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Sustainability reporting as a social construct: the systematic literature review within socio-political view

Maria Aluchna, Maria Roszkowska-Menkes, Ewa Jastrzębska and Leszek Bohdanowicz

Abstract

Purpose – *The purpose of this paper is to investigate the role of socio-political interactions in determining the topos of sustainability reporting (SR) practice. For this purpose, this study harnesses pragmatic constructivism perspective to identify facts, possibilities, values and communication of SR practice.*

Design/methodology/approach – *This study adopts a systematic literature review approach using a sample of 167 articles from 54 academic journals.*

Findings – *The results of this study indicate that companies in their SR are driven by self-interest, treating disclosure as a mean in itself and neglecting its role in sustainability transition. In the light of the results, this study proposes three main avenues for further research: the interplay of institutional, organizational and individual factors as drivers for transparency; approaches to improve the quality of SR; and (3) sustainability impact of SR.*

Originality/value – *The past decade has seen a proliferation of literature on the practice of SR. One of the most influential streams in studies on SR has been grounded in socio-political theories with legitimacy, stakeholder and institutional theories on the front. Nevertheless, there is still no systematic and comprehensive overview of this rich literature. This study offers a comprehensive framework which conceptualizes SR as a social construct defined by the interplay between various, often conflicting institutional demands.*

Keywords *Sustainability reporting, Non-financial reporting, Literature review, Stakeholder theory, Legitimacy theory, Institutional theory, Pragmatic constructivism*

Paper type *Literature review*

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1. Introduction

The perspective of socio-political theories argues that economic activity cannot be studied in isolation from the political, social and institutional framework within which it takes place (Gray *et al.*, 1996). In this view, social and environmental aspects are, next to economic ones, integral parts of organizational life. This theoretical perspective, with legitimacy, stakeholder and institutional theories on the front, has become one of the most influential and, as some argue (Gray *et al.*, 1995), insightful approach in sustainability reporting (SR) literature (Gallego-Alvarez *et al.*, 2017). With a variety of terms used, SR is known as non-financial reporting; corporate social reporting; social and environmental reporting; or social, environmental and governance (ESG) reporting. SR concerns organization–society interactions relating to the natural environment, employees, communities and customers and may be undertaken voluntarily, as a result of legislation or codes of practice (Gray *et al.*, 1995). More specifically, SR can be defined “as the measurement, disclosure, and communication” (Christensen *et al.*, 2021, p. 1179) of information about the status and progress of corporate sustainability (Hahn and Kühnen, 2013). In socio-political view, SR is not merely an addendum to conventional, i.e. financial reporting, but is intertwined with it (Gray *et al.*, 1995).

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The topic of SR has been a subject of several systematic literature reviews that focus on specific aspects, including methodological approaches and geographical differences in research on SR (Erkens *et al.*, 2015); factors influencing the adoption, scope and quality of this type of disclosure (Hahn and Kühnen, 2013); definition of SR (Erkens *et al.*, 2015); and mandatory SR (Christensen *et al.*, 2021). Yet, there is a lack of a comprehensive overview of the literature that could map the field of SR within the socio-political view. As stakeholder, legitimacy and institutional theories are all interested in organizations and societal interactions, but differ in terms of the level of perception, they provide complimentary approaches to explain SR (Chen and Roberts, 2010). However, they have been largely employed in separation from each other (Chen and Roberts, 2010), failing to offer comprehensive theoretical framework to study SR practice. At the same time, over the past decade, the literature on SR has proliferated substantially, providing rich body of empirical evidence but also introducing additional ambiguity to the field.

Our goal is to systematize this rich literature (Kumar *et al.*, 2022) investigating the role of socio-political interactions in determining the topos of SR practice. In doing so we harness pragmatic constructivism perspective. SR is not a naturally occurring phenomenon, but a man-made practice – a social construct resulting from the interactions between humans, including corporate actors, regulators, civil society organizations, accounting professionals and standardization organizations. According to pragmatic constructivism, reality is a social construct encompassing four integrated dimensions: facts, possibilities, values and communication (Nørreklit *et al.*, 2010a). This integration is expressed through topos – “the body of accepted perspectives, arguments and concerns which is used to control the communication, reasoning or decision-making of an actor or a company” (Nørreklit *et al.*, 2006, p. 48).

Our contribution is threefold. Firstly, our analysis offers an overview of SR topos, identifying:

- What kind of facts SR aims to represent;
- What determines the possibilities, for SR;
- What values drive the practice; and
- How SR is communicated.

Secondly, we extend the current view on SR, conceptualizing it as a social construct, and indicate that companies do not have complete freedom of choice and are constrained by the interplay between various and often conflicting institutional demands. Our results indicate that companies in their SR are driven by self-interest. As such SR fails to translate into enhanced sustainability performance. Finally, we formulate avenues for further research.

The remainder of this paper is organized as follows. We start with an outline of the methodology used. We provide explanation of the pragmatic constructivism framework followed by the descriptions of the sample selection process. In the next section, we discuss the results of our analysis. Conclusions are presented in the final section.

2. Methods

2.1 From facts to topos: organized reality from the pragmatic constructivism perspective

The philosophical assumptions underlying this research derive from the pragmatic constructivism paradigm. The fundamental question lying at the heart of this theoretical perspective is: “Under what conditions do activities function and lead to success in a social context?” (Nørreklit, 2011, p. 5). While organizations do not function independently from human actors, on the basis of some mechanical or natural laws, operating causalities in organizations need to be constructed. In this viewpoint, human actors are central to the

construction of organized reality (Nørreklit *et al.*, 2016), i.e. the relationship between actors and the world they operate in (Nørreklit, 2011). Constructivism assumes that reality is “contingent upon human practices, being constructed in and out of interaction between human beings and their world, and developed and transmitted within an essentially social context” (Crotty, 1998, p. 42). Human actors construct their relationship to the world based on their ways of conceptualizing this relationship (Nørreklit *et al.*, 2016). Reality is not found but man-made through social and conventional means, i.e. pre-existing institutions. The latter can be described as “system of intelligibility” that humans are born and embedded in. As such, they provide source of interpretative strategies through which humans construct meaning (Crotty, 1998). Reality constructed through system of institutions may be contested and changed over time (Williams and Adams, 2013).

