the potential to stimulate debate among different perspectives.

Consequently, this thesis addresses the second research question (RQ2) by maintaining that accounting and reporting practices are valuable, because they contribute to making sense and representing sustainability by "closing-down" this complex and unknown concept (such as sustainability) to more manageable and known categories.

At the same time, accounting and reporting practices are valuable because they "open up" a discursive space, between juxtaposing interpretations of sustainability. Here, the generative power and incompleteness of accounting representations are the mechanisms that sustain the unfolding search for 'sustainable value' that organizational discourses entail, and that make integrated reporting a viable practice. This discursive space facilitates the

construction and reconstruction of the meaning of sustainability throughout the representing process.

The third research question (RQ3) has been addressed by looking at the process through which sustainability is represented through accounting and reporting practices, focusing on the individuals that are involved in this process. In particular, this study demonstrates that accounting and reporting practices allow multiple discourses on sustainability to co-exist and unfold throughout the engagement and debate that they generate.

In this context, this study maintains that rather than trying to fill ‘sustainability’ with stable meanings, accounting and reporting practices play a role as discursive objects enabling individuals to connect their own concepts and understanding of sustainability to specific texts (i.e. diagrams of Business Model etc.).

Whereas previous studies have emphasised the *lack* of representational ability of accounting in relation to sustainability (e.g. Adams, 2004; O’Dwyer *et al.*, 2011), within LOGIC meaningful connections between reporting practices and sustainability were produced because of this *lack*, which enabled multiple interpretations of sustainability, following managers’ particular (and to some extent pre-conceived) ideas and aspirations, within the discursive space provided by the project on integrated reporting.

In this regard, this study adds to the literature on sustainability reporting by offering new insights on the enabling effects of ‘aspirational’ accounting. It shows that accounting and reporting representational gap or lack in relation to sustainability enable meaningful connections between managers’ particular aspirations and interests on sustainability to emerge as organizational discourse unfold. These connections retain generative effect as they stimulate unfolding accounting practices and organizing processes.

Then, this thesis addresses the fourth research question (RQ4) by maintaining that accounting and reporting practices are valuable because they create a space whereby the concept of sustainability is moulded into practice through its ongoing interplay between the objects (i.e., integrated reporting) it is attached to, and the subject positions that emerge in this process.

During this process, this study demonstrates that ‘representing’ sustainability produces effects because of the aspirations that such ‘representing’ entails. Building on the case of LOGIC, this thesis suggests that rather than representing sustainability per se, accounting and reporting practices provide the conditions for managers to rethink and review existing practices in order to understand how sustainability initiatives and performance are embedded within the traditional activities of the business.

In doing so, accounting and reporting practices unfold themselves, and evolve, as a consequence of the debate about sustainability that this process produces, changing the subject positions that are involved in it.

Since these practices are attached to unfolding meanings of sustainability and become discursive objects, they unfold themselves through the process of stimulating further discourse about sustainability, changing the subject positions that were involved in the company reporting process. Further, this study shows how broader discourses of sustainability are brought into micro discursive contexts through the dynamics between discursive concepts, objects and subjects, allowing a plurality of meanings and positions to co-exist, thereby shaping accounting and reporting practices.

In this regard, rather than trying to fill ‘sustainability’ with stable meanings, this study explores the mechanisms for making *it* meaningful, and considers the role played by practices such as accounting within these mechanisms.

The next section addresses the main limitations of this research together with opportunities for future research.

#### 9.4 Suggestions for further research and limitations

The findings of this study have implications for further research into the role of accounting and reporting practices for sustainability. If accounting and reporting practices stimulate discussion into what is sustainable for an organization, it is important to understand not only how these practices engage their users, but also how this engagement makes an undefined concept such as sustainability unfold due to the different perspectives that accounting and reporting practices bring to light. New studies are needed to determine

how sustainability is brought into practice in the ongoing attempt to represent it throughout the reporting process, exploring ways in which the various actors within organizations interact throughout the reporting process in order to understand how sustainability initiatives affect the overall strategic approach of an organization.

Further studies are needed to explain the role of accounting and reporting in engaging multiple actors in questioning and debating what it means to be sustainable within different types of settings, ranging from small and medium-sized enterprises, to global organizations.

This research also suggests opportunities for further exploration into how evolving conceptions of sustainability may be ‘objectified’, that is, moulded into different material practices and discursive objects within organizations, such as company performance measurement, management control, and IT systems (e.g. ERP or business intelligence systems). Although this research concentrates on accounting and reporting practices as the main discursive objects possessing receptivity within LOGIC, other practices or tools in different settings could be associated with different conceptions of sustainability. Analysis of alternative media, which contribute to integrate sustainability initiatives and performance, would be beneficial. It would be interesting to explore how sustainability objectives are integrated into a company’s strategic planning, by explaining how they are operationalized in practice (see O’Dwyer and Unerman, 2016).

