

**An Enigma Set to Remain a Fizzer?  
On the Absence of Social and Environmental Reporting in New Zealand**

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## **An Enigma Set to Remain A Fizzer? On the Absence of Social and Environmental Reporting in New Zealand**

### **Abstract**

The uptake of sustainability reporting in New Zealand has been pretty dismal. While a few companies produced social and/or environmental reports in the early 1990s, and the practice diffused a little during the 2000s, New Zealand remains an outlier with the vast bulk of New Zealand's largest organisations still not producing such reports. Early commentators noted that the practice was "desperately seeking volunteers" (Gilkison, 1998) and with reporting rates languishing the practice was still considered to be "starting behind" by the KPMG international surveys in 2011, 2013 and 2015.

This study aims to gain insights into why reporting has not flourished in New Zealand, despite its early start, and despite considerable efforts on the part of not only those few organisations that have reported, but also other business intermediaries dedicated to promoting sustainable business practices including reporting. We map the sustainable business field and identify influential players. We undertake semi-structured interviews with two Chief Executives of New Zealand sustainable business intermediaries (SBIs) and with senior managers of eleven of their reporting and non-reporting members. We use neo-institutional theory (NIT) to frame and analyse our findings.

We find that reporting rationales identified in the literature and promoted by the business intermediaries both motivate and cause resistance to reporting. Reporting seems far from an inevitable outcome for organisations engaging with sustainability in New Zealand, and while the SBIs appear to facilitate weak isomorphic pressure, the absence of any coercive pressure from either them or other external forces such as the Government suggests social and environmental reporting seems set to remain a practice undertaken by few.

**Keywords:** Social and environmental reporting; Sustainable Business Intermediaries; Neo-institutional theory; New Zealand; Non-reporting.

**Abbreviations:** Neo-institutional Theory (NIT), New Zealand (NZ); New Zealand Business Council for Sustainable Development (NZBCSD); Sustainable Business Intermediaries (SBIs); Sustainable Business Network (SBN); Social and Environmental Reporting (SER);

## Introduction

It seems the practice of corporate responsibility or sustainability reporting<sup>1</sup> is becoming mainstream practice, at least among some of the very largest corporations in the world. By 2015, KPMG reported in its triennial survey that 92% of the largest global 250 companies were issuing such reports, a figure steady from 2013 (93%). They also reported that, on average, 73% of the largest 4500 organisations across 45 countries were undertaking such reporting (71% in 2013). Moreover, the average rate of reporting only dropped below 70% in the African and Middle East region, with the Americas, Europe and Asia-Pacific all greater. Yet, the same survey (KPMG, 2015) showed a dismal, if not entirely unexpected, result for New Zealand (NZ). It placed NZ 37<sup>th</sup> from 45 countries with a reporting rate of 47% (a similar position was seen in 2013 and 2011).<sup>2</sup>

To put this in context, we need to understand that for a great many countries, not just regions, reporting rates in excess of 70% are now commonplace. Australia, for example, placed 23 from 34 in 2011 with reporting rates of 57%, but by 2015 it increased these to 80% and placed 17<sup>th</sup> from the 45 countries. Finland, too, now has rates of reporting greater than 80% as does Spain. Yet, Australia, NZ and Finland all have an early history of pioneer companies producing voluntary supplementary disclosures on their social and environmental impacts and making these public either through standalone reports, or as supplementary information in the annual report. Countries like Portugal and Spain have come later to the party, but now have reporting rates greater than NZ. Not only has NZ failed to keep up with international reporting developments, it has been rapidly overtaken by a great many countries that have come later to the practice. Why, after a little over two decades of social and environmental reporting (SER) practice starting in NZ, has the practice

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<sup>1</sup> As the KPMG (2002, 2005, 2008, 2011, 2013) surveys have noted, various titles are provided for reported information that supplements an organisation's conventional financial report. This information might appear in a separate stand-alone report, or be combined within a traditional annual report. Such information typically concerns an organisation's social and environmental impacts, and while this type of reporting is most popularly referred to as "sustainability reporting" (KPMG, 2013), we concur with Gray & Milne (2002; 2004), Milne & Gray (2013) and Milne (2013) that the information provides no useful idea about the capacity of an organisation to contribute to a sustainable society, or planet. As such, we use the label 'social and environmental reporting (SER)' throughout this paper to refer to supplementary information on an organisation's social and environmental impacts.

<sup>2</sup> NZ had placed 37th from 41 countries and 32nd from 34 countries in 2013 and 2011 respectively (see Appendix 1).

not spread and become commonplace among the very largest of NZ organisations as it has done in so many other countries?

Considerable work on reporting has sought to articulate normative rationales for why organisations *should* report on their social and environmental impacts and externalities. First, an accountability perspective was built around a moral notion of a social contract and duty of care (see, Gray et al., 1988; Gray and Laughlin, 2012). Second, a business case or pragmatic perspective built around economic rationales of cost/benefit trade-offs is often articulated both by some academics (e.g., Burritt and Schaltegger, 2010) and professional business associations (e.g., WBCSD). The business case may be formulated as either or both a defensive strategy (e.g., legitimacy repair; risk and reputation management) or a proactive strategy (e.g., competitive differentiation and green/social marketing). Business case rationales are typically promoted by business-based organisations although they can often be dressed up as moral commitments to “doing the right thing”. Either way, neither case seems to have been particularly effective in NZ.

Considerable research has also been undertaken to understand *why* organisations *do* report, especially when it remains a costly and often voluntary exercise. Much of this work from large cross-sectional reporting studies based on content analysis, reporting indices and firm characteristics (e.g., Clarkson et al., 2008; Cho and Patten, 2008) often infers the strategic motives outlined above. More recently, there has also been work that has sought to interview managers responsible for the reporting practices of their organisations (e.g., Higgins et al., 2015a) and also a stream of case studies focused on understanding individual reporting organisations (e.g., Adams and McNicholas, 2007). Other work on smaller samples of reports using qualitative critical and narrative analyses has illustrated the potential political and ideological effects of such reporting (e.g., Tregidga and Milne, 2006; Laine, 2009; Milne et al., 2009). And more recently there has been a stream of work on samples of reporters that has sought to understand the potential institutionalism of reporting practice (e.g., Barkemeyer et al., 2015; de Villiers et al., 2014).

Much less well understood in the literature, however, is why organisations *do not* report, and especially so when operating in a climate of encouragement. While we have highlighted the fact that NZ is somewhat of an exception to the rapidly developing reporting in many

countries, it needs noting the spotlight is very much focused on each country's largest 100 such organisations. Beyond these 4000 or so organisations that KPMG survey, it would appear that a much greater proportion do not report (Milne and Gray, 2007; Martin and Hadley, 2008; Stubbs et al., 2013) or, to the extent they do, their 'reporting' is very much of a lower quality (Morhardt, 2010). Not reporting, in fact, is likely to be the norm. Indeed, Stubbs et al. (2013) show, in Australia while 77% of the top 100 reported, effectively only 17% of next largest 100 did so. Higgins et al. (2015a) also show that stand-alone sustainability reporting in Australia is likely limited to less than 130 organisations period. Stubbs et al. (2013) and Higgins et al. (2015b) go on to explore the rationales for why 23 such Australian organisations do not report, and we draw on their insights below.

We add to the non-reporting literature by focusing on the apparently failed role of business intermediaries specifically set up to promote sustainable business practices. Howells (2006) defines intermediaries as "an organization or body that acts as an agent or broker in any aspect of the innovation process between two or more parties" (p. 720). Internationally sustainable business intermediaries (SBIs) include organisations like the Business Council for Sustainable Development (BCSD, now the WBCSD), the International Chamber of Commerce (ICC) and the World Industry Council for Environment (WICE) (Gray et al., 1996; Najam, 1999; Schmidheiny, 1992). Within NZ three main SBIs exist: The New Zealand Business Council for Sustainable Development (NZBCSD, est. 1999 under the WBCSD) and now named the Sustainable Business Council (SBC); Sustainable Business Network (SBN, est. 2002); and Pure Advantage (PA, est. 2011). Our focus here concerns both the SBC and the SBN since while all three make claims about their interest in sustainability and sustainable development, the SBC and SBN are longer standing and focus most particularly on individual member business practices and reporting.

