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Theoretical Perspectives on Sustainability Reporting: A Literature Review

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Abstract

This study analyzes the perspectives of the institutional theory, the legitimacy theory, and the stakeholders' theory in the accounting changing process and sustainability reports. The objective is to explore how these theories are used in corporate social responsibility (CSR) disclosure. Through this analysis, it is provided a better theoretical understanding of these theories, which support and promote research on accounting and sustainability reporting. This chapter analyzes each theory and the relationship between them. We conclude that, although the legitimacy theory is the dominant theory used in accounting and sustainability reporting studies, it is related to the other theories. The selection and application will depend on the study focus.

Keywords: institutional theory, legitimacy theory, accounting, stakeholders' theory, sustainability reports

1. Introduction

The present business language takes for granted that no business may be successful without the approval of its stakeholders as a socially and environmentally responsible entity [1]. As there is a greater awareness and concern about the organization's activity and its effects [2], the sustainability reporting offers them quite a lot in terms of transparency regarding environmental and social performance issues. Thus, the voluntary disclosure of these social, environmental, and economic variables, known as triple bottom line (TBL), should be seriously and responsibly perceived. Accordingly, Elkington [3] suggested combining the social and environmental

reports with the traditional financial report to achieve an excellent TBL performance for which new types of economic, social, and environmental partnerships are necessary.

Accounting literature has shown a significant growth of concern for sustainability matters and the accounting practice [4]. Sciulli [2] considers that the phrase *environmental and social accounting research* has been replaced by the term *sustainability reporting research*. Thus, accounting researchers perceive “accounting as a social and institutional practice”, rather than as a mere technical practice ([5], p. 5). In this sense, this study looks into (better) understanding that accounting is not a mere daily sustained and due practice, a result of years of habits and self-indulgence [6], but that it also involves and brings about social and institutional pressures that lead entities to take certain measures and decisions in behalf of those institutions’ legitimacy [7], which originates constant shifts and changes, not only at the accounts level, but also at the technological and social levels.

Institutional, legitimacy, and stakeholder theories offer different explanatory perspectives of similar sustainability phenomena. In this paper, these theoretical perspectives will be analyzed. They have been applied and taught separately [8] but they together provide a broad theoretical understanding for the research advancement in social and environmental accounting. Therefore, this study aims to explore the IT relation with the accounting shifting processes, as well as the forms of institutional pressure influencing decisions to adopt accounting practices and sustainability reports. The drivers of change and the reasons for those changes will be made known according to the new institutional sociology (NIS) [9]. This paper may be of interest for researchers who need to apply these theories and the relationships among them in accounting research and sustainability reports.

The results enable us to conclude that we may have compatible understandings of theoretical evidence under different perspectives, according to Gray et al. [10] and Chen and Roberts [8].

In this paper we start with a general insight over the IT and responsible accounting practices. Next, we provide an answer to accounting issues related to isomorphism, the legitimacy theory (LT), and the stakeholders’ theory (ST). The paper discusses the relationship between these theories and their importance in accounting research and sustainability reports. Final considerations, limitations, and recommendations for future research will also be presented.

2. Institutional theory and accounting practices

According to authors such as DiMaggio and Powell [9], organizations were seen as closed systems, depending on themselves, and had no relationship with their institutional environment. In the 1960s and 1970s, after acknowledging the importance of the institutional environment for organizations, the IT gained a preponderant role in understanding the existing phenomena in the life of organizations [11]. Thus, the IT has been used to study and analyze the establishment of accounting practices in an organization. By studying the reasons for adopting certain accounting practices rather than others, and who the players are in the establishment of such practices and their reasons, it may answer some questions influencing institutional social choices [9, 12].

In fact, the rising number of social and environmental consequences the economic activity is producing [13] has led to an increase of empirical studies in social and environmental accounting, despite most of them approach the private sector [14–16]. However, traditional financial reporting is unable to explain and present complexities associated with several issues of public interest. They do not adequately deal with the measurement of social and environmental impact given that social issues may not always carry monetary values. The social and environmental reporting pays more attention to the social and environmental impact of organizations. Consequently, there is a need for broader sustainability reporting in organizations [13, 15, 16].

Accounting, in its broadest sense, may be considered a record and control system by which the “elements of civil society, the state and the market define, articulate and monitor the behaviors by which they will be judged and held accountable”. “Social accounting is concerned with exploring how the social and environmental activities undertaken (or not, as the case may be) by different elements of a society can be-and are-expressed” ([17], p. 240). Thus, the disclosure of the social impact of an organization is important, and the disclosure of accurate and relevant information on corporate behavior can bring stakeholders, organizations, and society some benefits [18]. Hence, disclosure is a way through which organizations can present their CSR [19].

