The Construction of Social and Environmental Reporting

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Summary

1. Motivation
The overall purpose of this thesis is to examine how and why internal processes, systems, and structures influence the construction of social and environmental reports. The three papers that are included in this thesis approach this research objective from three different but interrelated perspectives. Each of these perspectives is an essential aspect of reporting practices. By conducting case studies and including organisational members who participate in social and environmental reporting (SER) processes (Adams and Whelan, 2009; Farneti and Guthrie, 2009), this thesis strives to contribute to increased knowledge regarding organisational reporting behaviours and the construction of SER (Laine, 2009; Parker, 2007; Thomson and Bebbington, 2005; Adams, 2004; Gray, 2005; Adams and Larrinaga-González, 2007; Tilt, 2006; O'Dwyer, 2005b; Spence and Rinaldi, 2012; O'Dwyer et al., 2011; Tregidga et al., 2012b). Thus, by attempting to ‘look inside organisations’ and by emphasising the role of the organisational context, the three articles of this thesis provide insights into details regarding 1) the reporting environment and audit trail; 2) the role of stakeholder engagement in SER; and 3) why certain impacts of organisational activities are included (or excluded) in social and environmental reports. The three papers addressing these topics have been motivated by an aspiration to establish a more nuanced understanding of the current state of SER.

SER appears to be becoming more widespread; organisations, governments, and standard setters are increasingly becoming involved in the development of non-financial disclosures. This increasing interest is evidenced by a number of developments, including the growth in the number of organisations that are producing social and environmental reports (Wensen et al., 2011) and signing up for various voluntary initiatives, such as the Global Reporting Initiative (GRI) (KPMG, 2011); the on-going efforts of the GRI to develop G4, its next generation of guidelines (Global Reporting Initiative, 2012); and the recent increase in governmental interest in the field of SER. This governmental interest has been exhibited in a number of contexts. At the national level, several European countries have adopted regulations with respect to reporting
activities; moreover, at the EU level, a legislative proposal regarding SER is in preparation (The European Commission, 2011).

In the previously published SER research, it has been emphasised that external reporting regarding social and environmental impacts is associated with shortcomings and weaknesses (e.g. Adams, 2004; Gray, 2005; Fonseca et al., 2013) and that intended users of social and environmental reports frequently obtain incomplete and unbalanced views of organisational activities from these reports (Cerin, 2002; Adams, 2004; Owen, 2008). Studies have suggested that SER is incomplete and deficient because of its omission of information with negative implications and that social and environmental reports are individual, unbalanced, and lacking in consistency across years (Adams et al., 2004; Cho et al., 2010; Belal and Cooper, 2011). This incompleteness can take the form of “the inclusion of incorrectly estimated data, interrupted time series, or superfluous descriptions of calculation methods” (Dragomir, 2012:236). In the SER literature it has been suggested that SER is deficient to an extent that would be unacceptable in traditional financial reporting and that this incompleteness renders it impossible to evaluate organisational performance with respect to social and environmental concerns (Gray, 2005; Adams, 2004; Dragomir, 2012). According to Gray (2005), SER “is universally partial and based on relatively unimportant material or material which conveys good news about the organization” (p. 8) (see also Cho et al., 2012). Gray also notes that nearly the only sources that provide perspectives regarding the consequences of organisations’ economic activities are organisations themselves and that these perspectives are exceptionally selective (Gray, 2005). Given these conditions, it is possible for an organisation to strengthen its organisational image (Owen et al., 2000; Cooper and Owen, 2007; Cho and Robert, 2010; Cho et al., 2009) by directing public attention towards areas of organisational performance that feature positive impressions (Cerin, 2002) and avoiding addressing areas of the SER agenda that “hurt” (Gray, 2001).

The main concern with SER may not be a lack of adequate information but rather the fact that because social and environmental reports are similar in appearance to financial
reports\textsuperscript{1}, SER achieves a ‘financial status’ that implies that the reported information in social and environmental reports is as reliable and correct as the information that is found in financial reports. If this impression is valid, then it should be possible to evaluate SER against the principles that are applied in financial reporting. If this evaluation is not possible, then there is a risk that SER legitimises unsustainable behaviour and presents a misleading image of organisational activities (Adams, 2004). This concern provides a reason why accounting research should play a central role within the social and environmental agenda and why researchers in the field of accounting must join researchers from other disciplines in contributing to research on SER.