Reality, nonetheless, is not purely subjective. As noted above, reality is constructed as a result of interaction between individuals and the objective (real or illusionary) world around them (Pianezzi and Cinquini, 2016). The organized reality may function successfully, or it may be hampered by faulty conceptualization of the actor–world relations, missing relations and due to the interactions between different organizational actors (Nørreklit, 2011; Nørreklit *et al.*, 2016). If the construct is to be successful as a basis for functioning organization, the following four dimensions of reality must be integrated in the actor–world relationship: facts, possibilities values and communication (Nørreklit, 2011). With this thesis, pragmatic constructivism mediates between the “realist” scientific mainstream and social constructivist criticism in management and accounting studies. It offers a model, “in which realism is retained as the pragmatic criteria of success of the organizational actors’ construction” (Nørreklit *et al.*, 2016, p. 267).

The arguments for the four-dimensional model of organized reality are as follows (Nørreklit *et al.*, 2010a). *Facts* are generated from the empirical dimension in the actor–world relationship. They are based on observation of phenomena that exist independently of their observation. There may be facts about objective (e.g. tree, factory, car) or subjective (e.g. dreams, ideas, knowledge) phenomena. Facts are established through actor’s cognitive activity – his/her observation and experience. As such, facts are social constructs linking actor and the world. While facts are necessary as a basis of action, the latter cannot take place when there are no factual *possibilities*. Possibilities are, in contrast to facts, based not on observation, but rather on reflection on facts. They are conceived from combination of factual information (e.g. there is a rail strike today, there is a taxi in front of my house, I have money in my pocket) and actor’s logical thinking (I can take taxi to drive to work today). Possibilities create room for choice, which is guided by actor’s *values* that lie within the range of her possibilities. In other words, values, developed in a social process, will motivate action only if at least one of the possibilities is integrated with actor’s values. Finally, while the integration of facts, possibilities and values is sufficient for individual’s action, it must be expressed in *communication* to create basis for mutual understanding and action in social setting. Communication enables people to co-operate and management to access the subjective worlds of the values and reasoning of employees.

In the language of pragmatic constructivism, the expression of the integrated reality is referred to as *topos*. As a result of “applying a conceptual framework to a specific historical situation” (Nørreklit *et al.*, 2006, p. 48), *topos* “exhibits the particular perception of how to integrate facts, possibilities, values and communication” (Pianezzi and Cinquini, 2016, p. 375). To be a valid expression of reality, *topos* must integrate all dimensions in a way that creates correspondence between the dimensions and the world and coherence between the dimensions themselves.

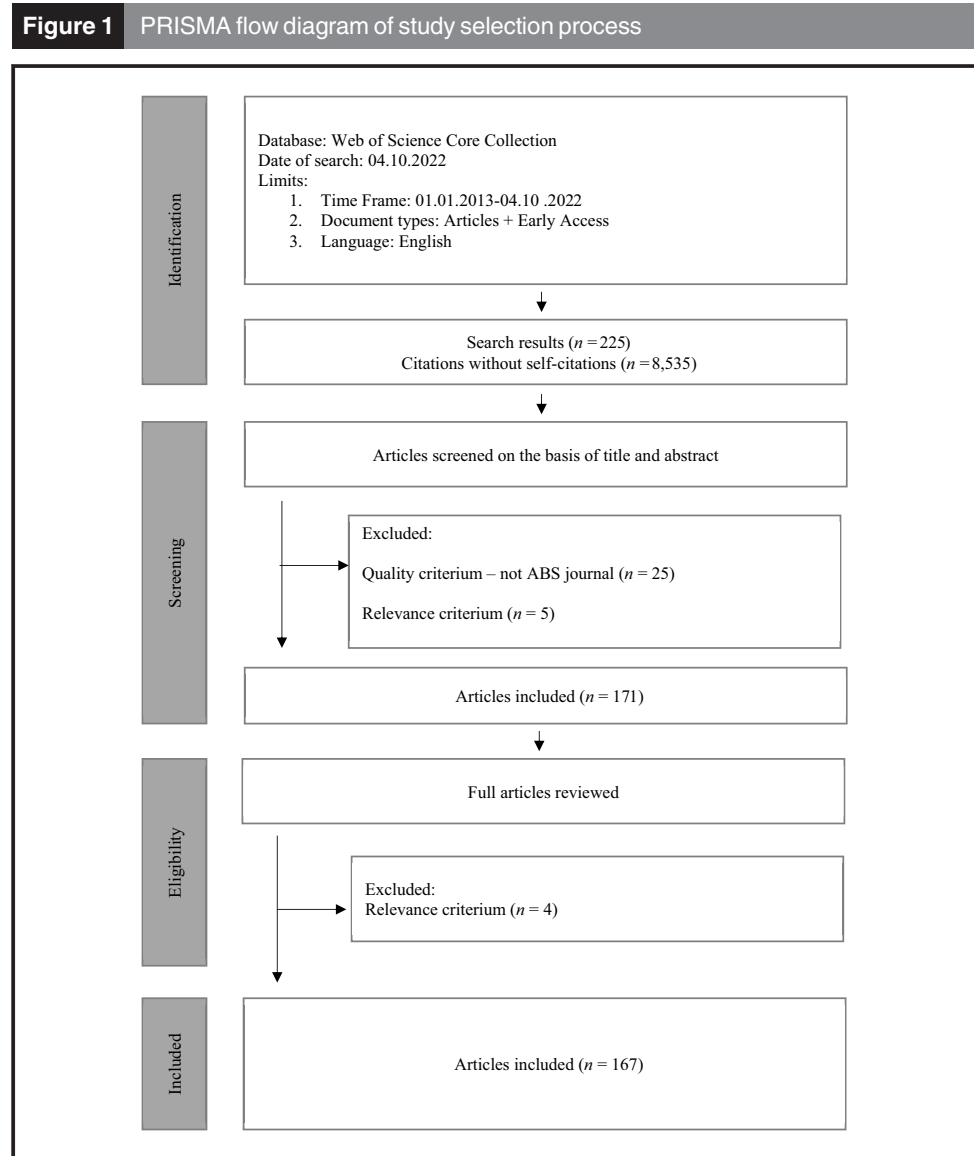
2.2 Study selection process

SR is a broad and diverse topic analysed from numerous conceptual perspectives; yet in this article, we focus on the business academic literature and socio-political stream. Adopting the regime of the systematic literature review suggested by Aguilera *et al.* (2021),