Recently, the focus has been the content and development of stand-alone sustainability reports, such as the Global Reporting Initiative (GRI) (see [16, 20, 21]). The GRI, developed in cooperation with the United Nations Environment Programme (UNEP), is particularly well-known and challenging [18]. It came forward in 1999 as an answer to a unified system of CSR reports’ standards missing [21], following the USA’s financial system model for disclosure (FASBI) [20, 21]. The GRI offers a set of principles for the CSR report and a structured content with indicators for the social, environmental, and economic domains, with the mission of developing and globally spreading guidelines applicable to sustainability reports, enabling organizations to voluntarily report their activities in those dimensions [18, 22]. It has then become an internationally recognized reporting framework.

2.1. Overall vision on the institutional theory in the organizational practices

The main driver of the IT is that organizations work within a social grid, whose practices are instigated by golden social rules and norms on what is an adequate or acceptable behavior in the environment they operate in [23, 24]. As a result, the social reality becomes the “guidelines for social behavior” ([25], p. 1). Organizations yield to institutional pressures for change since an increasing stability, legitimacy, resources, and survival capacity will reward them for doing so [8, 23, 24].

The IT focuses particularly on the pressures and constraints of the institutional environment and “illustrates how the exercise of strategic choice may be preempted when organizations are unconscious of, blind to, or otherwise take for granted the institutional processes to which they adhere” ([26], p. 148). It limits organizational choices and focuses on how the cultural and social environment influences organizations [27]. The IT is urged by the question of why different organizations, operating in such different environments, are so often similar in their structures [28].

The IT is one of the dominant theoretical perspectives and may facilitate a wider representation of accounting as an object of institutional practices and better coordinate the part of accounting in the institutionalization process. It is more and more applied in the accounting research to study the accounting practice in organizations [29]. The main premise of the IT, which DiMaggio and Powell [27] have related to voluntary corporate disclosures, is that it may help explain why organizations tend to act and communicate in a homogeneous way in the organizational field [30].

The IT, specifically the NIS, is particularly useful to often complete functional explanations of accounting practices [31]. The contemporary IT (NIS) has attracted the attention of a wide range of scholars in the social science areas, and it is followed to analyze the systems which range from the micro to the macro global framework of interpersonal interactions [25].

The two-main precursor works of the NIS are Meyer and Rowan [32] and DiMaggio and Powell [27]. The NIS applied to accounting began around the 1970s, by the investigator Anthony Hopwood, with publications in scientific magazines such as *Accounting, Organizations, and Society* [6]. The NIS is founded on the premise that organizations answer to their institutional environment pressures and “adopt structures and/or procedures that are socially accepted as being the appropriate organizational choice” ([24], p. 569). According to the NIS, accounting practices are the result of the institutional nature and of the economic pressures from their institutional environment, operating in an open system. IT appears as a response to the main stream in accounting research, which sees accounting practices as an economic, rational, and logical result [11]. DiMaggio and Powell [9] believe that the NIS rejects the rational actors’ models, standing up for an interest in institutions as independent variables. For such, they attempt to give cognitive and cultural explanations to those models.

The NIS is being used to obtain proposals about the general governance change. Because of the globalization, organizations can choose different elements of any system that suit their requirements. The timing differences for firms to adopt institutional changes show the potential value of the NIS to predict circumstances that make the acceptance of an institutional innovation likely. Here, the key element is the organization’s insertion degree in traditional institutions [33]. According to the NIS, “organizations use formal structures for purposes of legitimization, independently of consequences in terms of efficiency” ([34], p. 852).

The NIS model holds that survival of the organization is motivated by the orientation toward the institutional environment. This alignment enables organizational actors to depict the organization as legitimate [35]. The NIS emphasizes the influences of the institutional environment, molding the social and organizational behavior, thereby reducing ambiguity and uncertainty [36–38].

NIS research analyses how organizations seek practices that are not explained by efficiency maximization. Organizations do not always adopt strategies, structures, and processes to enhance their performance; instead, they react and look for ways to accommodate external and regulative pressures, seeking legitimacy before their stakeholders [27, 28]. The IT supplies a basis for analyzing the nature of the messages of organizational communication, determining how far organizations seek competitive advantage, legitimacy, and responsiveness to

ecological reasons [40]. As Scott states [25], the IT has a long past and a promising future. It is a widely positioned theory to help face questions such as the similarity and differentiation foundations of the organization, the relationship between structure and behavior, the role of symbols in social life, the relationship between ideas and interests, and the tensions between freedom and order.