There may be several reasons for the identified problems and challenges that relate to the quality of SER. These shortcomings can partially be explained by the voluntary and flexible nature of SER (Archel et al., 2008) and by a lack of stakeholder engagement (Adams, 2004; Owen et al., 2001; Cooper and Owen, 2007; Greenwood and Kamoche, 2012). SER that refrains from engaging stakeholders is likely to be operationalised from an organisational rather than a stakeholder-centred perspective, an issue that eventually affects an organisation’s discharge of accountability (Cooper and Owen, 2007; Belal, 2002; Skouloudis et al., 2010; Manetti, 2011). This lack of stakeholder engagement is particularly problematic given the voluntary and flexible approach to SER. In traditional financial accounting, the reporting organisation faces extensive legal requirements that govern the content and preparation of financial reports and thereby ensure the value and reliability of the reported information. Compared with the constraints that are placed on financial reports, organisations experience far fewer restrictions regarding the content and preparation of non-financial reports, suggesting that in principle, organisations may be able to construct these reports in accordance with their own agendas (Archel et al., 2008). Because of the diversity and range of possible topics in SER, organisations have tremendous discretion in deciding which topics to address in their SER activities;

\textsuperscript{1} Similarly to financial statements, social and environmental reports feature sections that are devoted to management commentary, key performance indicators, accounting policies, and auditor reports. Most social and environmental reports claim to be based on generally accepted accounting polices within SER and refer to the guidelines from the Global Reporting Initiative (GRI, 2011a) as a type of “sustainability GAAP”.

equally importantly, they can choose which areas they will avoid including in their disclosures (Gray and Milne, 2004; Moneva et al., 2006; Fonseca et al., 2013).

Depending on whether the management of an organisation uses SER in an instrumental manner, there may be two explanations for why social and environmental reports could be incomplete and unbalanced. First, an organisation’s management could have deliberately chosen to present the organisation in a certain (positive) way in these reports. In this situation, the SER process is subjected to managerial capture and is used to manage stakeholders rather than to engage in the discharge of accountability to these stakeholders. Certain SER researchers tend to suspect that this type of managerial capture occurs (e.g. Archel et al., 2011; O'Dwyer, 2003; Owen et al., 2000; Owen et al., 2001; Belal and Owen, 2007). However, the quality of the information in social and environmental reports may also be explained by the internal context of the reporting process for an organisation; in particular, systems, structures, and processes may exist that are insufficient to support SER and the generation of data for internal and external purposes. In this case, SER issues would not necessarily reflect deliberate report manipulation by an organisation’s management. This thesis aims to examine the underlying environment of SER and the ways in which this environment may support SER.

2. Prior literature

Despite calls for more research to provide insights into the underlying elements that inform SER (e.g. Adams, 2002; Adams and McNicholas, 2007; Thomson and Bebbington, 2005; Adams, 2004; Gray, 2005; Adams and Larrinaga-González, 2007; Tilt, 2006; Laine, 2009; O'Dwyer, 2005b; Spence and Rinaldi, 2012; Adams and Frost, 2008; Gray, 2006; Gray, 2002; Owen, 2008; Parker, 2011a; Parker, 2011b; Tregidga et al., 2012a), examinations of the role of the internal contexts from which external reports are derived have received limited attention in the extant literature, although interest in this topic appears to be growing. Analyses of SER have often been based on social and environmental reports but have not engaged organisational members (Adams and Whelan, 2009; Farneti and Guthrie, 2009; Parker, 2007; Parker, 2011a). This tendency to focus on disclosed information rather than on elements that might produce change
with respect to the underlying systems upon which the external reporting process is based (Mathews, 1997) causes certain areas of SER to remain somewhat unexplored.

A continued focus on reports alone is unlikely to advance SER; thus studies that extend beyond the analysis of social and environmental disclosures are needed. Adams and McNicholas (2007) argue that corporate characteristics and general contextual factors are emphasised in the extant literature, whereas internal contextual factors, such as processes of reporting and considerations that influence decision-making, are often omitted from the research agenda. By primarily focusing on the external elements of SER, researchers have made assumptions regarding the processes underlying social and environmental reports, data collection, and the context within which the entirety of SER transpires (Adams and Frost, 2008). Therefore, to improve SER, internal contextual factors must be included in the research agenda to a greater extent than these factors have previously been examined. An understanding of the fundamental aspects of the generation of SER data might facilitate the creation of a wider and more insightful foundation upon which research into SER could occur. Thomson and Bebbington (2005) specifically call for more research to address “the specific organizational mechanisms which underlie report preparation and publication” (p. 529) (see also Laine, 2009; Owen, 2008; Parker, 2011a). From a review of the literature, at least three areas of study have been identified as central aspects of this type of research. Each paper of this thesis addresses one of these research gaps, which are briefly described below.