While there are three widely cited motivations for business entities to 'go green' and/or publish SERs: competitive advantage and signalling, legitimacy and social responsibility (e.g., Bansal and Roth, 2000; Buhr et al., 2014), our concern here is less with the strategic motives of individual organisations and more with the institutional context in which they operate (Suchman, 1995; Higgins et al., 2015b). And while there is an emerging literature which supports the view that reporting has developed following institutional pressure (e.g.,

Shabana et al., 2016; Barkemeyer et al., 2015; de Villiers et al., 2014), we seek to understand how you can be a member of a club, and yet resist that pressure and *not follow* its stated or implied rules of producing a report.

There is limited research relating to the role of SBIs in fostering reporting. Within NZ, research has involved interviewing and surveying SBI members (see Collins et al., 2007; 2010; Robertson, 2012; Wright, 2011) but this work has not addressed the lack of reporting (Stubbs et al., 2013; Higgins et al., 2014b). Nor has research drawn from neo-institutional theory (NIT) to understand the role of SBIs over their members' (lack of) reporting (Collins et al., 2007; 2010; Bebbington et al., 2009; Milne et al., 2009). Milne et al. (2009) do focus on the NZBCSD, but their study concerns the way the NZBCSD enabled and shaped the reporting content of eight early NZ reporters. Bebbington et al. (2009) also focus on early NZ reporters and the challenges they face developing their reporting. Both studies are relevant and discussed below, but neither directly tackles the role of SBIs. Pursuing calls from academics, such as Parker (2005) and Owen (2008), this research involves engagement with field players, specifically NZ SBIs and a selection of SBI members, in order to understand their influence on SER and the resistance to practice.

This paper is structured as follows. The next section reviews early reporting in NZ and consistent calls over its lack of development. The key tenets of NIT are then presented as is the use of NIT in a number of emergent reporting studies. The research approach is described and is followed by mapping the organisational field. The interview findings are analysed and the final section offers concluding comments.

### **The Development of Social and Environmental Reporting in New Zealand**

Gilkison (1995-2003) provided early commentary on the state of SER in NZ. A judge on the NZ KPMG environmental reporting awards scheme, Gilkison provided an annual account of the state of play in the Institute of Chartered Accountants Journal (readership circa 30k). His article titles conveyed the sense of desperation at the lack of entries: *Missing the green light; Award winners show the way – others need a push; Clean green companies? It's hard to know if they won't tell; Coming clean, sometime soon*. Milne and Owen (1999) noted the awards scheme in five years had at best generated five serious contenders, but that fell to

two in 1999. The 1996 KMPG international survey had placed NZ last from 13 countries (see Appendix 1). And echoing the 2013 KPMG comments made earlier, Gilkison and Ensor (1999, p.x) suggested:

...we have a voluntary reporting regime and (almost) no volunteers. At a time when other countries are moving ahead in leaps and bounds, New Zealand seems to be taking small steps backwards.

Milne and Owen (1999) suggested being left behind was not inevitable. Leading reporters of the day, for example, Watercare Services, could cut it with the best in Europe, and a template based on leading European practice easily offered a framework for taking up feasible reporting practice. The following year an archetype standalone report was produced and the largest 200 NZ organisations surveyed to assess their reactions (Milne et al., 2001). Twenty-four (from 60) responded they did or intended to issue a standalone or supplementary information in the next three years, and Milne et al. (2001) were hopeful as many as 30 organisations might be reporting by 2003. Given the dire rates of reporting during the 1990s, things could only get better, and to some extent they did. They also asked why respondents thought companies did not report. The overwhelming response (60-70%) was a lack of stakeholder demand rather than cost, or a lack of adequate management systems.

A critical catalyst to emerge on the scene during the 2000s was the two SBIs – the New Zealand Business Council for Sustainable Development (NZBCSD) and the Sustainable Business Network (SBN). Both are member based associations, and both seek to promote sustainable business practices including reporting. The NZBCSD's involvement in reporting was discussed in detail in Milne et al. (2009), but a core element of it was to take the leading reporters from its early membership as exemplars and use them as a base for a sustainable development reporting guide (NZBCSD, 2002). In addition, membership in the NZBCSD rested on a rule that members must produce a report within three years of joining.<sup>3</sup> The NZBCSD built up its membership from an initial 24 organisations in 1999 to a maximum of 74 in 2008, and these included some of the very largest organisations in the country. From 2008 membership declined to a low in 2012 of 36 members when the NZBCSD merged with Business New Zealand to form the Sustainable Business Council (SBC). The Council's

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<sup>3</sup> This has now been amended to two years by the now Sustainable Business Council, discussed further below.

membership more recently appears to be on the increase with 42 members in 2013, and 73 members listed on its website at January 2016 (see SBC, 2013a; Wright, 2011; Milne et al., 2009).

Certainly the NZBCSD breathed new life into a flagging and virtually non-existent SER practice, but it hardly set it alight. Through its membership it picked several pre-existing reporters, and offered them as examples to others, through a facilitated reporting guide.<sup>4</sup> Its stated aim with all its “projects” was for leaders and individual champions to spread practice among its own membership, and then for the membership to influence broader based (non-member) business practice (Milne et al., 2009). A significant part of the NZBCSD was to build a “business case” for all its projects. Reporting, its first project, was “sold” on the grounds of benefits to organisations – identifying stakeholder needs, risk identification, enhanced decision making, market opportunities, but also meeting transparency and accountability demands. A generic business case was also stressed with emphasis on internal and external drivers improving value (NZBCSD, 2002, pp 9-10).

By contrast, the SBN focuses on typically much smaller SMEs and has a much larger membership of 400 plus members. The SBN, too, however, produced a reporting guideline of sorts in 2003 in conjunction with the Ministry for the Environment – *Enterprise<sup>3</sup> Your Business and the Triple Bottom Line* (SBN, 2003). As with the NZBCSD guide, *Enterprise<sup>3</sup>* stressed a business rather than a moral case – reduced costs, risk management, reputation, and waste efficiency, for example. Emphasis was placed throughout the 36 page report on “sustainability in action” with examples from members. Three pages were devoted to reporting specifically although various other elements alluded to it.

It is difficult to determine the exact pattern of SER development in NZ due to the absence of 15 years KPMG survey data between 1996 and 2011 when NZ was not included in the survey due to a perceived lack of SER practices in the country. It does however seem that any development has been relatively glacial in pace, and the NZBCSD has had limited effect. Some insights into reporting rates can be gleaned from a number of studies. Milne et al.

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<sup>4</sup> Landcare Research and URS facilitated the case studies of BP Oil, City Care, Hubbard Foods, Interface Agencies, Sanford, Telecom, Urgent Couriers, Watercare, and The Warehouse. The report was produced with funding from the Ministry for the Environment.



(2003) report on eight of the earliest stand-alone triple bottom line reporters in 2001 – all members of the NZBCSD. And, in a follow up study of NZBCSD members, Chapman and Milne (2004) report on 30 such 2002 reporters, but this study expanded the sample of reports to include discretionary disclosures in annual reports if a separate standalone report was not produced – only 11 were. Moreover, Chapman and Milne (2004) found only two reports scored more than 50% of the total SustainAbility/UNEP benchmark score, while 22 reports scored less than 25% of the total score, indicating most ‘reports’ were cursory and of poor quality.

In a study on the absence of independent verification in NZ, Robertson (2012) attempted to track down all known standalone reporters between 2001 and 2010. Focusing on Stock Exchange listed companies, and members of the NZBCSD, and including annual reports with at least four consecutive pages of social/environmental disclosure, Robertson found reporting and verification numbers as follows, which seem in line the 2011 KMPG reported rates:

Table 1: New Zealand SER reporters and Verification statements 2001-2010

	2001	2004	2007	2010
Reporters	15	30	33	38
Verification Statements	6	10	7	5

Source: Robertson (2012, p. 43).