“Organizational fields rich in myths and ceremonies are constructed when pressure is exerted on organizations by forces in the surrounding environment” ([41], p. 285). The organizational field, as a model within the organization, tends to become infused with a quality taken as certain, where the actors unconsciously accept the model as prevailing, good, and adequate [27]. It is in this sense that the IT is usually used, to account for the resemblance and stability of organizational arrangements within a population or organization field to which compliance standards have followed [42]. Isomorphism is a key element of the IT [43].

Organizational change is not so much due to efficiency and rivalry competitiveness but rather due to bureaucracy reduction and organizations’ attempt to become more identical with each other to achieve legitimacy in the market and in their organizational context, and not necessarily to become more efficient [27]. Usually, the IT is not considered an organizational change theory but an explanation to the similarity (isomorphism) and stability, although recently, the NIS has attempted to answer the emerging questions on changing [39], and some argue that organizations are strategic in their answers to imposed institutional pressures [26].

While national institutions are path dependent, according to the traditional IT, and organizations tend to behave the same way (that is, displaying isomorphism), the NIS’s intra-organizational dynamic “precipitate and facilitate organizational change, and the adoption of governance elements that the organization finds efficient and/or legitimate” ([33], p. 489).

3. The explanatory theoretical framework for sustainability disclosure: the thesis

Branco and Rodrigues [44, 45] argue that organizations get involved in CSR activities and disclosure for two reasons: because they assume that fruitful relations with stakeholders boost an increase in financial return and because they are adapting to stakeholders’ norms and expectations, which constitute a legitimacy instrument, to show their compliance to such norms and expectations (consistent with the IT explanations, in particular with the LT).

There are several authors with important studies combining several theories. For example, Chen and Roberts [8] explore how the IT, LT, ST, and resources dependency theory (RDT) can inform and supply important theoretical frameworks for environmental and social accounting research, as they share a common interest: to explain how organizations survive in a changing society. Golob and Bartlett [18] follow the LT and ST theoretical framework in their comparative study of CSR reports in Australia and Slovenia. Oliver [26] focuses her study on the IT and RDT to analyze the convergent and divergent assumptions relevant to characterize the strategic responses to external pressures and expectations.

Thus, in the analytical framework presented, accounting and sustainability reports will be seen through three different lenses: the IT and isomorphism (see [24, 27, 32, 39, 41, 46–49]), the LT as a source of competitive advantage, differentiating from their competitor and legitimizing their position and compliance with norms (see [2, 8, 10, 14, 44, 45, 50–55]), and the ST, responding to their expectations (see [8, 10, 19, 38, 54, 55]).

These theories, applied as complementary, can enhance our understanding of the practice and choice of GRI sustainability reports, as disclosing instruments of accounting practices and sustainability reports.

3.1. Institutional isomorphism and sustainability pressures

IT literature emphasizes how organizational structures and processes become isomorphic within the norms of specific types of organizations. For those defending the NIS, organizations sharing the same organizational environment are under the same pressures, tending to be isomorphic [9, 27]. Leaptrott [56] states that isomorphism is NIS's focus, which results from the necessity to obtain and maintain legitimacy, to deal with uncertainty and the normative influences of authorized sources. Isomorphism is a synonym for *convergence*, and when an organization becomes similar to the characteristics of another, an isomorphism process happens [43]. This way, DiMaggio and Powell [27] define isomorphism as the process through which organizations adopt similar structures and systems, making their practices identical. The concept of isomorphism does not address the mentality of the intervenient actors in the organizational behaviors but the structure that determines the decision choices those actors will make as rational and cautious.

The IT attempts to explain the existing institutional isomorphic changing process in organizations, arguing that there are forces encouraging the convergence of business practices [57]. The IT claims that organizations' operations comply with social rules, values, and assumptions on what is an acceptable behavior [26, 50]. Some sectors or institutional areas have powerful environmental agents able to impose structural practices in subordinated organizational units [23], which under isomorphic pressures adopt "institutionalized" norms and practices in order to be perceived as "legitimate" [12]. However, to authors such as DiMaggio and Powell [27], these organizational characteristics change to increase compatibility with the characteristics of the institutional environment. In this sense, "isomorphism is a key element of" the IT and assumes that organizations adopt management structures and practices considered legitimate and socially acceptable by other organizations in their field, regardless their real usefulness" ([43], p. 742).