**Internal systems and processes for data preparation**

The first area of study relates to analyses of internal systems and processes for data preparation. At least two different approaches to this topic can be identified in the SER literature. In one group of studies, the development of key performance indicators is examined (Adams and Frost, 2008; Searcy et al., 2005; Keeble et al., 2003; Durden, 2008; Palme and Tillman, 2008; Clarke-Sather et al., 2011; Delai and Takahashi, 2011; Searcy, 2012). These studies focus on the identification and assessment of the internal use of social and environmental indicators. The focus of the second branch of studies is the development or assessment of frameworks that are intended to guide the integration of social and environmental issues with management systems (Bonacchi and Rinaldi, 2007; Cresti, 2009; Burritt et al., 2011; Gond et al., 2012) or the development of full-
cost accounting tools (Bebbington et al., 2007; Frame and Cavanagh, 2009; Lim, 2011; Fraser, 2013).

However, these studies do not examine the underlying mechanisms of reports that might impact data quality and indicators. Adams and Frost (2008) argue “that the development of integrated sustainability reporting and management is not a “green field”, it is influenced and constrained by existing processes, indeed for a number of case organizations development is contained within existing processes” (p. 300). In accordance with this perspective, examinations of SER should include considerations of the organisational context. Such considerations would contribute to an understanding of how “design processes”, “design choices”, and “the adaption of systems to the organizational circumstances” (Hopwood, 1978:10; see also Burchell et al., 1980; Hopwood, 1983) influence report preparation and publication. The first article of the thesis responds to this requirement by examining how and why systems and processes for data preparation support external social and environmental reporting.

**Stakeholder engagement**

The second area of study that has been identified in the literature relates to stakeholder engagement processes during the course of SER. Analyses of stakeholder engagement have been based on social and environmental reports (Cooper and Owen, 2007; Belal, 2002; Adams, 2004; Skouloudis et al., 2010; Manetti, 2011) and on interview data (Adams, 2002; Owen et al., 2000; Owen et al., 2001; O'Dwyer, 2005b; Dey, 2007; Greenwood and Kamoche, 2012; Belal and Owen, 2007). All of these studies have found little or no evidence that stakeholders are engaged in SER processes. Instead, these studies suggest that SER is being appropriated and controlled by management. This approach to SER is often referred to as managerial capture and stakeholder management (Archel et al., 2011; O'Dwyer, 2003; Owen et al., 2001; Owen et al., 2000; Belal and Owen, 2007).

However, at least from an academic viewpoint, SER is concerned with the “duty to provide an account of the actions for which one is held accountable” (Gray et al., 1997:334) to a larger audience than shareholders. According to this perspective, stakeholder engagement is essential for the production of social and environmental reports (O'Dwyer, 2005a; Thomson and Bebbington, 2005; Gray et al., 1997;
Accountability, 2011; Global Reporting Initiative, 2011a); thus, the current approach that has been adopted by organisations causes SER to remain somewhat flawed. Adams (2004) notes that to improve accountability to stakeholders, a greater focus on the processes of SER is required. Similarly, O’Dwyer (2005b) emphasises the lack of existing research that focuses on determining the level of stakeholder involvement in social accounting processes and the roles that stakeholders might play within these processes. Thus, to obtain “a more qualitative understanding of what reports are actually saying” (Thomson and Bebbington, 2005:529), studies should examine “stakeholder engagement and the nature of the narratives which emerge from this interaction” (Thomson and Bebbington, 2005:529). This thesis responds to these calls and extends prior research by not only examining how SER has arisen but also why SER has developed into the form that has consistently been argued by prior literature. Based on this reasoning, the second article of the thesis examines the role of stakeholder engagement in the construction of SER.

**Boundary setting**

Boundary setting in SER is the third and final area that is identified and addressed by this thesis. Given the central role of boundary setting in ensuring that social and environmental reports achieve completeness and disseminate a balanced view of organisational activities, surprisingly few studies have examined this topic. However, two studies have been conducted to address boundary setting in SER. These two papers utilise content analyses to examine boundaries in SER and determine that boundary setting in SER mimics boundary setting in financial accounting; thus boundaries are strategically set as the legal structures of the reporting organisation are used to define the accounting entity and the disclosure levels on indirect impacts originating from outside the (narrowly) defined accounting entity are low (Archel et al., 2008; Pesci and Andrei, 2011). This result implies that organisations might not fully discharge their accountability through SER. Thus, it has often been suggested that SER is used to strategically avoid accountability to stakeholders (O’Donovan, 2002; Ingram and Frazier, 1980) and that boundary setting is used as a tool in this process (Archel et al., 2008; Moneva et al., 2006).