One final study that sheds some light on SER development within the NZBCSD is Tregidga et al. (2014). This study followed a cohort of 2003 NZBCSD members (47), and included standalone and annual reports over the period 1992-2010, a period covering both before and after the NZBCSD formed in 1999. Tregidga et al. show about 10-12 NZBCSD members produced disclosures in 1999, from a known founding membership of 24, and several of these organisations were producing disclosures prior to joining the NZBCSD. By 2003, membership had grown to 47 members, and Tregidga et al. show reporting increased to 24 members. It seems, then, that the NZBCSD may have grown reporters by growing its

membership base, rather than growing the rate of reporting within its membership, which remained at about 50%.<sup>5</sup>

In short, whether we look at KPMG's latest International Survey results of NZ's N100 (2011, 2013, 2015) or historic (and current) data on NZBCSD/SBC membership (some of which will surely overlap), it seems that at best about half report. The statement from KPMG's New Zealand Sector Report (2013, p. 2) therefore remains pertinent.

There has not been a significant uptake in sustainability reporting in New Zealand since the last survey in 2011 and significant uptake is not expected in the near term. This is a discouraging outcome given the significant change in the [international] reporting landscape over that period.

The days when sustainability or corporate responsibility reporting were considered an 'optional but nice' activity are past. It has now become a mainstream business practice worldwide. To date, however, New Zealand remains an exception to this rule and remains in the bottom quartile in terms of reporting uptake as identified in our global survey.

Furthermore, based on Robertson (2012) and KPMG (2011, 2013), only about one fifth of these reports are independently verified. These figures and observations lead to several conclusions.

First, NZ was placed in the lowest decile in both the 2011 and 2013 surveys, and remains in the lowest 20% in 2015. Second, as the KPMG NZ supplement makes clear, while the reporting rates are quoted as 43% and 47% for the 2011 and 2013 surveys respectively, the more accurate rates for NZ-based *local reporting* (as opposed to international parent reports for NZ branches/subsidiaries) are 16% and 17% respectively. In other words, two thirds of the reporting rates cited for NZ, are made up of international parent reports. Third, NZ has a history of a lack of development of reporting dating back to the mid-1990s when environmental reporting awards schemes failed to provide sufficient encouragement, and which were widely publicized in reports by academics and professionals. In other words, the lack of reporting is something systemic that has been going on for a long time. Fourth, NZ also has a history of business intermediaries like the NZBCSD and SBN that promote and encourage SER which, despite building its organisational membership to a high of 74 members in 2008 representing \$NZ 59 billion and 43% of New Zealand's GDP (Milne et al.,

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<sup>5</sup> Consistent with the 50% ceiling of reporting from the 2011, 2013 and 2015 KPMG surveys, we have unpublished data that suggests the 2007/8 NZBCSD membership of 69 produced 33 reports (47%). The latest (January 2016) SBC membership of 73 suggests xxxxxx (xxx %) are reporting.

2009), have failed to grow SER practice or even enforce its own membership rule requiring SER by its members. NZ's lack of reporting has been ongoing for over two decades despite considerable efforts to promote and encourage it. At issue, is why have such organisations failed to report, and why have such local and international reporting encouragements failed to take effect?

### **Institutional Theory and SER**

An institution is “more or less taken for granted repetitive social behaviour that is underpinned by normative systems and cognitive understandings that give meaning to social exchange and thus enable self-reproducing social order” (Greenwood et al., 2008, p. 5). Broader influences include the social, political and economic issues that “define the organizational context” (Dillard et al., 2004, p. 511), having an impact on the organisational field and practices within an organisation. The macro perspective of NIT is utilised to understand the creation, diffusion, adoption and adaptation of structures, over space and time, as well as understanding their decline and disuse, thus being outcome-oriented (Zucker, 1977; Scott, 2009). The micro perspective considers how an agent's behaviour or action reinforces, maintains or alters structures, thus, it is process-oriented (Zucker and Darby, 2009). Seminal authors suggested the development and persistence of institutions from a combination of macro and micro levels are “inextricably linked” (Zucker, 1977, p. 85; Meyer and Rowan, 1977).

The organisational field is defined as consisting of “a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field” (Scott, 1995, p. 56). The primary focus of NIT is understanding interactions between and among actors within the organisational field and their influence on practices within organisations (Scott, 1991; Greenwood et al., 2008) or potential to resist institutions (Zucker 1977; 1987; Tolbert, 1985; Tolbert and Zucker, 1983; Dillard et al., 2004). Understanding power struggles within structures and organisations allows further understanding of the institutionalisation, or not, of practice within an organisational field (Dillard et al., 2004). Hence, Lawrence (2008) calls for work to investigate strategies of resistance employed by individuals and organisations (Lawrence, 2008). This leads to an overview of the pressures of institutional isomorphism.

### ***Institutional Isomorphism***

A broader definition of the organisational field encompasses the pillars of isomorphism “a group of organisations that interact with one another and that are subject to the same regulative, normative and cognitive institutional constraints” (Palmer et al., 2008, p. 742). Through the pillars of isomorphism NIT offers explanations for change within organisations, from the perspectives of various actors within the field, or practices becoming institutionalised. The mechanisms and antecedents for isomorphism proposed by DiMaggio and Powell (1983) include coercive, normative and mimetic pressures.

Coercive or regulative isomorphism considers how organisational practices are influenced, either formally or informally through an organisation that commands some form of power or through societal expectations (DiMaggio and Powell, 1983; Scott, 2009; Dillard et al., 2004). Scott (2009) suggests that the regulative pillar comprises rules, laws or sanctions; practices are influenced coercively - the antecedent for this pillar is political influence.

Normative isomorphism is often explained as external pressures associated with the antecedent of professionalism (DiMaggio and Powell, 1983). However, normative isomorphism can also be exercised through internal pressure (Zucker, 1987; Pfeffer, 1981). The rationale for the normative pillar is that certain practices are expected within or among organisations, such as shared social norms or values being adapted to, or acceding to societal and organisational rules, through a legitimate authority (Scott, 2004). Individuals also follow expectations about ‘doing the right thing’ (Higgins and Larrinaga, 2014).

Mimetic isomorphism considers how one organisation may copy another organisation’s success hoping to attain a competitive advantage and/or legitimacy in an uncertain environment (DiMaggio and Powell, 1983). DiMaggio and Powell (1983) propose that organisations seek survival and legitimacy through adopting structures and practices from the institutional environment – mimicking practices of other organisations within the field – a strategic response (Oliver, 1991).

### ***NIT and SER***

A number of authors have used the organisational field as an approach to better understand the institutionalisation of practice. Kolk et al. (2008) found that according to the role of

dominant actors carbon disclosures were influenced, promoted or resisted. Similarly, Brown et al. (2009) examined the GRI organisational field explaining that the founders (agents) affected the process of institutionalisation, reproducing power relations but not mobilising social action. Higgins et al. (2015b) also took this approach suggesting that practices may diffuse as firms move into an organisational field but questioned whether a combination of isomorphic pressures was required to further SER. Jennings and Zandbergen (1995) proposed that greater coercion, direct and indirect, results in greater likelihood that organisations adopt practices within a field. However, the authors noted with concern that coercive pressure can create a loss of normative values for influencing sustainability-related practices. Aerts et al. (2006) found mimetic pressure in an organisational field of highly concentrated industries was weakened through public media exposure. Furthermore, underlying coercive pressure may be evident through economic factors. Rahaman et al. (2004) provided evidence of how SER can be influenced within an organisational field – through the regulative pillar, with other (negative social) implications.