our analysis was conducted according to preferred reporting items for systematic reviews and meta-analyses (PRISMA) guidelines. Figure 1 presents step undertaken to identify relevant academic papers.

Firstly, we searched for articles published in peer-reviewed journals. To identify the most influential and recognized studies within social science, we used the Social Sciences Citation Index of the Web of Science Core Collection database, which is generally considered the most comprehensive source for scholarly work of high editorial rigor (Web of Science Group, 2021) and include all impact factor journals (Hahn and Kühnen, 2013). We focused on articles written in English within the past 10 years (from 2013 till 4 October 2022 – the date when the search was conducted) [1]. We included articles published within this time frame and early access papers.

To cover the research field exhaustively, we followed Hahn and Kühnen (2013) and conducted broad search within the topic field according to this query: TS = (“social and environmental reporting” or “social and environmental disclosure” or “environmental reporting”



or “environmental disclosure” or “social reporting” or “social disclosure” or “sustainability reporting” or “sustainability disclosure” or “ESG reporting” or “ESG disclosure” or “corporate social responsibility (CSR) reporting” or “CSR disclosure” or “nonfinancial reporting” or “nonfinancial disclosure”) and (“stakeholder theory” or “institutional theory” or “legitimacy theory”)) NOT TS = (“integrated reporting”). The keywords were identified as terms often used interchangeably with SR (Hahn and Kühnen, 2013; Christensen *et al.*, 2021). We also included keywords restricting our search to the selected theoretical stream of SR research (socio-political theories, i.e. stakeholder theory, institutional theory and legitimacy theory). The search yielded 225 articles.

Secondly, we focused on screening the articles retrieved in the first step against quality criteria. To ensure the highest academic standards, we included only journals listed in the Chartered ABS Academic Journal Guide. While assessing the quality of the journal, we took into account year of the publications and corresponding edition of the ranking. Twenty-five articles were excluded from the sample in this process.

Thirdly, we screened the articles against relevance. The titles and abstracts of the articles were reviewed. If the article was found to be unrelated to the topic of this study, it was excluded from the sample. The process yielded a sample of 171 articles that were carefully read and assessed against eligibility criterium. Four additional articles were found irrelevant to the study.

The final sample consists of 167 articles from 54 journals, which were analysed in regard to the frequency by year of publication and outlet, terminology used, theoretical framework, type of article, methods and sample. Finally, we used a directed content analysis with the main codes derived from the theoretical framework of pragmatic constructivism and sub-categories identified in the process of data analysis (Hsieh and Shannon, 2005). Specifically, for coding purposes, the article sample was divided between the four co-authors. The coding was performed according to the main theory-derived codes with sub-category codes flowing from the data. The list of sub-categories was discussed between team members on regular basis, and the codebook was updated throughout the process.

3. Bibliometric and descriptive analysis

3.1 Frequency by year and journal

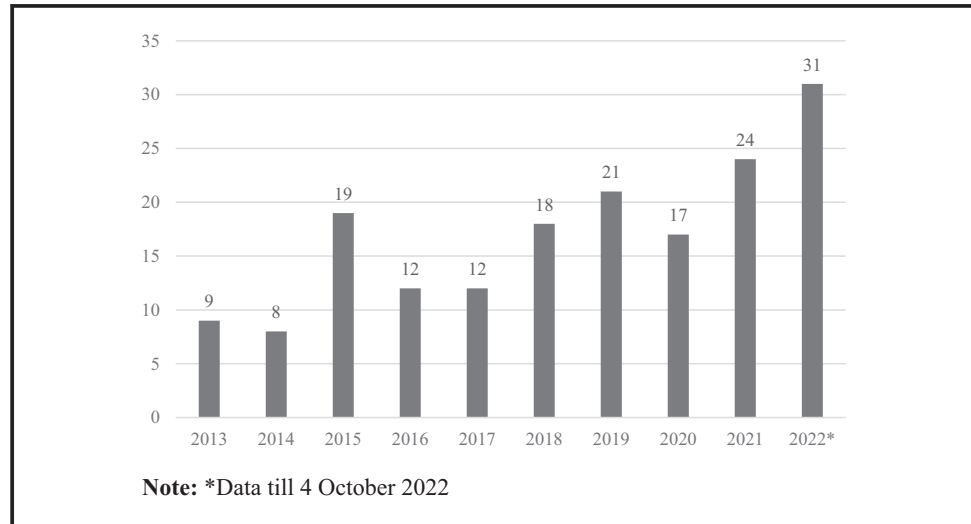
Figure 2 presents the frequency of sample articles by year of publication, showing that the number of socio-political grounded studies on SR has been increasing since 2013, with the peak reached in 2022.

The increase in studies on SR can be attributed to the proliferation of SR practice due to its growing institutionalization resulting from the development of both voluntary and mandatory frameworks.

Table 1 shows that among the 54 journals where sample articles were published, the *Corporate Social Responsibility and Environmental Management* was the outlet for 13% of them, followed by *Sustainability Accounting, Management and Policy Journal* (12%) and the *Accounting Auditing & Accountability Journal* (11%). While the journals with the highest number of publications within socio-political stream of SR research are topic-specific outlets focusing on sustainability in general and sustainability/social accounting in particular, this perspective is still struggling to break into the debate between the mainstream management and accounting journal.