However, because boundary decision-making processes are relatively under-researched, little is known with respect to “the micro details of boundary work” (Santos and
Eisenhardt, 2009:644). Thus, to comprehend the possible complexities of reporting, an understanding must be obtained regarding “when an organization will (not) report, why it will (not) continue to report and why it does (not) report certain information” (Gray, 2005:16). Utilising these calls for investigation and the importance of boundary setting in external disclosures as a point of departure, the purpose of the third paper in this thesis is to gain a more comprehensive insight into the mechanisms underlying the decisions that define accounting entities and the scopes of impacts in reporting contexts, thereby helping to answer the questions of how and why limitations for organisational accountability are established (Archel et al., 2008). In other words, this study seeks to provide insight not only regarding how boundaries are determined but also why boundaries are drawn in particular ways. Therefore, to achieve the research objective of investigating the role of boundary setting in the construction of SER, the third paper in this thesis examines why certain aspects of the social and environmental agenda are either included in or excluded from reports.

3. The articles and their contributions

The articles of this thesis investigate the underlying context of SER and provide distinct contributions to the overall research objective. By examining different aspects of the production of social and environmental reports, these three papers reveal how and why the internal reporting context represents an important source of influence on SER processes and plays a significant role in the appearance of social and environmental reports. These findings stress the importance of field research for enhancing the understanding and development of SER.

From the research in this thesis, it is evident that a perceived need to align SER with financial accounting/reporting exists. This perceived need is clearly revealed through examinations of SER that address the reporting context in the form of systems, structures, and processes; the role of stakeholder engagement; and boundary-setting decisions. Two major considerations appear to underpin this aspiration. First, it appears to be widely believed that attempts to mimic financial reporting and financial reporting processes in SER activities will contribute to the maintenance and improvement of data quality. Second, organisational members appear to adapt an (unquestioned) economic and inward-looking approach to SER that mirrors the dominant organisational
discourse; this approach eventually leads to the conceptualisation and operationalisation of SER from a traditional business perspective. The studies of this thesis suggest that this approach to SER is necessary for legitimising CSR and the role of CSR departments within organisations. This reasoning implies that CSR departments must balance the internal legitimisation of their own raison d’être and the legitimisation of their organisation with its environmental surroundings. As the articles of this thesis reveal, this dual role for CSR departments and SER is not always a straightforward issue and may produce certain reporting-related consequences.

**Article 1: Reforming the social and environmental reporting environment in the financial reporting way**

In the first article of this thesis, the internal processes, systems, and structures that underlie the external reporting of social and environmental indicators are examined. Using a case study of a large multinational group as a focal point, this paper addresses efforts to improve SER systems and processes. These efforts are viewed as a programme that attempts to make SER auditable. Case study findings are framed with theorizations on auditability and governmentality. The analysis of this investigation reveals that traditional work habits, an embedded engineering culture, and eventual confusion regarding the use of the acquired system as the cornerstone of the aforementioned programme hindered the ease with which an auditable reporting environment could be created.

The findings contribute to the understanding of systems and processes that are intended to support the preparation of social and environmental reports; moreover, the results of this study also expose a number of challenges to the establishment of an infrastructure for social and environmental data. In general, we suggest that the perceived need to align social and environmental reporting with financial reporting is likely to be an aspect of a strategy to develop support for this type of reporting. By aligning SER with financial reporting, SER activities would be regarded as legitimate, serious, and resistant to external criticism from assurance providers. However, a number of problems arising from this alignment are identified, including issues that are related to internal controls, the process of closing the books, and the adoption of consolidation rules from financial accounting. Furthermore, certain practical challenges that must be overcome are outlined in this study, including a) the need for reporting structures to adhere to
group-based lines of responsibility and b) the discovery of methods of addressing external demands for information at both the group and subgroup (local) levels.

The article provides several contributions to the extant literature. First, this paper responds to calls for in-depth examinations of the internal reporting environment (e.g. Adams and Frost, 2008; Thomson and Bebbington, 2005). Through these examinations, it is demonstrated that SER is a product of for example the ambitions, conflicts, and the technical possibilities for recognising, recording and reporting data that emerge from internal systems and processes.

Second, this paper contributes to the SER literature by providing a study that demonstrates the significance and effects of integrated reporting developments and the ways in which these developments are manifested at the micro level. This contribution is particularly relevant given the recent interest in the integration of financial and non-financial reporting in annual reports (Eccles and Krzus, 2010).

Third, this paper presents an investigation of how and why auditability, which may be perceived as a certain mode of thought with respect to government, is implicated in the systems and processes that underlie SER. This investigation provides empirical evidence regarding how and why ‘the idea of audit’ expands into new domains (Pentland, 2000; Free et al., 2009; Power, 1997; Hopwood, 2009). In this paper, prior work regarding SER assurance is extended by revelations regarding how auditability is implicated in the efforts of auditees towards adopting the values that are associated with auditability and the solutions that an auditee adopts in response to problematizations of auditability.