Authors have also explained the institutionalisation of practice specifically drawing on isomorphic pressures and variously applying the concept of the organisational field. Kolk et al. (2008) explained how coercive pressure is an influence on the carbon reporting practices of business entities (see also, Cormier et al., 2004). However, the authors suggested pressure through institutional investors (stakeholders) to achieve global reporting coverage was weak and arguably needed regulatory backing (see Larrinaga et al., 2002). Buhr and Freedman (2001) and Cormier et al.'s (2004) research offered an understanding of how context influences SE disclosures and their convergence. Fortanier et al. (2011) find multinational companies adhere to global SER standards, coercive pull, with the role of domestic institutions diminishing. And other recent studies (e.g., Aerts et al., 2006; Barkemeyer et al., 2015; de Villiers and Alexander, 2014; Shabana et al., 2016) have used institutional theory to offer explanations for reporting patterns. Shabana et al. (2016) offer a perspective on US reporting patterns suggesting three periods of reporting from defensive to proactive to imitative, with each of the pressures of coercion, normative and mimetic dominating in each phase respectively. They suggest after an initial phase of the big, dirty and exposed reporters, others seeking competitive advantage joined the fray, and finally size and international standing of organisations ensured the practice became widely

diffused. None of these studies, however, attempt to map any organisational field of influencers, nor directly investigate their influence. Instead invoking industry or national level indicators in their statistical analyses or relying on indicators such as common professional qualifications, they typically assert explanations for commonality of practice (Higgins et al., 2015b; see also Gray et al., 2010). And nor do they explain why organisations subject to these same pressures resist and do not report.

Few studies have utilised NIT at the organisational field level in order to explore the influence of key actors on the practice of SER. Collins et al.'s (2007; 2010) longitudinal studies document sustainability-related practices within SBN member and non-member entities in NZ, but they do not cover reporting. Based on a small sample, Bebbington et al. (2009) raised questions regarding the role and potential of SBIs, such as the NZBCSD, to pressure and encourage SER practice in NZ. However, a decade has passed since the reporting workshops and, as we have noted, SER trends in NZ have not improved despite that apparent influence. Indeed, at least one prominent organisation in Bebbington et al.'s sample has still yet to publicly report.

More recently, Higgins et al. (2015b; see also Stubbs et al., 2013) have examined why a sample of large listed Australian organisations do not report. Drawing on institutional theory, and by mapping relationships, associations, and consequent material and discursive practices they argue a significant group of non-reporters are “unaware and oblivious” of SER because they are not connected within a “business and sustainability” issues-based field of influences and pressures. A second group of organisations, who were part of the issues-based field, while undertaking numerous sustainable business related practices, also fail to report - largely it seems on account of a lack of stakeholder and institutional pressure. While reporting was ‘normal’ for this second group it was not inevitable: it was seen as a luxury not an obligation or necessity, and remains at the discretion of the organisation. Since it is not expected nor demanded, many of these organisations seemed to prioritise “actions over words.”

In the case of NZ, as we have indicated, a substantial number of organisations are not only connected to, and have helped shape, a “business and sustainability” issues-based field (see Milne et al., 2009) as members of the NZBCSD/SBC, they have been obligated to produce

SERs within three (now two) years of membership. Yet many do not. Moreover, the NZBCSD has been an active champion and promoter of SER since 2002. So why has it had such limited success? Consequently, we analyse the extent to which SBIs influence the SER practices of their members. The following section outlines the research approach and is followed by our findings.

## **Research Approach and Method**

Initially, we mapped the field through an analysis of journal articles, websites and news articles in order to understand the wider influences on member entities' SER practices.<sup>6</sup> This led to conducting semi-structured interviews with key field players in order to gain their perspectives on the current and potential role of SBIs influencing the practice of SER. We focus on two long standing NZ SBIs and 11 organisational members. We include both longstanding reporters and others who do not report, or did so briefly or intermittently.

### ***New Zealand SBIs***

Three NZ SBIs, the SBC, SBN and Pure Advantage (PA), were identified as key players within the organisational field. These SBIs specific roles and interaction within the organisational field, publicly claimed interest in and potential to influence business entities' action towards SER, determined their inclusion. These SBIs have voluntary membership, or affiliation-based membership, which suggests their members are interested in sustainability-related practices. We interviewed the CEOs of all three SBIs, however, since PA was a relatively new player, operates primarily at the macro policy level, and provides little pressure on

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<sup>6</sup> We acknowledge a much wider range of influences on SER than our focus on two SBIs in this paper. In mapping the field, we drew on academic work, websites, survey data (KPMG, 2008; 2011; World Bank Group, 2003) as well as engagement with players in the field. Field players include: 12 international bodies, six national bodies, regulatory and standards setting bodies and three NZ SBIs. These bodies and individuals variously publicly promote sustainability-related practices through: involvement in SER awards, SER (best practice), benchmarking guidelines, regulatory roles, assurance/audit, policy input, and public exposure of related issues. The 12 international bodies include: the GRI, ISO, WBCSD, AccountAbility, SIGMA, The Prince of Wales Charitable Foundation, SustainAbility, ACCA, CDP, and the IIRC. The Natural Step was included following two interviewees' acknowledgement of their influence on the process of SER and KPMG was included as data from the KPMG triennial survey underpins the research questions. The six national bodies include the NZ Institute of Chartered Accountants (NZICA), Landcare Research, KPMG, Envirostate as well as academics and activists. Five regulatory or standard setting bodies, or organisations grouped by their role, were included as players within the organisational field. The NZ Government, the International Accounting Standards Board (IASB) and the External Reporting Board (XRB). The four largest accounting firms are grouped as 'The Big Four' and include Ernst and Young, Deloitte, KPMG and PricewaterhouseCoopers. The following non-accounting independent environmental assurers include: Tonkin and Taylor, URS, carbonZero and ERM New Zealand Ltd.

individual organisational behavior, especially the production of SERs, we report only on the SBC and SBN here.<sup>7</sup>

*The Sustainable Business Council (SBC) – previously the NZBCSD*

In 2012, the NZBCSD<sup>8</sup> merged with BusinessNZ – Sustainable Business Forum (SBF)<sup>9</sup> to become the SBC. Prior to the merger the NZBCSD membership had been steadily falling, declining from 75 to 55 between 2008 and 2010. However, following the merger the SBC membership numbers increased from 42 in 2013 (SBC, 2013a), to 73 in 2016 (SBC, 2016). The SBC “promote sustainable business and policies” (Meadows, 2011) through the business case rationale (SBC, 2013b) and have produced a range of publications including seven earlier ones published by the NZBCSD. Some of the reports relate to measuring and reporting on GHG emissions and the *Sustainable Development Reporting Guide*, which was published in 2002 by the NZBCSD. The *Vision 2050* report identified: important areas where SER is required, that Integrated Reporting (IR) should be adopted by all of NZ’s largest companies and all listed companies should report on an established set of environmental and social factors, all by 2020 (SBC, 2012a).

Membership criteria of the SBC included: producing a SER within two years of joining, a carbon intensity reduction plan within two years and a carbon footprint within one year. Since the merger, aspects of membership appear to have tightened with resignations invited if member commitments are not fulfilled. Perhaps highlighting the coercive pressure exerted, 19 SBC members’ SERs were displayed on the SBC website in 2012, 18 were dated 2011 and one dated 2012 (SBC, 2012b)<sup>10</sup>. The list is not exhaustive but appears to include

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<sup>7</sup> *Pure Advantage (PA)* founded in 2011, and is running a ‘campaign’ to identify opportunities for sustainable economic growth while conserving NZ’s natural resources (PA, 2013a). PA is funded by 11 trustees, high profile business people from the private sector, with 7,165 signatories. The vision of PA is to create a partnership among government business and social groups, driven by government strategy. The website displays case studies from 35 NZ business entities, some of which are members of the SBC and the SBN. All of these business entities are publicly affiliated with PA through case studies being displayed on PA website (PA, 2013b). There is no membership or specified cost for involvement with PA. PA has focused on ‘robust economic research’, which has culminated in the release of two reports: *New Zealand’s Position in the Green Race*’ (PA, 2012a); *Green Growth: Opportunities for New Zealand* (PA, 2012b).