3.2 Theories, phenomena and methods

Our analysis provides findings on the main socio-political theories, which serve as a basis to explain the practice and dynamics of SR, and also on the variation among study types and research methods used (Table 2).

Figure 2 Breakdown of sample articles published by year**Table 1** Journals with the highest number of publications

<i>Corporate Social Responsibility and Environmental Management</i>	22	<i>Accounting and Finance; Business & Society</i>	4
<i>Sustainability Accounting, Management and Policy Journal</i>	20		
<i>Accounting Auditing & Accountability Journal</i>	19	<i>Accounting Forum; Applied Economics; Asia-Pacific Journal of Management; Business Ethics, the Environment and Responsibility; Critical Perspectives on Accounting; Management Decision</i>	3
<i>Journal of Business Ethics</i>	17		
<i>Business Strategy and the Environment</i>	15		

Table 2 Sample articles by theoretical frameworks, research type and methods

Theoretical frameworks		Type of research	
Legitimacy	54	Empirical	163
Stakeholder	33	Conceptual	7
Institutional	47		
Legitimacy & Stakeholder	15	Methods in empirical research	
Legitimacy & Institutional	9	Quantitative	117
Stakeholder & Institutional	4	Qualitative	32
Legitimacy & Stakeholder & Institutional	5	Mixed	13

As presented in [Table 2](#), legitimacy theory is the leading socio-political theory adopted in the analysed studies, followed by institutional and stakeholder theories. The descriptive statistics also show that the three theories are treated as independent (or even competing) frameworks rather than complementary approaches. While 80% of studies use only one theory, most frequent theoretical combination relates to legitimacy and stakeholder theory. In only five papers, SR practice was explained through a triple theoretical lens. In our sample, the majority of articles provide the results of empirical studies which most often use a quantitative analysis.

We have analysed our sample articles using their keywords with the use of VOSviewer. Figure 3 depicts that SR reporting within socio-political view is centred around five main concepts: institutional, stakeholder and legitimacy theory, as well as performance (linked to sustainability impact) and CSR.

4. Results

We derive four main themes from the analysis of the sample articles following the proposed conceptual framework drawing upon pragmatic constructivism (Nørreklit *et al.*, 2010b): facts, possibilities, values and communication (Pianezzi and Cinquini, 2016). Together with the list of sub-categories presented in Figure 4, they build up a comprehensive conceptual framework which conceptualizes SR as a social construct defined by organization–society interactions. The review shows that facts and possibilities are the most explored phenomena in SR literature, and substantial attention has been paid to the effects of SR framed within the values of firm's self-interest (financial performance, gaining legitimacy, building reputation) and one-way communication with the absence of stakeholder engagement into reporting process.

Figure 4 gives an indication of the SR topos referring to the “four dimensions of reality [that] must be integrated in the actor-world relation if the construct is to be successful as a basis for undertaking actions” (Nørreklit *et al.*, 2010a, 2010b, p. 738). These dimensions (Nørreklit *et al.*, 2010a, 2010b) cover facts defined as a basis of action which represent the content of disclosure and possibilities grounded in the facts understood as disclosure determinants in the organizational and institutional contexts. Next, values are defined as motivation and drivers for companies to make the choice of existing possibilities and to decide about publishing sustainability reports as well as communications. Values integrate facts, possibilities and values (Pianezzi and Cinquini, 2016) and refer to the format of report and

Figure 3 Conceptual map of reviewed articles (based on the analysis in VOSviewer software)

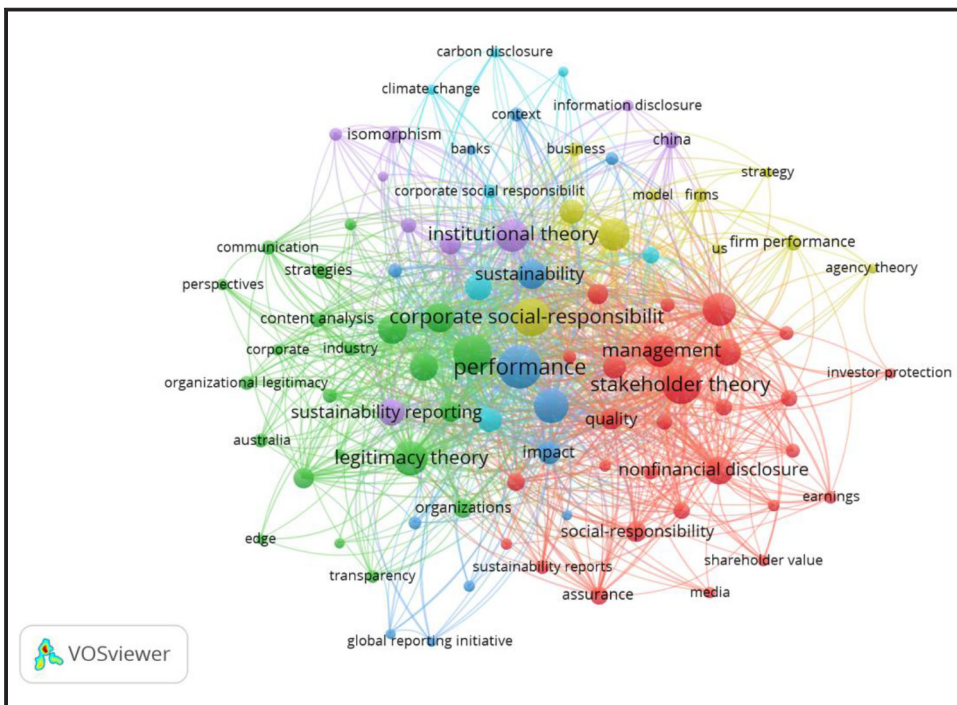
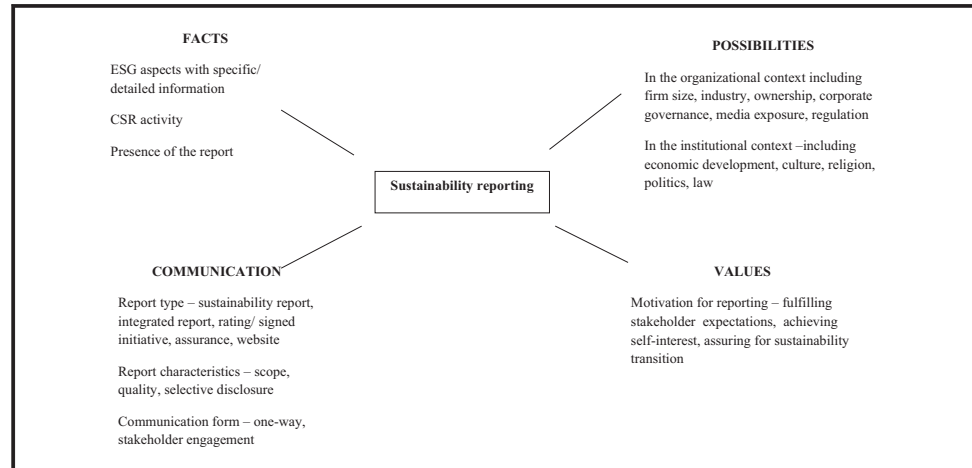