In institutional isomorphism, organizations are not mere production systems; they are also social and cultural systems [12, 36]. Thus, they tend to adopt the same practices over time as an institutional response to common pressures from similar industries or organizations [12, 27, 32, 36, 43]. Institutional isomorphism leads to the organizational success and endurance [32], enabling the identification of three different types of mechanisms making organizations adapt to their institutional environment, leading to isomorphic institutional change: normative, coercive, and mimetic (see [8, 24, 27, 34, 41, 43, 46, 47, 57–61]). DiMaggio and Powell [27]

also mention that uncertainty may lead to isomorphism, and within an organizational field, this tends to be stronger. Thus, these three types of institutional pressures promote homogeneity within organizational fields [61].

In an institutional perspective, the “most important aspect of isomorphism with environmental institutions is the evolution of organizational language” ([32], p. 348). So, the IT explains accounting choice through organizational actors being subject to institutional pressure normative, or coercive, or mimetic [47]. In accounting studies, the IT has been used [24] based on this list of institutional mechanisms, which work differently, “which is important to notice in order to fully understand how decision makers are influenced by institutions” ([47], p. 151).

It would be expected that coercive, normative, and mimetic pressures regarding the adoption of sustainable practices would arise at the state level as this is one of the entities that constitute organizational fields with which firms will be congruent [62]. Hillebrand et al. [49], according to the institutional perspective, which conceptualizes that organizations operate in a social context, sees social pressures as strong predictors of isomorphism. It has shown that mimetic reasons can reduce an organization’s capacity to obtain valuable insights from their customers. Frumkin and Galaskiewicz [41] state that, although the PS is seen as an institutionalization conductor, it is also susceptible to these types of pressures, adapting and changing if exposed to institutional forces. Through legitimacy practices it demonstrates social and economic aptitude by conforming to institutional pressures. Touron [34] verifies in his study that the IT partly allows explaining the actions of organizations according to international accounting standards, in which normative isomorphism has a crucial part, and mimicry helps justifying the adoption of accounting norms.

Campbell [63] presents an IT of CSR that consists of a series of propositions, specifying the conditions in which organizations are susceptible to behaving in a socially responsible way. Trevino et al. [48] believe that the cognitive, normative, and regulative pillars represent the processes leading to institutional change and influence the organization’s results. Bebbington et al. [46] have used the IT theoretical framework in the narrative analysis to explore how regulative, normative, and cognitive institutions combine with organizational dynamics to influence sustainable development (SD) reports’ activity and the institutionalization of this practice. Chen and Roberts [8] state that the focus of the IT study, applicable to social and environmental studies, is the adoption of a certain structure, system, program, or practice of an organization that is normally implemented by similar organizations. Jamali [42] has followed the IT theoretical framework to account for the similarity and stability of organizational practices within a specific organizational area. These practices are affected by the normative, regulative, and cognitive aspects of the institutional environment.

Jackson and Apostolakou [58] investigate the institutional determinants of CSR, in a comparative institutional analysis, to understand how institutional differences between countries may influence how organizations get involved with CSR. They show that national and institutional level factors have an asymmetric effect: they strongly influence the likelihood of an organization to adopt the “minimal norms” of CSR but have little influence on the adoption of “better practices.” Also, using a NIS framework, Schultz and Wehmeier [35] have shown that organizations suffer enormous and conflicting pressures in economic, social, and environmental

aspects. In Escobar and Vredenburg's study [59] on multinational oil organizations and the adoption of SD, an interpretative approach based on the RDT and the IT was used. They state that to embrace SD, there must be some kind of power exerted on the organizations.

Institutional theorists claim that organizations face similar institutional pressures, ending up with the adoption of similar strategies. This happens because they integrate a society, and their actions are influenced by stakeholders, "including governments (through regulations), an industry (through standards and norms), competitors (through better business models), and consumers (through loyalty)" ([59], p. 40). Power exerted by regulators leads to coercive isomorphism as it induces organizations to adopt similar SD strategies and practices. Power induced by the industry leads to normative isomorphism as it induces standards to step in to prevent coercive measures from emerging (voluntary norms may be anticipated through written regulations, which may put at risk the competitiveness of a multinational). Power exerted by competitors leads mimetic isomorphism to induce the existence of successful, proven competitive models that should be adopted as they diminish the uncertainty or complexity related to SD pressures.