Fourth, the case study suggests that auditors are not always the only ‘change agents’ that exist and that it is not necessarily auditors that drive the SER agenda. Certain assumptions are embedded in the accounting knowledge base with respect to how phenomena are recognised, recorded, and reported in a manner that enables subsequent verification. Thus, this case study offers insights into how an auditee causes these assumptions to become operable and documents the fact that this process produces ramifications that extend beyond merely symbolic effects.
**Article 2: The (non-)role of stakeholder engagement in the construction of social and environmental reporting**

The second article examines organisational members’ views of and approaches to SER and stakeholder engagement. This paper uses interview data and social and environmental reports from 23 Danish organisations to expose the rationales and tensions that are implicated in engagement. Utilising educational theory as a lens, the discrepancies between an accountability discourse and the managerial discourse that appears to guide current SER practice are analysed. In this analysis, the term ‘the hidden curriculum’, which is derived from educational theory, is emphasised to highlight the taken-for-granted nature of the current approach to SER. This approach involves economic and risk-based rationales and appears to produce decisive effects on stakeholder engagement. Thus, instead of considering the managerial approach to SER to be an attempt to capture the agenda, the identified approach to SER among interviewees is viewed as a pervasive discourse that maintains the status quo. This reasoning allows this article to bring nuances to the debate of managerial capture and stakeholder management as deliberate acts of control.

The findings of this study suggest that managers unknowingly and uncritically adopt a taken-for-granted approach to SER that is influenced by an economic and inward-looking mindset. SER is thus approached from a business-centred viewpoint rather than from an accountability perspective. This discourse hinders the ability of stakeholder engagement to play a central role in the construction of SER and thereby reinforcing the status quo. This conclusion has implications for how SER is conceptualised and operationalised; notably, meanings are attributed to SER in the corporate world that differ greatly from the factors that are considered to be essential to SER in other contexts, such as academia. By providing for a better understanding of the construction of social and environmental reports, this paper contributes to the extant literature. This contribution is two-fold. First, an emphasis on the role of the hidden curriculum of SER enables the taken-for-granted approach to SER that has been identified among case organisations to be captured and explained. Second, from this taken-for-granted approach, new insights into stakeholder engagement in SER processes are derived.

The paper suggests that materiality, as a consequence of the aforementioned taken-for-granted approach, is determined from a business-centred viewpoint rather than from a
stakeholder perspective; consequently, stakeholders are redundant to the process of defining report content. As a result, the meaning and values attributed to SER that have crystallised within the corporate world have caused financial stakeholders to be the main recipients of social and environmental reports. This adopted approach to and perception of SER raises questions regarding whether SER in its current form can incorporate values related to stakeholder accountability and thereby permit organisations to fully discharge their accountability. If SER is perceived as an extension of or an addition to financial reporting, it is doubtful whether social and environmental reports can be detached from the prevailing economic discourse and evolve to become more than merely imitations of financial reports. Instead, it appears that compliance with the basic principles of SER in the form of stakeholder inclusiveness (Global Reporting Initiative, 2011b) is prevented if SER is guided by an economic and inward-looking mindset. Thus, the current setting and construction of the SER process appears to discourage stakeholder engagement.

**Article 3: The role of boundary setting and boundary maintenance in the construction of social and environmental reporting**

The third article examines the role of boundary setting in the construction of SER. The purpose of this article is to obtain more comprehensive insights into the reporting environment that underlies and shapes decision-making processes that govern the establishment of accounting entities and scopes of the impacts of reporting organisations to account for. This investigation draws a distinction between organisational boundaries, which concern the determination of subunits being recognised as a part of the reporting entity, and operational boundaries, which concern the determination of impacts from organisational activities that are to be included or excluded from social and environmental reports. This study is based on interviews and analyses of social and environmental reports in 23 Danish organisations. Specific attention is paid towards disclosure decisions and the ways in which these decisions are guided by internal and external stimuli. By providing insights into the conditions underlying SER and boundary setting, this paper advances the existing literature. These insights are required for further theoretical developments and for the development of guidelines and standards. The paper provides three contributions with respect to the aforementioned concerns.
First, the paper identifies internal and external stimuli in the reporting environment that guide boundary setting in SER. Internal stimuli are revealed to be highly influential in decision-making processes. The following two elements that originate from the internal context of SER are particularly notable: a) a focus on or requirements for high data quality and b) the possession of an economic and inward-looking mindset by organisational members. From the analysis of this study, it is evident that both of the aforementioned elements may be regarded as counterproductive factors that hinder an organisation’s discharge of accountability to society as a whole.

Second, this paper suggests that in discussions of SER, the varying roles that organisational and operational boundaries fulfil must be considered. These boundaries not only affect different aspects of organisational accountability but also are managed and maintained in distinct ways. Thus, distinctions between these two types of boundaries should be taken into account if SER is analysed or if investigations attempt to achieve a broader understanding of the patterns of SER. The different roles of organisational and operational boundaries have implications for standard setters, such as the GRI. To better reflect the process of setting boundaries, guidelines should distinguish between organisational and operational boundaries in their recommendations regarding report content.