Figure 4 Sustainability reporting topics: synthesis and framework



the nature of the company communication. Below we discuss the existing literature in accordance with the proposed framework.

4.1 Facts of sustainability reporting

Socio-political research on SR investigates non-financial information provided by companies in their reports or on their websites. The literature review shows that facts which SR addresses relate in general to ESG aspects (Ortas *et al.*, 2015; Muttakin *et al.*, 2015). SR covers facts about firm's both positive and negative impacts (Jeriji and Louhichi, 2021), performance with regard to sustainable development goals (Di Vaio *et al.*, 2022; Manes-Rossi and Nicolo', 2022) and its influence on stakeholders such as employees, customers, investors, community and environment (Aray *et al.*, 2021; Singh and Chakraborty, 2021). Particular company actions in the area of environmental impact which get reported refer to carbon emissions, greenhouse gas emissions, air pollution, ozone layer protection, energy use, climate change, water scarcity or withdrawal, raw materials scarcity, natural resources use, total weight of solid and liquid waste, toxic waste treatment, biodiversity and animal welfare (Adler *et al.*, 2022; Christensen and Lamberton, 2022). Facts can also address product stewardship and life cycle assessment, as well as sustainability investing defined as commitment to ecologically sustainable development (Cormier and Magnan, 2015). The social dimension covers facts related to human rights and supply chain, consumer rights and empowerment, stakeholder engagement and reporting, workplace safety, employee development and training, child labour, human capital, product safety and social opportunities (Akbar and Deegan, 2020). With regard to governance dimension, studies focus on ownership of organization, organizational structure and management, risk management, anti-corruption policy, audit and compliance, executive compensation and shareholder rights and reporting (Álvarez Etxeberria and Aldaz Odriozola, 2018). In addition, some studies specifically focus on diversity matters including the percentage of females on board.

While international standards and guidelines, like Global Reporting Initiative (GRI), United Nations Global Compact (Reber *et al.*, 2022) or Carbon Disclosure Project (CDP) (Giannarakis *et al.*, 2016), list quantitative and qualitative indicators for measuring ESG performance together with some minimal scope requirements, specific contents of the report should be defined in accordance with the materiality principle (importance to stakeholders) (Sepúlveda-Alzate *et al.*, 2021; Ruiz-Barbadillo and Martínez-Ferrero, 2022).

4.2 Possibilities of sustainability reporting

4.2.1 Possibilities in the institutional context. Companies have different possibilities to approach the ESG facts and decide whether, what and how to report. Socio-political theories assume that these possibilities are strongly influenced by coercive as well as normative institutional factors (Pedersen *et al.*, 2013; Akbar and Deegan, 2020; Dong *et al.*, 2021). They are largely determined by pressures from powerful constituencies (Li and Belal, 2018; Pucheta-Martínez and Gallego-Álvarez, 2020; Yang and Rhee, 2020), including shareholders (Hickman, 2020), governments (Liesen *et al.*, 2015), international organizations, NGOs (Tran and Beddewela, 2020; Yang and Rhee, 2020), media (Corazza *et al.*, 2017) and general public (Kouloukoui *et al.*, 2019). These, in turn, are influenced by a country's level of economic development (the richer the country, the higher the stakeholder expectations) (Gallén and Peraita, 2018; Pucheta-Martínez *et al.*, 2020), its level of unemployment and social cohesion (the higher are these, the higher pressure on corporate transparency, at least in the social area) (Baldini *et al.*, 2018), government's pressure, commitment and monitoring of social and environmental issues which add to the level of company transparency (Guenther *et al.*, 2016; Parsa *et al.*, 2021).

Furthermore, studies related to the quality of country-level governance show that higher scores of voice and accountability, higher government effectiveness (Gerged, 2021), stronger presence of environmental organizations (Marquis *et al.*, 2016) and low corruption level (Baldini *et al.*, 2018) increase stakeholder expectations and scrutiny and force companies to report more and more accurately. However, the relationship between institutional governance quality and SR was found to be the opposite for multi-nationals from less institutionally developed countries, who try to overcome negative perceptions about their legitimacy with increased transparency (Marano *et al.*, 2017). Moreover, firms located in countries with high-risk premium related to the ability to meet financial obligations increase the information level of environmental disclosure beyond the legal requirements (Giannarakis *et al.*, 2016).