3.2. Legitimacy theory as explanatory theory in the organizations' image management

The process of legitimacy search is directly related to the IT, as it suggests the institutionalization of the normative values of an integrated social system for concrete behaviors of institutions. Theorists believe that compliance with institutional norms established for a long time leads to institutional legitimacy. This legitimization process also strengthens the legitimacy of the existing social values system [8]. These authors present in their study a group of researchers who have used the LT to explain the motivation behind the voluntary disclosures of organizations. This theory postulates that organizations attempt to continuously assure that they operate within society's norms and limits. In this sense, there is a "social contract" between organizations and people affected by their operations [64]. Thus, conformity with social myths emphasizes the social legitimacy of organizations, convincing the public that they are worthy of support and enhancing their survival perspectives [32, 34].

The IT postulates that it is not enough for organizations to compete for resources and clients; it also has to deal with the pressure to comply with shared notions of adequate norms and behaviors, as violating them may put at risk the organization's legitimacy and affect their capacity to ensure resources and social support [57].

LT is more used in the research literature on environmental and social accounting to support the idea that social disclosure will be kept in the present levels, or increase over time, to avoid legitimacy crisis. However, literature contains some references to reasons, and incidents of social disclosure decrease [65].

In a pluralist world, the LT is concerned with organization-society negotiation [10]. Gray et al. [10] consider Lindblom's [66] exposition of the LT to be the clearest as it argues that, first, we should distinguish legitimacy from legitimation. Lindblom [66] identified four strategies a corporation should adopt when seeking legitimation; first, to educate and inform its "relevant public" about the real changes on performance and activities of the organization; second,

to change the perceptions of its relevant public without changing its real behavior; third, to manipulate perception by deviating attention from a problem to another; and fourth, to change the external expectations of its performance. He shows that social disclosure may be applied in all of these cases.

Gifford and Kestler [38] noticed that multinational companies should be embedded in the civilian society, in local community groups, and in the PS. With these trust partnerships and SD engagement, they keep their authority and credibility in communities and gain local legitimacy in the long term. SD is the ultimate corporate aim by which organizations must genuinely perform their CSR, as big and sanctioned organizations because of environmental infractions get more attention from the government [19].

The CSR disclosure is one of the strategies sought by organizations to be accepted and approved for their actions in society. By disclosing CSR information, they convey a social image of responsibility, legitimizing their behaviors and improving external reputation by showing their conformity to such norms and expectations, leading to the increase of financial profitability [58]. Legitimacy from society is the reward when organizations comply with institutionalized social expectations [8, 44, 45].

The LT suggests that CSR disclosure is an important form of communication that aims to convince stakeholders that the organization is meeting expectations. Organizations disclose CSR information due to external pressures. They seek compliance with what organizations meeting society's expectations do; otherwise they would suffer some harm in their profits and survival [44, 45]. The vision incorporated in this theory, which is publicly embraced by management, is that organizations are sanctioned if they do not comply with the society's expectations [64].

An organization's legitimacy is granted and controlled by people outside the organization. Thus, it attempts to implement certain strategies in order to change stakeholders' perception and divert their attention from certain issues so as to change their expectations regarding the organization's performance. Thus, organizations are encouraged to disclose appropriate environmental information to their stakeholders to ensure that their behavior is perceived as legitimate [19]. The organizational LT predicts that organizations will do what they consider to be necessary to keep their image as valid, with legitimate purposes and methods to attain them [65].

Wilmshurst and Frost [51] state that the LT offers an explanation for the management motivation to disclose environmental information in the annual report. When activities have an adverse impact on the environmental management, the organizations will try to restore its credentials through additional information disclosure to ensure their activities and performances are acceptable to the community. This way, the LT suggests that it would be expected that organizations with poorer environmental performance would provide more environmental disclosures, extensive and positive, in their financial reports, as an effort to diminish the increase of threats to their legitimacy [52].

Chen and Roberts [8] state that the focus of the LT, when applicable to environmental and social studies, is how organizations manage their image when the social expectation is assumed and the public target is not clearly identified, for example, in voluntary environmental and social disclosures. Branco and Rodrigues [67] believe that for some organizations,

being seen as socially responsible will bring them competitive advantage. LT is particularly useful to explain any type of disclosure trying to close a particular existing legitimacy gap. Thus, LT focuses disclosure used to repair or to defend lost or threatened legitimacy, to gain or to extend legitimacy and to maintain levels of current legitimacy.

The consensus among researchers seems to be that corporate disclosure is growing and will increase over time. Organizations may decrease environmental disclosures or alter the disclosure type when they notice a change or threat to their legitimacy, making reports more specific and accurate [65]. Organizations that are seen as innovative are often imitated by others to become legitimate [12].