<sup>8</sup> The NZBCSD established in 1999 and initially comprised 15 founding business organisations in NZ with a commitment to ‘sustainable development’ (NZBCSD, 2012).

<sup>9</sup> The SBF was established in 2009 to “provide a business-centric platform for New Zealand companies wanting to define and lead sustainable business matters, rather than simply respond to government-led initiatives” (SBF, 2010).

<sup>10</sup> By 2016, a total of 16 SBC members’ SERs are displayed, one dated 2014 and 15 dated 2012 (SBC, 2016).



GRI rated SERs that are assessed through Landcare Research - CarboNZero; the official GRI data partner for the SBC. The SBC itself does not publish an externally available Annual Review. However, prior to the establishment of the SBC, the NZBCSD produced Annual Reviews (NZBCSD, 2002-2011). The content included financial disclosures in 2004 and 2005 only. In 2005, the SE disclosures were the most comprehensive and included GHG emissions data. Overall, the focus of the Annual Reviews appeared to be policy input (Milne et al., 2006).

#### *The Sustainable Business Network (SBN).*

The SBN established in 2002 as a result of a merger of the Auckland Environmental Business Network (AEBN<sup>11</sup>), Business for Social Responsibility (BSR<sup>12</sup>) and Triple B. The expressed rationale for the SBN is to help business become more sustainable and includes gaining external accreditation for sustainable business practices with a focus on transparency and accountability (SBN, 2013). The SBN has a large and diverse membership base (which has increased from 421 in 2013 to 473 members in 2016 (SBN, 2016). Members include public sector organisations, SMEs and large companies involved in various sectors (SBN, 2016). The SBN has no apparent membership criteria, is predominantly comprised of SMEs, operates as a professional network, is not pitched politically, and arguably is not as powerful within the organisational field as the SBC (SBN, 2013).

The SBN has published a number of reports including *'Enterprise Your Business and the Triple Bottom Line'*. These were produced in conjunction with the Ministry for the Environment (MfE) focusing on SMEs business practices towards social and environmental change (SBN and MfE, 2003). The SBN produced Annual Reviews in 2006 and 2008 with a focus on awards and case studies. Government interest in sustainability was evident within the 2006 review but by 2008 with the election of the National Government it was not. The SBN ran networking events including the "Get Sustainable Challenge" in order to improve members' sustainability focusing on practical achievements with a key role in promoting sustainability awards and minimal political-focus (SBN, 2013).

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<sup>11</sup> Rachel Brown, the current CEO of the SBN, established and led the AEBN.

<sup>12</sup> In 1998 the founder of Hubbard Foods Limited, Dick Hubbard, formed and Chaired the NZ business for Social Responsibility (BSR) with one of his intentions to "make information available to interested parties" (Caddie, 1998).

## Reporting and Non-reporting Participants

Our second group of participants included senior executives from SBC and SBN member organisations. We initially tracked member organisation histories with the SBIs as well as their track records of publishing (or not) SERs. We identified and approached 20 potential organisations. Eleven agreed to be interviewed and are identified in Table 2, along with their reporting and SBI membership histories. The selection of these participants was important as they have roles either dedicated to, or encompassing, sustainability-related practices including SER.

Table 2: SBI member organisations interviewed.

Organisation	SBI Membership			External Reporting		
	NZBCSD	SBC	SBN	Type	Years	Assurance (2012)
3R Group <sup>13</sup>	2008	✓	✓	None	-	-
Beca Group Ltd	2006	✓		None	-	-
Living Earth Ltd	1999	✓		None	-	-
Resene Paints Ltd	08-2010		✓	None	-	-
Waikato Management School	2005	✓	✓	None	-	-
Fonterra Cooperative	2002	✓		Limited	ARs	None
Hubbard Foods Ltd	99-2010		✓	Limited	2001 & 2007	None
Inzide Commercial Ltd	2001	✓	✓	Consistent	2001-on website	CarbonNZ/Green Tag
Sanford Limited	1999	✓		Consistent	2000-on	KPMG/Limited
The Warehouse Group	1999	✓		Consistent	1999-on	PWC/Limited
Watercare Services Ltd <sup>14</sup>	1999	✓	✓	Consistent	1993-on	ERM NZ/Limited

The four consistent reporters were all founding members of the NZBCD and current members of the SBC. Sanford, The Warehouse and Inzide<sup>15</sup> were involved in the NZBCSD case study (NZBCSD, 2001).<sup>16</sup> In 2001, Sanford and The Warehouse were deemed as having “begun the SDR process” (NZBCSD, 2001, p.3). In contrast, Inzide were new to external SER and deemed as having “no experience in the SDR process” (NZBCSD, 2001, p.3). Watercare did not take part in the NZBCSD case study, but had been reporting since the early 1990s (Tregidga and Milne, 2006).

<sup>13</sup> Since the completion of this research 3R has produced a report. This report was for 2014/2015. This report was not assured.

<sup>14</sup> See Tregidga and Milne (2006) which offers an interpretive textual analysis’ of Watercare’s sustainability practices from 1993 – 2003.

<sup>15</sup> Inzide Commercial is a NZ company separate from Interface Global.

<sup>16</sup> This case study was the basis for Bebbington et al.’s (2009) research regarding the SER practices of six NZBCSD member entities.

All of the non-reporters (and in this we include the two “limited” reporters) were, or have been, members of the NZBCSD. Hubbards and Living Earth were founding members. Hubbards was involved in the NZBCSD case study as a reporter with “no experience in the SDR process” (NZBCSD, 2001, p. 3) and this may have prompted them to produce a SER in 2001. However, they did not produce another SER until 2007 and have not produced one since. Fonterra was a longstanding member of the NZBCSD, having joined in 2002. The Waikato Management School joined the NZBCSD in 2005 as an academic partner. Beca joined the NZBCSD in 2006 and complied with the membership criterion of annually producing a SER but never made this report public. 3R joined in 2008 with the Director of 3R having significant involvement in the NZBCSD (now the SBC) and the WBCSD. In contrast, Resene had a short-lived membership with the NZBCSD joining in 2008 and leaving after two years. Their initial connection related to a focus group on Product Stewardship.<sup>17</sup> Similarly, Hubbard’s membership with the SBC lapsed in 2012 after the merger of the NZBCSD and the SBF.

### ***Data Collection and Analysis***

As well as secondary data,<sup>18</sup> the lead author conducted semi-structured interviews with the 13 participants (two SBI CEOs and 11 reporting/non-reporting senior executives). Semi-structured interviews enabled the exploration of a range of potential influences on SER practice and examined the role of SBIs in particular. The interview questions were shaped from the SER literature, the theoretical framework, and relevant background information of field players. Interviews ranged from 45 to 75 minutes. Two broad themes were explored:

- General influences on SER practices from three perspectives: SBIs; member organisations; and consistent reporters and non-reporters.
- SBIs influence on SER from two perspectives; SBIs perceptions of influencing SBI members in contrast with SBI members’ perceptions of SBIs influence.

Preliminary data analysis resulted in a categorisation of emerging themes and missing influences according to the interview questions and hence highlighted alternative interpretations (Hartley, 1994). Post interview analysis followed and encompassed data

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<sup>17</sup> Resene’s Product Stewardship program involves the recovery of unwanted/unused paint and paint packaging in NZ (Resene, 2013).

<sup>18</sup> Secondary data was collected through accessing publicly available information from SBIs and members’ websites and various publications including SERs, annual reviews, and media publications.

reduction, data display and data interpretation (O'Dwyer, 2004). The process of revisiting the data on several occasions resulted in the lead author identifying issues and raising additional questions to further facilitate thematic coding of the findings and better understand field relationships and influences (Miles and Huberman, 1984; Denzin and Lincoln, 2011). Each transcription was condensed from approximately 20 pages to two pages with themes highlighted by pertinent quotes. Revisiting the data was particularly important for this research with the interrelationships of multiple players within the organisational field.