SR possibilities are also believed to be determined by the economic and cultural model in the country of firm headquarters (Legendre and Coderre, 2013). There is strong empirical evidence that SR is less demanded in shareholder-oriented societies (Legendre and Coderre, 2013) and in cultures characterized with higher power distance, individualism, masculinity and indulgence (Gallego-Álvarez and Quina-Custodio, 2017; Baldini *et al.*, 2018). Similarly, liberal market economies are believed to decrease pressure on transparency; however, results of empirical studies provide mixed results in this vein. While some indicate negative relationship between this type of economic model and scope of SR (Gallego-Álvarez and Quina-Custodio, 2017), others show no association (Pucheta-Martínez *et al.*, 2019).

Another country-level institutional determinant of SR possibilities relates to the regulatory coercion resulting from the introduction of social and environmental disclosure legislation. Evidence from the USA (Cho *et al.*, 2015), European Union (EU) (Comyns, 2018) and Australia (Loh *et al.*, 2015; Perera *et al.*, 2019) shows that firms respond to greater regulatory pressure and disclose more. Chelli *et al.* (2018) analyse the effectiveness of two types of mandatory reporting regimes – parliamentary and stock exchange regulation – and find the former to be more successful in triggering environmental disclosure. However, an increase in SR resulting from legislation does not translate into a higher quality of disclosure encouraging a compliance culture, with a focus on operational sustainability separated from corporate strategy (Stubbs *et al.*, 2013).

Finally, SR possibilities are a derivative of political agenda (Marquis and Qian, 2014; Guenther *et al.*, 2016; Jestratjevic *et al.*, 2022) – governments joining international agreements such as Kyoto protocol (Yook *et al.*, 2017) or sectorial standards (Belal and Owen, 2015; Chelli *et al.*, 2018; Li and Belal, 2018) set the framework in which companies

operate, increasing stakeholder pressure towards sustainability action and disclosure. In this research stream, [Antonini et al. \(2021\)](#) found negative changes in disclosure of companies headquartered in states strongly supporting Trump relative to other firms and more positive changes for companies in carbon-intensive industries. They argue that in case of conflicting political and social pressures, the increased social concerns appear to dominate reduced regulatory exposures.

4.2.2 Possibilities in the organizational context. Drawing upon pragmatic constructivism, we identify existing possibilities on the firm level determining the company decision about publishing sustainability report ([Pianezi and Cinquini, 2016](#)) which include industry, firm size, performance, corporate governance, CEO characteristics, media and regulation.

Industry is found to construct possibilities for SR as it determines the level of sustainability performance ([Russo-Spena et al., 2018](#); [Hamrouni et al., 2021](#)), defines the framework for reporting practice ([Christensen and Lamberton, 2022](#); [Dube and Maroun, 2007](#)) and conditions isomorphic mechanisms ([Gallego-Álvarez and Pucheta-Martínez, 2020](#); [García-Sánchez and Araújo-Bernardo, 2020](#)). Industry also represents the degree of stakeholder pressure ([Schepis, 2020](#)) and determines patterns for legitimacy seeking. According to legitimacy theory, poor performers are more likely to report on their CSR activities to gain acceptance from their constituencies ([Jeriji and Louhichi, 2021](#); [Patten, 2020](#)) and limit negative exposure ([Herbohn et al., 2014](#); [Herbohn et al., 2014](#); [Guenther et al., 2016](#)). Following a similar logic as the industry criterion, the company size, internationalization and scrutiny by media stimulate or inhibit greater SR. Larger companies ([Chiu and Wang, 2015](#); [Ortas et al., 2015](#)) with greater exposure to international customers ([Rashid et al., 2020](#)), stakeholders or foreign stock market disclose more ([Parsa et al., 2021](#)) and engage less in selective disclosure ([Marquis et al., 2016](#)). However, the links are found to be more complex and moderated by firm characteristics ([Liesen et al., 2015](#)). The association is U-shaped as with increasing firm size, the relative cost-advantage may stimulate firms to engage more in SR, while very large and already resource-rich firms (holding firm visibility constant) have less incentive to further increase SR ([Schreck and Raitchel, 2018](#)). While media exposure does not always lead to greater substantiveness of disclosure ([Marquis and Qian, 2014](#)), it increases companies intension for legitimacy ([Cormier and Magnan, 2015](#)) and SR ([Guenther et al., 2016](#)). Finally, greater scrutiny after corporate scandals leads to greater SR ([Bellucci et al., 2021](#)).

The last set of firm-level determinants relates to corporate governance and ownership structure. Larger and more active boards are positively linked with more balanced approach to corporate matters and better SR ([Kend, 2015](#); [Erin et al., 2022](#)). Similarly, the board's diversity and independence have a favourable impact on sustainability disclosure ([Khan et al., 2012](#); [Erin et al., 2022](#)). With regard to ownership structure, dispersed ownership is viewed as a driver for formulating disclosure policy ([Pucheta-Martínez and Gallego-Álvarez, 2018](#)). Interestingly, this positive relationship is also found to hold in the case of state-owned enterprises ([Cahaya et al., 2015](#)), family-controlled firms ([Campopiano and De Massis, 2015](#)) and companies with foreign investors ([Subramaniam and Muttakin, 2015](#)), suggesting greater responsiveness to stakeholder expectations and proactive attitude to disclosure. Institutional investors prove to have positive impact on SR what is attributed to their monitoring role and reputational concerns ([Pucheta-Martínez and López-Zamora, 2018](#); [Yin and Wang, 2018](#)) in portfolio companies. With regard to individual characteristics, CEOs with shorter tenure and MBA education without degree in law are more likely to respond to CDP ([Lewis et al., 2014](#)), while higher discretionary power diminishes the need to build relationship with stakeholders through reporting ([Rashid et al., 2020](#)).

Finally, financial performance suggests greater pool of resources and is found to be associated with SR ([Chan et al., 2014](#)) although mostly in the case of companies already active in disclosure practice ([Ortas et al., 2015](#)).