Third, the paper suggests that organisational and operational boundaries serve different legitimising purposes that eventually yield different implications for the construction of SER. Because of this two-fold purpose of boundary setting, prior assumptions that SER is used as a tool to legitimise organisational activities might involve levels of complexity that are not immediately apparent. Thus, this distinction between types of boundaries and the legitimising purposes of diverse boundaries might be particularly relevant for future work that addresses the changing patterns of SER.

4. Methodological standpoint

Chua (1986; see also Ahrens, 2008) suggests that accounting research can be approached from the three broad perspectives of mainstream, interpretive and critical accounting. This thesis adheres to the interpretive perspective of accounting. This approach embraces field research (Parker, 2008). In particular, by allowing for the
consideration of the perceptions of and explanations from participants in the field (Hopper and Powell, 1985), this approach provides insights into the workings and outcomes of accounting (Tomkins and Groves, 1983). Thus, this approach strives to examine social realities and how “they are socially constructed and negotiated”; insights are sought through “the frame of reference of those being studied” and these individuals’ “perceptions of ‘reality’” (Hopper and Powell, 1985:446). From this reasoning, it follows that the achievement of understanding rather than the issuing of generalisations has been central to this thesis (Chua, 1986). By examining the processes and roles of SER in practical contexts, the interpretive approach provides the potential to extend the available understanding of SER (Chua, 1986; Hopper and Powell, 1985). These contributions to knowledge become more evident from the following discussions of the ontological and epistemological assumptions of this perspective and the methodology underlying this approach.

The underpinning logic of a methodology can be expressed in terms of the researcher’s ontological and epistemological position. The ontological position refers to the way in which the social world (Mason, 2002) and the phenomenon to be studied (Chua, 1986) are understood. Ontological positions may be represented by a continuum; an objectivist stance lies at one end of this continuum, whereas a subjectivist approach is found at the other end of this continuum (Morgan and Smircich, 1980). The objective approach assumes that “reality pre-exists” accounting (Hines, 1989:56) and that the “empirical reality is objective and external to the subject” (Chua, 1986:611). By contrast, in the subjectivist stance, “accounting is seen as socially constructed, and [is] not independent of the organizational, social and political actors” (Humphrey and Scapens, 1996:94).

Epistemology refers to the way in which knowledge is understood (Mason, 2002) and obtained (Ryan et al., 2002) and follows closely from adopted ontological assumptions (Tomkins and Groves, 1983; Chua, 1986). The epistemological assumptions guide knowledge creation and explanations of an examined phenomenon (Mason, 2002). Epistemology can also be illustrated in terms of the two opposite ends of a continuum. The assumption that knowledge is acquired through a hypothetico-deductive (Chua, 1986) or positivistic approach (Tomkins and Groves, 1983) is found at one end of this continuum. These epistemological assumptions are related to the objectivist ontological position. These assumptions imply that the generation of knowledge begins through the
testing of hypotheses with the goal of achieving generalisability (Tomkins and Groves, 1983). At the other end of the epistemological continuum, knowledge is gained through closer interactions with the phenomenon under study, which allow for insights into the ‘black box’; this perspective is related to the subjectivist ontological stance (Morgan and Smircich, 1980).

The ontological and epistemological assumptions that underpins an investigation influence the methodological approach of a study (Hopper and Powell, 1985). It is clear that the different approaches discussed above are associated with values and beliefs regarding both knowledge and the social world (Hopper and Powell, 1985). In particular, a positivist epistemological stance and the ontological assumptions underlying the objectivist approach call for the use of methods from the natural sciences (Morgan and Smircich, 1980) that are adequate for “locat[ing], explain[ing] and predict[ing] social regularities and patterns” (Hopper and Powell, 1985:431). In these situations, a quantitative methodological approach is appropriate. However, from a subjectivist approach and this approach’s associated epistemological stance, investigations from within are regarded as necessary for analysing and understanding accounting either in its context (Hopwood, 1983) or in action (Chua, 1986); thus, methods from natural science are inadequate (Morgan and Smircich, 1980; Hopper and Powell, 1985), and the quantitative “methodological toolkit” must be utilised (Parker, 2007).