The emerging themes were described narratively, with participant responses offered as evidence, analysed through prior literature and explained through the theoretical lens (O'Dwyer, 2004). This approach offers the opportunity to understand how context impacted on these constructed understandings (Grbich, 2007). The findings are the participants' perspectives interpreted by the lead author, and discussed throughout the process with the other authors, seeking to analyse the influence of SBIs on the practice of SER in NZ. The following section begins with an analysis of key players in the organisational field, presenting and discussing the findings.

## **Findings and Analysis**

### ***The Importance of SER***

Perhaps unsurprisingly all of our participants extolled the virtue of SER. They saw reporting as important for business entities to be accountable, and/or legitimate (Gray et al., 1996; Suchman, 1995), 'the right thing to do' (Pfeffer, 1981), a moral duty predominantly fostered through an internal champion (Buhr et al., 2014) and indicative of normative pressure (Higgins and Larrinaga, 2014). The business case rationale was evident with participants discussing the need for transparent and credible information (Buhr et al., 2014).

It's really important...it's the transparency, it's people knowing that when Sanford goes on the media or when Eric [CEO] is being interviewed by radio or TV he can be believed because we are not hiding...credibility is a biggie and it's engagement (Sanford).

...allowing the content to demonstrate a level of trust with the information that's there, so people believe (Fonterra).

It would appear that Fonterra's focus was on business reputation (Bebbington et al., 2008) as well as maintaining a social license to operate (Buhr et al., 2014). Yet, participants from Hubbard's and Resene raised concerns over the ambiguity of 'who' it is that needs to be convinced.

The SBI representatives' views varied regarding the importance of SER. For the SBC the issue appears to be credibility, both its own and its members, in order to demonstrate practice to stakeholders.

How can you prove that you're, you know, more exemplary in this area and we've got to be able to demonstrate that [through SER] (SBC)?

The concept of legitimacy was evident (Suchman, 1995) and this rationale aligns with Buhr et al. (2014) who identify leadership and image as proactive facets for SER. However, the SBC is yet to produce its own SER and yet to enforce SER practice on all its members.

The SBN representative suggested their focus is on facilitating members' sustainability behavior through reducing unsustainable practices (Unerman et al., 2007).

Reporting, you know reporting's just a very limited function really in terms of change. It's kind of a show off moment; it should be anyway cos often companies are doing [sustainability] (SBN).

Doing the right thing (Pfeffer, 1981), consequently, was not necessarily seen to require reporting since it is unlikely to result in substantial change. As a result, the SBN did not consistently produce a SER or apply coercive pressure on their members to do so.

### ***The Role of SBIs***

The role of SBIs, as outlined on their respective websites, includes developing and facilitating members' access to sustainability-related tools, networking through regular meetings, involvement in partnerships/projects and collective contribution to policy. This would suggest mimetic pressure is facilitated through interactions between and among members as found by Cormier et al. (2004) and around issues (see Hoffman, 1999). For example, the SBC representative claims:

Mainstreaming sustainability into the New Zealand business sector...What they're wanting to do is to have customers seeing New Zealand businesses as being excellent at sustainable practice (SBC).

Member entities also perceived the role of SBIs as being sustainability focused through their networked structure. Concurring with Cormier et al. (2004), this structure facilitated mimetic pressure on sustainability-related practices through members' involvement in initiatives and partnerships. Specifically, members of the SBC discussed having the ability to exchange, support and educate best business practice, or exemplar sustainable business practice but participant responses also highlighted the SBC's focus on collective political (power):

[SBC] bring the voice of environment and business to influence government (Living Earth).

Similarly, SBN members' learn from each other through organised events such as seminars, workshops and awards, but with a focus on individual member's sustainability-related practices.

Our main focus was to be connected to an organisation that kind of had all this information flow coming in about you know sustainability, tips and tricks learning from other members, you know all of that kind of rich information coming in that we could then I guess you know learn from (Resene).

Within the organisational field SBIs presented themselves as legitimate authorities and their collective membership supported that position (see, for example, Scott, 2004). In line with DiMaggio and Powell, (1983) and Scott's (2009) proposition, this would suggest normative pressure through professional membership, and aligning with Greenwood et al. (2002), is important for legitimating change through the diffusion of practice. Furthermore, mimetic pressure is apparent through SBIs and member entities' interactions with a range of field players (see Scott, 1995). For example:

...international connections...our link to the WBCSD is really critical for that. Our project work it's business to business...so we also broker it into the broader business (SBC).

Yet, the interrelationships among field players did not appear to have broadened normative pressure or generated mimetic behaviour for SER leadership as hoped by Bebbington et al. (2009). Instead it would appear that the economic objectives of SBI members were reinforced (Tregidga et al., 2013). However, the initial findings do highlight significant potential of SBIs to facilitate isomorphic pressures on the SER practice of their members. This includes the potential of SBIs to influence policy (confirming Milne et al., 2009), although this appears to have waned under the current political regime and regulated or

mandatory reporting is not part of the SBC's current or NZBCSD's historical agenda (see NZBCSD Annual Reviews, 2002-2011). Neither is reporting policy the focus of the SBN. Rather the role of the SBN appears to confirm the findings of Stubbs et al. (2013) of a priority for 'action not words' and confirms Collins et al.'s (2010) findings - sustainability related *practices* are institutionalized, but this does not include reporting.

### ***Influences on SER: Member Perspectives***

Internal champions are discussed by members as having longstanding positions within the entities and influencing the initial decision to report. However, winning the day may take time.

Internally we've been campaigning to make it publicly available for quite some time...I think in the future there is a potential for it to be publicly available (Beca).

Members agree international players influence the process and content of reports but not the decision to *start reporting*. For example, the GRI and ISO, hold key positions in the organisational field allowing them to exercise, or facilitate through interactions, a range of isomorphic pressures on the process and content of members' reports:

But I use it [GRI] at the end more than at the [beginning]. I don't write a report to tick the boxes but some of the boxes they have on offer I think actually that's a really good thing to report on. So it's a tool yeah, but not, not the bible (Sanford).

Although members raised issues of competing influences on reports, international players predominantly facilitated external normative and mimetic pressure, with potential through stakeholder pressure, to be coercively applied. For example, the influence of the Carbon Disclosure Project (CDP) through normative pressure was apparent in the NZX50 listed members' reports.

What will be more of an influence is the CDP and the requirements for that because that is directly related to investors through the share market, which is our owners (The Warehouse).

Legitimacy, image and reputation were dominant considerations among the consistent reporters. National level players were perceived as influencing the process and content of reports through involvement in awards, engagement in 'best practice' events, and interaction with other field players. Essentially, national players influence reporting normatively, through the business case and mimetically through interactions with other players but predictably there was little evidence of national players influencing non-reporters.

All consistent reporters engage an auditor and responses indicated this process has an important influence on the content, credibility and format of the reports.

The fact that we're doing it [SE reporting], to them [stakeholders] says 'oh okay'. And who's auditing it is the other thing. We always say third party verification is so important (Inzide).

Similarly, stakeholder pressure was perceived as having an influence on the availability and content of reports specifically through external events.

We need to change the way we do things. The three vessels in our Pacific Tuna fleet weren't ISO 14001 certified they now are and just sort of reinforcing the compliance across the whole company (Sanford).

Essentially, the business case rationale explains the influence of national, regulatory, and stakeholders on consistent reporters that focus on competitive advantage and respond to social pressures. These are proactively driven unless there is an external event.

In contrast, non-reporters suggested audit and certification had a strong influence on sustainability-related practices, not reporting: notably the *credibility of products* (e.g. Resene). Furthermore, several non-reporters indicate there was significant influence from external stakeholders on current sustainability-related practices.

We're in our infancy in terms of coming to [SE] reporting... pull's coming from customers offshore, or retailers offshore, or the community offshore (Fonterra).