The LT is often referred to as an explanation to environmental and social reports of the private sector [50]. However, Deegan [14] believes that the LT explains why and how managers benefit an organization by using externally-focused reports. This theory can be further refined to clarify corporate social and environmental reporting practices. Sciulli [2] adopted the LT as the theoretical model in his study on sustainability reports in the PS.

Golob and Bartlett [18] believe that the LT is informed by two other perspectives that contribute to the study and analysis of CSR reports: the RDT, which focuses on the role of legitimacy and the organization's capacity to acquire resources, and the IT [27], which considers the restrictions to organizations in complying with external expectations.

In their work, Tilling and Tilt [53] follow a longitudinal case study using the LT to understand the organizations' motivation to voluntarily disclose environmental and social information. Sciulli [30] argues in his works on sustainability reports in the PS that no theory is predominantly adequate to the investigation on sustainability. Instead, there is a series of theories that, isolated or together, offer suitable information and clarifications for behaviors and management practices, namely, the LT, the IT, and the ST. The LT has been widely used in this context [13, 14, 30, 53]. It suggests that social responsibility disclosure provides an important way of communicating with stakeholders, and of convincing them that the organizations is fulfilling their expectations [67].

Also, Mahadeo et al. [54] follow the LT and the ST in their study on practices of environmental and social disclosure (in annual reports) in emerging economies (Maurice Islands). Based on the LT and the ST, a manager must communicate with several groups to attain the perceived legitimacy [19].

According to Suttipun [55], despite the different theoretical approaches that are used to explain TBL reports, the LT and the ST are the theoretical perspectives more widely put forward in literature on environmental and social accounting.

3.3. Stakeholders' theory as explanatory theory of voluntary sustainability disclosure

The ST is closely aligned with the LT, and both are often used as complements [14]. Both enrich, rather than compete, the understanding of corporate social and environmental disclosure practices, despite their different points of view. Both are concerned with "mediation, modification and transformation" ([10], p. 53).

Inherent to the notion that corporate social disclosures have been driven by the need of organizations to legitimize their activities, management will react to the community's expectations [51]. Organizations are part of a social system, and if they show that their values go against social norms, their legitimacy is, potentially and substantially, threatened. They need to consider all the stakeholders when elaborating their strategies so as not to take the risk of their support to be withdrawn, using environmental and social reports as the means of communication between them [19].

Organizations are seen as having the obligation to consider what society wants and needs in the long term, which implies that they get involved in activities that promote benefits for society and minimize the negative impacts of their actions [67]. However, environmental and social reports may not be as important in some countries as legitimacy is not perceived as being threatened or because stakeholders are not concerned with these issues [65].

By definition, there is some kind of a relationship between an organization and each of its stakeholders [68]. They are the ones offering organizations a set of resources they need to accomplish their businesses [14, 18]. There should be a reciprocal relationship: stakeholders supply vital resources or contribute to the organization, and this fulfills their needs [17]. Thus, it is the vision that the stakeholders have within the community that determines the acceptable activities expected to be undertaken by organizations [51].

The ST suggests an extensive variety of groups in the social environment, which may affect an organization, groups with legitimate claims because of concepts of the agency and property theories [69]. When the ST is used in the management interpretation, the managers' tendency to implement changes regarding the LT gets under focus [65]. As the stakeholders' influence is crucial for corporate image and comparative advantage, organizations manage their relationships with stakeholders by providing them information often as voluntary disclosure in their annual reports or in their websites [55].

Branco and Rodrigues [67] try to show that the CSR term must be based on stakeholders and able to attend to both normative and instrumental aspects. CSR is analyzed as a basis of competitive advantage. Huang and Kung [19] show that the environmental and social disclosure level is influenced by the search of stakeholders' groups—internal, external, and intermediaries—such as shareholders and employees, governments, debtors, suppliers, competitors, consumers, organizations of environmental protection, and accounting organizations, which exert a strong influence on management intentions and organizations.

Manetti [70] shows in his study that he tries to understand the stakeholders' role in sustainability reports. He concludes that it is important to get them involved in the environmental and social accounting for the definition of strategic sustainable aims and coherence in management activities. Chen and Roberts [8] state that focus of the ST, applicable to environmental and social studies, is the unexpected environmental and social activities performed by organizations, such as voluntary participation in activities benefitting society or the natural environment, without explicit self-promotion or publicity.