Methodologies may be roughly and simply categorised as either qualitative or quantitative (Morgan and Smircich, 1980). The suitability of either approach follows from the phenomenon that is under study (Morgan and Smircich, 1980); in other words, the appropriateness of an approach is dependent on “the aims of the research and the values and assumptions that lie behind it” (Hopper and Powell, 1985:446). Given the overall research objective of this thesis and the individual research questions of the three articles included in the thesis, which strive to examine and investigate social and environmental accounting/reporting in its context (Hopwood, 1983; Hopwood, 1985; Hopwood, 1987; Burchell et al., 1980), a qualitative research methodology has been adopted. This methodology was selected because the underpinning logic of this approach (Mason, 2002) is well suited for “penetration and unpacking from the inside” (Parker, 2012:56). This methodological perspective offers the possibility of extending
beyond research that Hines (1989) has labelled the studying of ‘what is’ to embrace an examination of the “processes whereby ‘what is’ comes to be” (p. 57). In particular, a qualitative approach allows the researcher to enter the ‘black box’ (Parker, 2007; Parker, 2008) of SER and to provide insights into the context in which SER is conceptualised and operationalised from an micro-organisational perspective (Parker, 2012; Morgan, 1988; Vaivio, 2008).

5. Research context, method, and design

The national context
Danish organisations have a history of experimenting with different forms of non-financial reporting including intellectual capital statements, ethical accounting statements, sustainability reports, and CSR reports (Johansen, 2005).

In 2008, the government announced an action plan for corporate social responsibility and an amendment to the Danish Financial Statements Act (The Danish Government, 2008). In accordance with this plan, beginning in January 2009, the largest Danish companies, listed firms, and state-owned organisations (roughly 1,100 organisations in total) were required to report on their CSR initiatives on a comply-or-explain basis. This report is required to include information regarding the following topics: a) policies concerning organisational social responsibilities; b) the ways in which these policies have been translated into action; and c) an evaluation of the achievements that have arisen from these policies. A lack of these policies in an organisation must also be reported (The Danish Government, 2008). This information is required as an aspect of an organisation’s management review; alternatively, a reference to a method of accessing this information must be stated in this management review. In the latter situation, CSR information can be presented in stand-alone reports, such as COP, CSR, and sustainability reports, or on organisations’ websites (Wensen et al., 2011). However, organisations are encouraged to pledge themselves to reporting in accordance with the criteria found in one the following three sources: the UN Global Compact, the Global Reporting Initiative or the OECD Guidelines. Thus, such standards can be regarded as supporting organisations in operationalising and complying with the relatively loose guidance provided by legislators (Searcy, 2012).
Studies (The Danish Commerce and Companies Agency et al., 2010; 2011) have indicated that Danish organisations have increased the amount of information from the first reporting wave to the second reporting wave. However, these studies do not examine the quality of the reported information; thus, there is a risk that although the quantity of CSR information provided by Danish organisations has increased recently, the quality and usefulness of this information may not necessarily have improved accordingly. For instance, there has been a significant recent increase among Danish organisations in the use of COP reports, but many of these reports often include little more than statements regarding an organisation’s visions and missions.

In 2012, another action plan for CSR was introduced (The Danish Government, 2012). This plan led to the second amendment to the Danish Financial Statements Act in which, beginning January 2013, the organisations mentioned above are obliged to provide an additional account of their policies on human rights and on the reduction of climate impact. Thus, in Denmark, there appears to be a continued governmental focus on the establishment of a reporting culture and on increasing the transparency of organisational activities.

**Research method and design**

The choice and appropriateness of a research method depends on not only the ontological and epistemological assumptions that are held by a researcher (Morgan and Smircich, 1980; Mason, 2002) but also the research question (Mason, 2002). Thus, a research method should be a natural outgrowth from the underlying values and beliefs regarding both knowledge and the social world. The qualitative methodology that has been adopted for this thesis does not prescribe specific methods; instead, this methodology draws on a variety of methods (Denzin and Lincoln, 2005) that share the capability of “doing justice to the diversity of everyday life” (Flick, 2006:15). A researcher’s choice of methods is eventually implemented based on the suitability of these methods for answering the research question of interest; this choice must be guided by the methodological strategy that is adopted for an investigation (Mason, 2002). Given that the objective of the thesis was to engage in an examination of how the SER environment is experienced in an organisational context, the main source of data for this thesis was interviews; this method allows for examinations from ‘within’. However, in addition to interviews, the data collection process for this thesis included
informal conversations, internal and publicly available documents and reports. These data sources served several purposes, including tying interviews to specific contexts and comparing, substantiating, or questioning interview data with the objective of providing richer communications for the presented studies (McKinnon, 1988; Vaivio, 2008).

Semi-structured interviews were utilised for this thesis because this type of interviewing allows for a degree of standardisation but provides room for flexibility and for the development of unpredicted themes (Scapens, 2004; Ryan et al., 2002; Mason, 2002). This approach to data gathering offers an opportunity to focus on “the relevant specifics” (p. 64) in interviews and contexts to achieve “situated knowledge with all […] interviewees” (p. 65) (Mason, 2002); moreover, this approach fits well with the ontological and epistemological assumptions underlying the individual articles of this thesis and the thesis as a whole.