Hence, coercive pressure, through regulatory players and stakeholders, was reactively driven through the business case and unless reporting becomes mandatory the role of these field players offers little likelihood of SER widely diffusing. Indeed, Fonterra provided an interesting counter example. By size and internationalization it should be reporting (Shabana et al., 2016). It is NZ's largest economic organisation with turnover >NZ\$ 10 billion, and were it publicly listed it almost certainly would be reporting. Yet it is a farmer/producer co-operative. By the fact it is intimately connected within a sustainability issues-based field (Higgins et al., 2015b), and has been for over a decade, we might also expect it to be reporting. Yet, as Higgins et al. (2015b) point out, that is a necessary but not sufficient condition for SER. In part, this is because the issues-based field has not made reporting a priority. Despite the NZBCSD/SBC's membership obligation, reporting has never been rigorously enforced.



### ***SBI influence on SER: SBI Perspectives***

The SBC and SBN representatives both noted the membership criterion of the SBC has had a significant influence on some members' decisions to produce external reports.

When the Business Council [NZBCSD] had its mandate that all members must report within two years that drove it really quickly, that was really good (SBN).

Yet the newly appointed Executive Director from the SBC acknowledged this membership criterion was not rigorously enforced in the past and indicated she would be enforcing this going forward and that the SBC will be producing its own report in the future.

I walked into the job and talked to my board. I don't see how you can credibly ask someone say that you, as part of your membership you, need to do something and then have no idea whether people are doing it... I don't want this organisation to be seen as greenwash (SBC).

It remains to be seen how effective the SBC will be at promoting change through intended and coerced reporting given its history to date.<sup>19</sup> Yet, if coercive pressure can be widely applied to members, there is the potential for mimetic pressure to further diffuse reporting through interactions within and external to the organisational field. For example, the SBC's umbrella organisation, BusinessNZ, offers further opportunities to extend this influence to business more broadly.

Furthermore, the SBC promotes the GRI through their membership network. Three of the interviewed reporters apply the GRI G3 guidelines (current at the time) with their reports displayed on the SBC website, illustrating the potential for normative and mimetic pressures to influence reporting once it has commenced. The hint of further international influence was the development of IR.

I think there's about to be another real shift in reporting. So when I was at the WBCSD meeting they were talking a lot about Integrated Reporting and the shift to that (SBC).

Yet, we suspect IR in NZ, much like all previous forms of non-financial/SE reporting, is likely to remain just that, a hint. Neither the SBC nor the SBN executives believed that IR would be coercively pressured through government regulation – a seemingly necessary measure to get high levels of reporting penetration (KPMG, 2015), and one the NZ Government have

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<sup>19</sup> The SBC has still not produced a SER.

failed to take since the mid-1990s when Deborah Morris MP first proposed it (Milne et al., 2001).

And is the SBC any more likely to pressure its members to adopt IR than it has been with SER? It seems that while SBIs can certainly facilitate normative and mimetic pressures that shape SER, coercively applying pressure on voluntary members to *initiate and maintain* reporting is a more difficult task. In its early life, the NZBCSD seemed to promote itself as 'walking the talk'. Its previous chairman, Stephen Tindall, once famously quipped that if members did not participate in the NZBCSD's projects, they would be "asked to leave – we believe in actions not words". Ironically, a failure to act in the production of words in many cases does not seem to have been grounds for expulsion. Consistent with Higgins et al. (2015b), we observe that other *activity* – reducing waste, increasing resource efficiency, etc., - can legitimately substitute for a lack of reporting, and permit "conscious resistance". Arguably member progress on non-reporting activity makes life difficult for SBIs to take delinquent (voluntary) members to task for a lack of reporting. Added to this, of course, is the need for the SBIs to maintain their own legitimacy in building and growing a successful voluntary movement, and for which member expulsion is counter-productive. In addition, as the SBC representative makes clear, until they themselves report calling on members to do so creates a cognitive bind.

You needn't think that I'm going to require this of all of our members and I'm going to be based in an office where BusinessNZ doesn't have a sustainability strategy or a policy and we're not doing anything' (SBC).

#### *SBIs influence on SER – Members' perspectives*

The Warehouse, Sanford, Watercare and Inzide have all produced independently verified reports for well over a decade. Watercare was producing reports long before the NZBCSD/SBC existed (Tregidga and Milne, 2006), but joining the Council clearly impacted on the other three to report. With The Warehouse Chairman/founding CEO and Sanford CEO being key players in the formation of the NZBCSD (they were Chair and Vice Chair) this is perhaps not a surprise. Beca and 3R as more recent members of the NZBCSD/SBC also suggested their *decision to initiate* reporting was influenced by joining the SBC, although Beca's report remains internal. Furthermore, the 3R participant suggested the SBC was

tightening up the reporting requirement, and claimed their first SER would be publicly available in 2013.<sup>20</sup>

Because it's a requirement for being a member we're stiffening that up as a Council and so we've certainly measured a lot of things and can report on them and we're just finalising something now which will go to SBC which will then be published (3R).

Other non-reporting participants were unaware of the apparent rule tightening, and so in an attempt to explore the potential impact of being exposed to stiffer isomorphic pressures, were asked how this might impact their reporting and/or member position. Beca and Living Earth suggested they were unlikely to leave the SBC due to the enforcement of the membership criterion and instead were likely to publish an external report. The participant from Fonterra claimed they were planning to report in 2013<sup>21</sup> but the pressure was from international 'stakeholder pull', not due to the SBC membership criterion. The Hubbards participant acknowledged the decision to produce two previous reports (2002 and 2007) was definitively linked to membership of the NZBCSD, although this requirement was not enforced. If it was, and they remained a member of the SBC, they also indicated their SER would recommence.

If we were still a member [of the SBC] and we were told, "you really need to do this", we would have done it (Hubbards).

3R and Hubbards also highlighted the potential for SMEs to act as leaders and exemplars of best practice through report production, although it seems in the absence of the SBC enforcing its mandate to report, such potential was not sufficient to drive reporting. The Beca participant identified the influence of the GRI facilitated through the SBC reflecting isomorphic pressures, but again, in the absence of any SBC mandate to report, it does not seem sufficient to drive the decision to engage in public reporting.

In the last few years it has been GRI because we recognise that it is probably the most renowned sustainability reporting standard that there is and I would say that was probably the driver of our content more. But again that decision was made internally it wasn't driven by anyone specifically that I know of. I mean the SBC probably had a hand to play in that because I know that they hold that particular measure in high regard (Beca).

Most of the non-reporting SBN member participants acknowledge the limited influence of the SBN on the decision to produce an external report. For most, the SBN was a facilitator

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<sup>20</sup> 3R have subsequently released their first SER in 2014/2015 (3R, 2016).

<sup>21</sup> However, in February 2016 Fonterra is yet to publish a SER.

and a resource for sustainability practices, not a pressure for reporting. The Resene participant acknowledged that they were unlikely to produce an external report.

...no we're just not that kind of company and Resenes just isn't it's not a high focus and that probably comes from our GM (Resene)

These findings confirm Bebbington et al.'s (2009) work that SBIs, specifically the NZBCSD/SBC, to date at least, have continued to exercise weak downwards pressure on their members' reporting behaviours, and particularly the decision to initiate reporting. In the absence of a strong mandate for reporting either from external sources such as government regulation, or from a tougher approach to members, the diffusion of reporting remains at the discretion of the organisation. Where individual organisations see a business case for reporting, strong external stakeholder pressure, and/or where founder member or champion values overlaps with the softly-softly approach of SBIs, reporting is likely to occur. SBI membership alone, however, in the absence of strong firm level drivers, seems inadequate unless reporting rules are more strongly enforced. Clearly in some cases, firms do not seem to find a business case argument for reporting sufficiently persuasive, and consequently resist the weak coercive pressure of SBI membership.

We're a member of the SBC which means that we have to produce the report and share it with them which we do and they encourage us every year to share it with the public and every year we say "thanks, but no thanks (Beca).

Responses from non-reporters and SBI representatives also suggest barriers to reporting as: a lack of resources, ownership structure, and size of entities as well as competitors' access to information. For some of the smaller non-reporters justifying the cost of reporting versus using those resources on 'real' initiatives was difficult. Privately owned organisations were also concerned about commercial sensitivity and giving away competitive advantage. And this too has the potential to reinforce a softly-softly approach on the part of the SBC.