The ST sees the world through the management perspective of the organization strategically concerned about the continuous success of the organization. From this perspective, the

existence of the organization involves the search of the stakeholders' support and approval, and activities have to be adjusted toward profit [10]. The ST acknowledges that the impact of each stakeholder group on the organization is different, and the expectations of the different stakeholders are different and incompatible. Thus, the ST is adequate for research studies concerned with the connection and interaction of organizations or groups [8]. According to Freeman [69], the original intention of the ST is to allow managers to go beyond business practices, if necessary.

Environmental and social disclosure integrates the dialog between the organization and the stakeholders, and CSR reports are fairly successful in negotiating those relationships. This practice is a intricate activity that may not be completely explained by a single theoretical perspective [10]. To Gray et al. ([68], p. 333), organizations today voluntarily disclose environmental and social information as "part of a legitimacy and/or social construction process".

4. Analysis and discussion

Several scholars have used the institutional, legitimacy, and stakeholder theories to enlighten the existence and content of accounting environmental and social reports [13]; and they acknowledge that these theories share some common characteristics.

The aim of this essay is to provide a wider vision and theoretical support for research on accounting and sustainability reports. We reinforced the idea that accounting is not a mere due and daily sustained technique and practice. Accounting research should consider social and institutional pressures, which lead entities to adopt certain measures and decisions to increase their legitimacy [7]. This allows to understand how and why accounting changes. The IT can help in the development of explanations for accounting change or of the accounting practice [39].

Institutional change can come from "pressures resulting from functional, political, or social sources". This "change involves a decrease in institutional forces or a substitution of one set of behaviors or structures for another" ([56], p. 217). Institutional pressures do not affect organizations in the same way. "Organizations do not always embrace strategies, structures, and processes that enhance their performance but, instead, react to and seek ways to accommodate pressures following external scrutiny and regulation" ([41], p. 285). Organizational change is not so much due to efficiency and rivalry competitiveness but rather to bureaucracy reduction and the attempt of organizations to become more identical to each other to achieve legitimacy without necessarily becoming more efficient [27].

The literature review confirms the close relationship of the IT with accounting environmental and social reports, also designated as TBL or sustainability, and the existence of coercive, normative, and mimetic pressure over organizations, influencing the adoption of certain accounting practices.

The IT postulates that it is not sufficient for organizations to compete for resources and clients; instead, they also have to deal with the pressure to comply with shared notions of adequate behaviors and paths, as their violation may put at risk their legitimacy and influence their capacity

to ensure resources and social support [57]. The IT is not generally considered an organizational change theory but rather as enlightenment for the resemblance and stability of organizational commitments to a community or organizational field. The intra-organizational dynamic of the NIS rushes and facilitates the organization to change as well as to adopt governance elements organizations find efficient and/or legitimate. Thus, organizations tend to behave similarly [33].

The IT argues that there are forces promoting the convergence of business practices, and it attempts to clarify the institutional isomorphic change process in organizations [57]. The IT explains that organizations not only take into account the economic aspects in their structural decisions and management practices but try to legitimize themselves before the stakeholders [27]. Thus, a reason for the isomorphic behavior is to attain legitimacy and social acceptance [24, 43, 60] to improve the organization's reputation as rational, modern, responsible, and legally compatible [60]. The IT has been used in accounting studies [24] because it justifies accounting choice with the organizational actors being under institutional pressure, and it is important to understand these institutional mechanisms, which work differently, and how institutions influence decision makers [47].

From the IT perspective, Brown et al. [20] showed in their study how the institutionalization process is deeply influenced by the initial strategies of the GRI founders. GRI is a brand tool of organizations—private and public—whether it is for management, comparability, sustainability, or reputation. GRI's influence has also been proved by the study of Nikolaeva and Bicho [21].

Organizations are part of the social system, and if they prove that their values are going against social norms, their legitimacy is potentially threatened [19]. The IT holds that organizations imitate others when practices are broadly accepted and shared by the main interveners [2, 46]. Therefore, the IT suggests that the institutionalization of value standards is integrated in concrete behaviors of its institutions. Institutional theorists believe that compliance with institutional norms established for a long time is the way to institutional and social legitimacy [8].

Sustainability reports have been explored as a tool for boosting change, attitudes, and actions necessary to put forward a different kind of organization and decision making compatible to ecological and social sustainability. Oliver [26] presents an example of CSR and organizational ethics maintenance, which may lead organizations to act not because of any kind of direct connection to a positive organizational result but quite simply it would be unthinkable to do differently. So, the organization would not be invariably reducible to strategic behaviors encouraged by the expectation of organizational profit.