Making sustainability meaningful within an organization’s strategies also means involving company stakeholders in the decision-making process. Accounting and reporting practices, as engagement platforms, can go beyond the representation of sustainability initiatives through a set of ad hoc targets and key performance indicators to include processes of engagement among the different stakeholders involved.

It would be relevant to understand the level of stakeholder engagement in making sustainability meaningful through company accounting and reporting practices, exploring how they contribute to increasing stakeholder pervasiveness and engagement in the decision-making process.

This aspect may have implications for the accounting profession as it may suggest ways for redesigning the role of management accountants in managing financial and non-financial information towards sustainable value creation. In particular, changes in the way in which sustainability is perceived within organizations may affect not only accounting and reporting practices and their use, but also the role of accountants in their development (Busco *et al.*, 2013a). In this regard, future research would be useful to explore the role that management accountants may play in leading to the integration of sustainability initiatives and performance within organizations.

Management accountants and finance experts in general can have a central role within organizations by suggesting accounting practices and performance measurement systems that are able to monitor and communicate how business objectives affect the value created or destroyed for a multitude of stakeholders. The finance unit can take the centre stage in this process, acting as both architect and orchestrator of a process of thinking, measuring and reporting that mediates among multiple concerns, facilitates conversations and fosters the generation of innovative solutions within contexts that are characterized by multiple backgrounds and points of view.

Following recent debates regarding the necessity to better understand how sustainability is practiced within organizations, in order to reduce the gap between what companies affirm to do to be sustainable and what they actually do (Higgins *et al.*, 2014), this thesis focuses mainly on the micro context within which sustainability is discussed and debated. To analyse how sustainability has been constructed within LOGIC, this thesis relied on the narrations, descriptions of events and documents provided by the participants, which are based on the individual participants' own interpretations of their social reality (Scapens and Roberts, 1993). In this regard, discourse analysis shares the concerns of all qualitative approaches with the meaningfulness of social life as it explores how socially produced ideas and objects that populate an organizational context are created and held in place over time (Ryan *et al.*, 2002).

In accordance with Ryan *et al.* (2002), the research analysis in this thesis is situated, contingent and partial, rather than universal (Taylor, 2001), since it refers to a specific set of texts that were both produced and analysed during a specific period of time. Therefore, this study aims to provide a reasonable interpretation and one possible reading of the ways in which sustainability determinants are constructed and integrated within an organization's strategic process and reporting. Nevertheless, the case study method adopted in this thesis contributed to investigate and intrinsically explain how sustainability is represented and gains meaning in practice.

Future research is required to compare how sustainability discourse is constructed within multiple organizations, investigating how managers are involved in this process. In the case study analysed in this research, the concept of sustainability gained multiple and conflicting meanings within the same organization, and therefore, it is expected to assume different interpretations by also looking at different business models and sectors.

Considering the increasing number of regulations and standards issued for sustainability and integrated reporting (e.g. GRI, Global Compact, IIRC, SASB), as well as the recent approval of EU directive 2014/195, it would be relevant to explore how these regulations influence the meaning of sustainability and affect the company reporting process because of the compliance that these regulations and directives require. Future research is still needed in order to understand how sustainability within an organization's accounting and reporting practices may be affected by the implementation of these directives and regulations (Ferns and Amaeshi, 2017).

Accordingly, as suggested by O'Dwyer and Unerman (2016), greater attention should be given to the study of reporting and decision-making for Sustainable Development Goals, as well as to the techniques used in ethical businesses such as "B Corporations". Here there is the potential to open up unique, new examples of 'accounting for social sustainability in action', particularly where organizational logics are likely to collide, as well as guiding future reporting developments in accounting for sustainability in conventional corporations.

## 9.5 Summary

This chapter summarises the main contributions, implications and limitations of the research underpinning this thesis. Although a large part of the literature focuses on the ways in which sustainability is defined and represented within organizations, further research is needed to understand how accounting and reporting are practiced within organizations to integrate sustainability initiatives within company strategies. However, this study does not claim that organizational texts, decisions, and actions are always consequential and that companies do what they preach and walk what they talk in their actions. Instead, this study maintains that accounting and reporting represent sites for engagement in which different perspectives on sustainability unfold and may bring positive developments for the organization and for society as a whole. Accounting and reporting practices may serve as constitutive devices through which organizations begin to strive for a different future by stimulating aspirational talks and actions that may generate expectations for future action and stimulate organizational change.

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