The resources to do that will, you know, take away from other work (Resene).

People want a fair playing field. They want to know it's across the board. So if you're my competitor we're both sharing the same cost (Living Earth).

Furthermore, and in contrast with the views of SBI representatives, reporters and non-reporters alike identified a lack of NZ-based stakeholder demand for reporting, a point observed over a decade earlier by Milne et al. (2001), and raised in relation to numerous non-reporters in Australia (Stubbs et al., 2013).

And we have not been compelled to do it [SE reporting] by any influencing force (Hubbards).

Participants concur that government leadership is lacking and claimed they would support the regulation of SER. By leveling the playing field through legislation, some members would no longer be placed at a disadvantage vis-à-vis those operating outside. Yet NZ's current (and indeed past) political climate has no appetite for reporting regulation. In the absence of a compelling business case, or a moral-based sense of accountability on the part of the organization, and likely its founding champions, it seems inevitable that the softly-softly approach is going to fail to lift the penetration rates of reporting in NZ.

### **Concluding Comments**

We have sought to investigate and add insight into the historic and systemic dismal engagement by NZ organisations in SER. Specifically, we have contributed to the non-reporting literature by focusing on the apparent failed role of SBIs specifically set up to promote sustainable business practices – including SER. Through engagement with field players, specifically NZ SBIs CEOs and a selection of SBI members (reporting and non-reporting), we have gained insight into the influences on SER. We have found that reporting rationales identified in the literature and promoted by the SBIs both motivate and cause resistance to reporting.

Our findings demonstrate that reporting seems far from an inevitable outcome for organisations actively engaging with sustainability in NZ. And while the SBIs appear to facilitate weak isomorphic pressure, the absence of any coercive pressure from either them or other external forces suggests SER seems set to remain a practice undertaken by the relative few. Clearly to lend weight and import to SER the SBC needs to get its own house in order and begin reporting. It's difficult to demand transparency of members and yet not provide it oneself. Even this, however, may be insufficient to compel all members to report. At heart, we detect that unless members clearly perceive some kind of economic advantage, or at least no economic disadvantage from reporting, they are unlikely to do so. In the absence of any strident stakeholder demand, compelling win-win logics for reporting remain far from clear. New Zealand's SBIs seem to have been far more successful in emphasising and promoting other non-reporting 'sustainable' practices. And perhaps this should be so –

actions not words. The difficulty of course is that in the absence of rigorous, independently verified accounts of such actions, it becomes difficult to judge how effective those actions are.

While we would like to end on an optimistic note, perhaps suggesting new reporting horizons like IR or stakeholder and Government interest are rising, our analysis and engagement with this field does not lead us to such an outlook. While there could be increased pressure from external forces (perhaps supply chain influences as we see within one of our organisations) these do not seem sufficient, nor widespread enough to create significant change and adoption. As such, SER in NZ appears set to remain a fizzer.

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## Appendix 1: Trends in Reporting by Large Companies by Country

Country	Percentage of The Largest 100 Companies Producing Reports in Selected Countries										
	1996 %	1999 %	2002 %	2005 %	2008 %	2011 %	2013 %	2015 %	2011 verify <sup>a</sup>	2013 verify <sup>ab</sup>	2015 verify <sup>ab</sup>
Denmark	10	29	20	22	22/24	91	99	82	65	18	
France	4*	4	21	40	47/59	94	99	93	60	76	96
Japan	-	21*	72	80	88/93	99	98		23	28	
Malaysia	-	-	-	-	-	-	98	99	-	12	
South Africa	-	-	1	18	26/45	97	98	99	31	44	
Indonesia	-	-	-	-	-	-	95	99	-	6	
United Kingdom	27	32	49	71	84/91	100	91	90	56	57	61
United States	44	30	36	32	73/74	83	86		13	23	
Canada	34	-	19	41	60/62	79	83		21	34	
Australia	5	15	14	23	37/45	57	82		51	43	
Nigeria	-	-	-	-	-	68	82		14	17	
The Netherlands	31	25	26	29	60/63	82	82		41	45	
Finland	7	15	32	31	41/44	85	81		29	27	
Spain	-	-	11	25	59/63	88	81		65	57	
Singapore	-	-	-	-	-	43	80		7	65	
Sweden	36	34	26	20	59/60	72	79		42	37	
Brazil	-	-	-	-	56/78	88	78		40	56	
Hungary	-	-	-	-	25/26	70	78		33	44	
Columbia	-	-	-	-	-	-	77		-	45	
Italy	-	2*	12	31	59/59	74	77		64	56	
China	-	-	-	-	-	59	75	78	37	42	46
Chile	-	-	-	-	-	27	73		37	26	
India	-	-	-	-	-	20	73	100	80	38	
Norway	26	31	30	15	25/37	-	73	86	-	29	
Portugal	-	-	-	-	49/52	69	71		45	55	
Belgium	27	16	11	9	-	-	68		-	28	
Romania	-	-	-	-	23/23	54	68		23	35	
Germany	34	38	32	36	-	62	67		35	46	
Switzerland	19	-	-	-	28/39	64	67		27	40	
Russia	-	-	-	-	-	58	57		13	33	
Slovakia	-	-	-	-	-	63	57		28	9	
Mexico	-	-	-	-	17/17	66	56		25	34	
Poland	-	-	-	-	-	-	56		-	36	
Taiwan	-	-	-	-	-	37	56		43	46	70
Angola	-	-	-	-	-	-	50		-	32	
South Korea	-	-	-	-	42/42	48	49		75	88	86
New Zealand	0	-	-	-	-	27**	47		19	47	
Greece	-	-	-	-	-	33	43		50	51	70
Kazakhstan	-	-	-	-	-	-	25		-	20	
UAE	-	-	-	-	-	-	22		-	18	
Israel	-	-	-	-	-	18	19		28	5	
Bulgaria	-	-	-	-	-	54	-		20	-	
Czech Republic	-	-	-	-	14/14	-	-		-	-	
Ukraine	-	-	-	-	-	53	-		19	-	
<b>N 100 Countries</b>	<b>13</b>	<b>11</b>	<b>19</b>	<b>16</b>	<b>22</b>	<b>34</b>	<b>41</b>	<b>45</b>			
<b>Global 250 reports (%)</b>	<b>-</b>	<b>35</b>	<b>45</b>	<b>52/65</b>	<b>79/83</b>	<b>95</b>	<b>93</b>	<b>92</b>			
<b>Global 250 assure (%)</b>	<b>-</b>	<b>19</b>	<b>29</b>	<b>30</b>	<b>40</b>	<b>46</b>	<b>59</b>	<b>63</b>			
<b>N 100 report (avg %)</b>	<b>18</b>	<b>24</b>	<b>23</b>	<b>33/41</b>	<b>45/53</b>	<b>64</b>	<b>71</b>	<b>73</b>			
<b>N 100 assure (avg %)</b>	<b>15</b>	<b>18</b>	<b>27</b>	<b>33</b>	<b>39</b>	<b>38</b>	<b>38</b>	<b>42</b>	<b>24</b>	<b>38</b>	

Adapted from KPMG (1996, 1999, 2002, 2005, 2008, 2011, 2013, 2015 – see also Buhr et al., 2014).

\*These rates were obtained from a later survey with comparative analysis.

\*\* This figure of 27% for 2011 was restated in 2013 to 43%.

<sup>a</sup> These rates indicate the percentage of reports produced in 2011 or 2013 in each country from the N100 that were *independently verified*.

For example, in 2011, in Japan, 99% of the N100 produced reports, and of these 99 reports, 23% were independently verified. In Canada, 79 reports were produced among the N100, and of these, 21% were independently verified.

<sup>b</sup> These rates are based on the online charts available at:

<http://www.kpmg.com/global/en/issuesandinsights/articlespublications/corporate-responsibility/pages/default.aspx>