Following previous studies, Ball et al. [71] have discussed several approaches to sustainability reports on the role of public services promoting sustainability, and they observe, through a case study in the local government of the United Kingdom, that environmental accounting is pressed—political, social, and functional pressures—toward changing the organization. This is called “deinstitutionalization” (discontinuity of organizational practices or activities).

Cho and Patten [52] believe that some environmental disclosures in reports are used as a legitimacy tool, but others are not. However, organizations with poorer environmental performance provide higher disclosure levels. To Branco and Rodrigues [45], some organizations believe that being seen as socially responsible will bring them “competitive advantage”.

Frumkin and Galaskiewicz [41] believe that government agencies have a fundamental part in implanting and triggering institutional change, applying pressure through their funding control, which is sometimes exerted by their regulation power. Government action has the core function of starting the structural transformation of other organizations. However, Chen and Roberts [8] state that the IT [27, 32] is similar to the LT [66] but is focused on the connection between the environment and organizations, mainly in the stability and survival of the organization. It is the institutional legitimacy process that is directly related to the IT [8].

The LT claims that legitimacy is a state achieved when an organizational value system is coherent with society's wider value system, but it does not offer a solution in terms of how it can be achieved or empirically analyzed in practice. However, the organizational or structural legitimacy process is more related to the ST, which recognizes that legitimacy is subjectively assessed according to the value standards of the stakeholders' groups [8]. Freeman [69] highlights that the will to interact and engage is the necessary solution for the approval and support of the stakeholders.

However, as there are no normative or coercive pressures for organizations to adhere to GRI standards yet, mimetic isomorphism would be best for the voluntary adoption of CSR reports since the mimetic behavior may be the right response to the environmental uncertainty, and it may really help managers save resources by copying their competitors' behaviors [21]. These authors consider their own study as the first to explore the voluntary adoption of the world's framework of CSR reports (GRI) by organizations. Results suggest that managers are encouraged to disclose CSR reports, according to the GRI, increasing the organization's legitimacy.

Summing up, each theory gives its contribution, completing each other according to its perspective. Thus, it is possible to incorporate various theories in an attempt to attain a more comprehensible and full understanding of an organization's connection with society, the value of researching a specific social event from various theoretical perspectives should be emphasized.

5. Concluding remarks

We are in a global community, in a new environment and before a new strategic model, where future organizations have to generate value for stakeholders. Socially responsible organizations generate value for others and achieve better results for themselves. CSR is not a mere choice of organizations; it is a matter of strategic vision and survival. The GRI, the internationally acknowledged standard for sustainability disclosure, contributes to the dialog among the diverse stakeholders [22].

Understanding the different theoretical perspectives and the institutional pressures for change, organizations will tend to adopt sustainability practices and the path of social responsibility. This study reveals that those theories are different in their specificity, perspective, and solution levels, but their aims are the same: they have a shared interest of explaining how organizations survive and grow. They stress that financial performance and efficiency are crucial but not enough for organizations to continue surviving. Some organizations may perform some sustainability performance merely to satisfy mutual expectations of doing business.

Here, legitimacy is the only reward. But others may start those practices as a result of their engagement with pertinent stakeholders' groups.

There is an urgent need for investigation on accounting practices and sustainability reports to compare really sustainable organizations in this global world, leading to future benefits. In short, this is a present, pertinent, promising, and interesting theme for everyone: citizens, organizations, community, state, shareholders, among others, inclusively to literature and investigators, as there is little research work in this area.

This study concludes that there are three important theoretical considerations for future research studies on accounting and sustainability reports. Firstly, it must be acknowledged that some organizations start sustainability activities based on pressure to change or on direct interaction with stakeholders, while others can perform analogous activities to achieve their social level of legitimacy; secondly, from the analysis of the perspectives of the institutional, legitimacy and stakeholder theories, it is possible to reach compatible interpretations with economic, social, and environmental business phenomena (of sustainability); thirdly, all these phenomena will be part of executives' motivations to voluntarily get involved and engaged in CSR practices and disclosure. The choice and use of these theories depend on the study theme.

Although these perspectives may complement responses to the present issues on accounting and sustainability reports, it is necessary to understand the concepts and potential applications of each theory; thus, they should be simultaneously studied, mutually complementing each other.

Therefore, the limitations of this study are the gaps in deeper considerations about these and other theories in the explanation and motivation of organizations' sustainability practices. In this sense, the results recommend opportunities for further research studies, namely, using case studies, which may allow more conclusive inferences on these theories, singly or together, to get a more coherent and complete approach to the understanding of accounting practice and sustainability reports.

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