According to Vaivio (2008), two aspects are central to the design of qualitative research. The first aspect relates to the question of depth versus breadth; in other words, this aspect refers to whether a study should be focused on a single case or should instead pursue a study of a phenomenon across various cases. The output from these two different approaches may vary. A single case study offers the possibility of a detailed context and rich explanations, whereas a multiple case study provides the opportunity to explore a phenomenon across organisations and thereby examine this phenomenon in different environments (Vaivio, 2008). The approach that is selected must be closely linked to the ‘intellectual puzzle’ or objective of the study of interest (Mason, 2002). In accordance with this reasoning, although the studies included in the thesis draw upon the same methods, these studies have adopted different research designs.

The first article of this thesis involves an intrinsic single case study (Stake, 2005) that allowed for in-depth analyses (Vaivio, 2008; Scapens, 2004). The specific case organisation was selected because this organisation provided the unique opportunity to obtain insights into not only processes that unfolded following the implementation of an information system for non-financial data but also efforts that transpired to improve data flows and ensure an auditable reporting environment (Siggelkow, 2007). Over a period of time, I interacted with staff at the case company through face-to-face interactions, lunches and emails. These interactions provided depth to the study and
information that supplemented the semi-structured interviews and the documents that were reviewed.

In the remaining papers, broader research designs were adopted. These studies are instrumental in their approach and include 23 organisations (Stake, 2005). Compared with the single case study design, the research designs of these two studies are less detailed but offer the opportunity for cross-case analyses (Vaivio, 2008; Scapens, 2004). Therefore, in a sense, the case organisations themselves are of secondary interest because the focus of these investigations has largely been placed on examinations of the phenomena of interest (Stake, 2005). In particular, “the choice of case [organisations] is made to advance understanding of that other interest” (Stake, 2005:445) and “because it is believed that understanding them will lead to better understanding, and perhaps better theorizing, about a still larger collection of cases” (Stake, 2005:446).

According to Vaivio (2008), the second key aspect of designing qualitative studies involves the role of theory and the extent to which qualitative studies should be informed by theory (see also e.g. Ahrens and Chapman, 2006; Ahrens and Dent, 1998). The use of theory can range from a high level of prior theorisation to a low level of prior theorisation; each specific approach is closely linked with the ontological and epistemological assumptions of the researcher and accompanied by certain limitations (Laughlin, 1995). An overly heavy reliance on theory and on pre-specified constructs might result in the neglect of insights that do not match the lens of the theory that has been adopted (Vaivio, 2008; Humphrey and Scapens, 1996) and the risk that a study will be “little more than an additional incremental study in the great general theoretical design” (Laughlin, 1995:66). By contrast, in the opposite approach, prior theoretical understandings are considered to be inappropriate; as a result, empirical detail “becomes important in its own right” (Laughlin, 1995:67). However, Laughlin (1995) proposes the adoption of a middle-range approach in which the level of theorisation is placed between the opposite extremes of high and low theoretical reliance. This intermediate approach possesses the strengths of the two extreme approaches but avoids the weaknesses of these extreme approaches (Laughlin, 1995). This intermediate approach involves the “use of “skeletal” theories, which cannot stand on their own but need empirical “flesh” to make them meaningful and complete” (Laughlin, 1995:83).
However, Dey (2002) suggests that Laughlin (1995) advocates “the full adoption of skeletal theory before immersion into the empirical domain” (Dey, 2002:113). Jönsson and Macintosh (1997) argue that theory should not direct data collection but should be applied in later phases of investigations, allowing study data to not only be informed by theory but also to inform theory (Dey, 2002). In accordance with this argument, although not claiming to have initiated the studies of this thesis free from previous theory (Vaivio, 2008; Siggelkow, 2007), the level of prior theorisation in the initial phases of these studies was low. Thus, in the first field encounters of the individual studies of this thesis, emphasis was placed on emerging insights or “stories”. Instead of relying on a pre-set theory, interview themes were largely informed by analytical categories (Miles and Huberman, 1994) that were derived from discussions in the extant literature (and were therefore not entirely ‘theory-free’) and knowledge regarding the specific cases that were examined. As the insights and stories of these studies unfolded, the need to filter the quantities of acquired data became more crucial, and therefore an increasingly exigent requirement for “skeletal” theories arose. Thus, the approach that was adopted throughout the studies of this thesis emphasised moving from data to theory rather than from theory to data (Ahrens and Dent, 1998). This approach allows for the appropriate balancing of “detail and richness while at the same time retaining the analysis and explanation offered by theoretical informed views of accounting’s role in organizations” (Dey, 2002).
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