4.3 Values

Values of SR are defined as motivation that drive companies to make the choice of existing possibilities and to decide about disclosure. Our findings indicate that the substantial number of studies examine meeting stakeholder expectations as key values behind SR. Disclosure is viewed as a tool of attaining accountability from with stakeholders (Rashid *et al.*, 2020) who play a vital role in the process of building relations by companies (Waheed and Yang, 2019). External stakeholders use sustainability reports to assess a firm sustainability performance (Schreck and Raithe, 2018).

According to the simulacrum concept, companies in their SR create an interpretation of their practical reality through definitions and images corresponding with their strategy and business interests (Corazza *et al.*, 2017). With the principles of inclusiveness, materiality and responsiveness, companies may address various concerns (Guix *et al.*, 2020; Sepúlveda-Alzate *et al.*, 2021; Ruiz-Barbadillo and Martínez-Ferrero, 2022) promoting interests of all stakeholders (Zafar and Sulaiman, 2020). SR can also be viewed as an expression of company moral stance towards its obligations (Liu *et al.*, 2021) as it represents the nexus of formal and informal relationships of trust and cooperation with its stakeholders (Boura *et al.*, 2020).

The second most frequent group of reviewed articles suggests that the company's self-interest is the key value driving companies for issuing sustainability reports (Yin and Wang, 2018). With greater disclosure, companies respond to stakeholder pressure (Marquis *et al.*, 2016), gain legitimacy among constituencies (Subramaniam and Muttakin, 2015), build firm reputation (Zhao and Patten, 2016) and improve image. Transparency is associated with lower risk (Rezaee *et al.*, 2020) and lower information asymmetry (Du and Yu, 2021). According to the enlightened self-interest, SR is pragmatic not symbolic reaction to expectations of salient stakeholder (Schepis, 2020). However, other more critical views perceive it as a move to avoid scrutiny (Stanny, 2013), as engagement in impression management (Corazza *et al.*, 2017; Yang and Rhee, 2020) or as manipulation of public perceptions (Perera *et al.*, 2019) with the intension to lower potential threats in the case of inconsistencies between actual performance and symbolic disclosure. Companies in their sustainability report tend to be disconnected from stakeholder interests (Bradford *et al.*, 2017) and with the excessive scope and inadequate measures reports do not address stakeholder expectations. Moreover, companies are found to report selectively with the purpose of gaining legitimacy (Kuruppu *et al.*, 2019). What prevents them from selective disclosure is increased scrutiny (Marquis *et al.*, 2016).

Strikingly, only a marginal number of reviewed articles address the topic of sustainability transition achieved either in the process of innovation (Ren *et al.*, 2022) or as a result of isomorphic mechanisms (Pucheta-Martínez *et al.*, 2020).

4.4 Communication

The final investigated dimension of SR addresses the form of communication. The analysis shows that the sustainability information can be communicated in a number of ways and formats. The most commonly used form is the disclosure in the environmental (Pucheta-Martínez and Gallego-Álvarez, 2018), sustainability (Cormier and Magnan, 2015; Jeriji and Louhichi, 2021; Parsa *et al.*, 2021), CSR (Hamrouni *et al.*, 2021; Zampone *et al.*, 2022), non-financial (García-Sánchez and Araújo-Bernardo, 2020), GRI (Gallén and Peraita, 2017), triple bottom line (Kuruppu *et al.*, 2019) and annual report (Khan *et al.*, 2012; Rashid *et al.*, 2020; Zafar and Sulaiman, 2020), as well as ethical accounts (Christensen and Lamberton, 2022). Annual reports offer the evolution of the disclosure from general information on sustainability to more detailed communication supported with financial data (Garanina and Aray, 2020), while sustainability reports are expected to offer more specialized information on selected topics (Sepúlveda-Alzate *et al.*, 2021) and to follow principles of accuracy,

accessibility, comparability and relevance (Jestratišević *et al.*, 2022). Studies on SR indicate the importance of the issuance of the report (Hamrouni *et al.*, 2021), its length (Manes-Rossi and Nicolo', 2022), scope (Giannarakis *et al.*, 2016; Perera *et al.*, 2019) or extend (Moufry *et al.*, 2022), content (Lopez-Gutierrez and Pérez, 2017) and its quality (Baldini *et al.*, 2018; Yin and Wang, 2018). In addition, scholars find that sustainability communication delivers information on policies assuring more substantive disclosures (Jestratišević *et al.*, 2022), possible links between disclosure and strategy (Manes-Rossi and Nicolo', 2022) and data on actual sustainability performance (García-Sánchez and Araújo-Bernardo, 2020).

The publication of non-financial information on company website (Schepis, 2020) via social media (Lui and Zainuldin, 2022) or as online press releases (Yang and Rhee, 2020) is identified as alternative ways to communicate with stakeholders more directly and in a shorter period of time mitigating the shortcomings of reports issued on the annual basis. Furthermore, a number of reviewed articles indicate the direct access to data sets such as Bloomberg (Baldini *et al.*, 2018), Eikon (Reber *et al.*, 2022) or Trucost carbon emission data (Bauckloh *et al.*, 2022), making them a significant channel of communicating ESG data. This approach gives importance to the adoption of standards and metrics to report sustainability performance and compare it among companies (Arenas *et al.*, 2018). The communication of company ESG rating published by a consulting or data analysis firm offers a similar, more aggregated way to present sustainability information (Eliwa *et al.*, 2021; Hamrouni *et al.*, 2021). Also assurance that increases credibility of the report provided by an external auditor serves as an element of communication (Kend, 2015; Manes-Rossi and Nicolo', 2022). Finally, companies tend to inform about their commitments to particular sustainability goals via the membership or signature in selected initiatives such as CDP (Guenther *et al.*, 2016).

Our analysis reveals that the majority of reviewed articles investigate one-way communication between company and stakeholder with the potential aim to influence stakeholder perceptions and to build corporate reputation (Álvarez Etxeberria and Aldaz Odriozola, 2018). SR targets mostly external stakeholders (Blanc *et al.*, 2019) and delivers more specialized data as compared to financial reports. Stakeholder engagement is less frequently identified type of SR (Waheed and Yang, 2019; Hamrouni *et al.*, 2021).

5. Discussion and conclusion

Our paper offers the literature review of SR viewed within the framework of social constructivism (Nørreklit *et al.*, 2010a, 2010b) upon which companies agree with their constituencies (Pianezzi and Cinquini, 2016) on what and how is disclosed. We contribute to the existing knowledge offering a comprehensive framework which conceptualizes SR as a social construct defined by organization–society interactions. In particular, the facts representing what is reported, possibilities which determine reporting on the country and firm levels and values that drive the communication of a given format result from the interplay between companies and stakeholders. The review shows that despite improvements in transparency of corporate activities and the growing interest in research on SR over the past decade years, when investigated with regard to facts, possibilities, values and communication, the field has not yet been sufficiently explored. Below we discuss main findings and identify three main avenues for future research.

Firstly, existing studies, embedded in socio-political view, are still limited in their understanding of the possibilities of transparency. Possibilities create conditions in which reality is constructed and information is interpreted into facts. Put differently, possibilities represent boundaries and conditions upon which constituencies agree on disclosure. Our review shows that SR is understood more as a reactive than proactive effort, occurring from the standpoint of a defensive approach. It assumes that poor performers, operating in unfavourable settings characterized by negative impacts (Jeriji and Louhichi, 2021; Patten, 2020), report more and better on sustainability to gain acceptance from their constituencies

and escape additional scrutiny (Stanny, 2013). Our review indicates that scholars recognize that reporting companies do not have complete freedom of choice and their options are constrained by institutions, which offer conditions for negotiations between different actors (Leong and Hazelton, 2019). In this context, we argue that further studies focusing on the interplay of international and national institutional determinants with firm-level predispositions to disclose sustainability-related information could provide new insight on this matter. This avenue is motivated by the notion that the interactions between possibilities and expectations of stakeholders as well as the moderation of numerous organizational and institutional characteristics determine the social construct in which reporting scope, context, quality and format take place.

Secondly, the social construction of SR leads to a variety of different indicators and standards used, showing which and how facts are demanded by affected constituencies. SR tends to be criticized for limited comparability between the reports and the absence of audits; yet, these features often result from the interplay of stakeholder expectations and company responses and mirror their preferences. The stakeholder pressure as well as isomorphic mechanisms determine the institutionalization (Cormier and Magnan, 2015; Shabana *et al.*, 2017; Xu and Woo, 2022) of disclosure principles in the organizational context, suggesting the problem of policy–practice decoupling (Tashman *et al.*, 2019; García-Sánchez *et al.*, 2022). While the existing literature provides evidence on the presence of manipulative (Yook *et al.*, 2017) or symbolic (Perera *et al.*, 2019) SR practice, the research on the disclosure quality yields mixed results and deserves further inquiry. On the one hand, studies show that companies respond to coercive and isomorphic pressures (Griffin and Youm, 2018) shifting towards strategic inclusion of stakeholders into their activities (Corazza *et al.*, 2017). Yet studies also reveal the use of selective disclosure practices (Kılıç and Kuzey, 2019) that may mislead stakeholders by increasing the extent of disclosure, but providing limited information on actual performance. Organizations causing more environmental damage exhibit less selective disclosure. Marquis *et al.* (2016) in their global study of greenwashing show that organizations posing more environmental damage, thus experiencing increased scrutiny, are less prone to symbolic disclosure. This relationship is additionally supported by the presence of many environmental organizations and strong civil and political rights in the country.

While researchers reveal a positive role of standardization (Xu and Woo, 2022) and assurance (Erin *et al.*, 2022) that strengthen institutionalization, our literature review draws attention to the high degree of heterogeneity in the practices and definitions of SR or even the lack of convergence between regulators and standard setters and the leading sustainable companies. Furthermore, there is no consistent empirical evidence that regulation *per se* leads to higher quality of disclosure, as different laws in different institutional environments can have differing impacts on reporting practice (Yang *et al.*, 2021; Ruiz-Lozano *et al.*, 2022). This, together with still limited evidence on the impact of assurance on SR quality, again shows that to fully understand the determinants of reporting practice, future research should focus more on the interplay of institutional and organizational factors.

Thirdly, the existing literature is far from complete in its understanding of the effects of SR on environmental and social performance, in addition to its failure to address the question of reaching sustainability transition. Contrary to the initial assumption of stakeholder empowerment, SR is found to be dominated by its focus on company's self-interest, attaining legitimacy, improving reputation and enhancing economic benefits (Bradford *et al.*, 2017), emphasizing the expectation of shareholders (Griffin and Youm, 2018) and neglecting the concerns of other constituencies. These features defined in the language of pragmatic constructivism as values reveal the dominance of business case for SR and utilitarian approach of company communication with stakeholders. Research indicates that

companies incorporate the expectation of a more salient stakeholder category, which does not include all stakeholders leaving the question of sustainability progress open to debate.

SR that has limited effect on organizational change and sustainability performance, and is treated as an end in itself, leads to means–ends decoupling, where policies and management practices are thoroughly implemented, but the link between them and the intended outcome remains obscure (Tashman *et al.*, 2019). Put differently, the results of the literature review reveal that it is not reporting that is adopted to present the sustainability progress, but it is sustainability performance which serves reporting. Non-financial information is used by companies for building stakeholder relationship, attaining legitimacy, improving reputation and signalling strategic development. The question regarding whether such SR function will persist remains an open one. We argue that the missing link between sustainability disclosure and its impact on sustainability transition offers an important and promising avenue for studies. Future research should analyse the reporting impact on sustainability, the potential for incorporating reporting principles into organizational practice and integrated value creation processes.

Note

1. We conducted initial search with no year filter, and the results showed that almost 90% of articles were published within the past decade.

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