Corporate Responsibility Reporting in the Foodservice Sector in the UK: A Critical Realist Perspective

Kate RINGHAM

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Oxford School of Hospitality Management
Faculty of Business
Oxford Brookes University

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Abstract

This study is concerned with Corporate Responsibility (CR) in the UK foodservice sector. This sector contributes £4.25bn to the UK economy and operates in a complex environment with specific challenges to those undertaking CR reporting and yet to date this not been the focus of academic enquiry. In addressing the aims of the thesis the social construction of CR reporting in the UK foodservice sector is analysed through a critical evaluation of a range of reporting guidance, a purposive sampling of the views of experts operating within the foodservice sector and an evaluation of the CR reporting of a UK foodservice company: a revelatory case.

The critical analysis of the CR reporting guidance revealed that a continuum of motivations for reporting existed, ranging from a normative approach to a strategic or managerial approach. There are not, however, agreed underlying principles determining report content and so it is possible for the report content to be inconsistent with the declared motivations. The study concluded that the definition of the boundary of CR reporting had been appropriated from financial reporting but that its application to the foodservice sector is problematic, allowing the manipulation of information to enable a more favourable view of CR performance to be communicated. In addition, the study found that the existing CR reporting guidance did not consider one of the key issues faced by the sector, that of diet related ill health, and so the existing CR reporting guidance was not appropriate for use by the foodservice sector.

It is clear that the nature of the relationship between business and society is changing. CR reporting is seen as a means by which business can legitimise its position in society and manage its relationship with stakeholders. Both legitimacy theory and stakeholder theory have been used to explore motivations for CR reporting and there is recognition of an overlap in these theories. This study also contributes to this debate by identifying the mechanism for this overlap.

Keywords: corporate responsibility reporting, diet related ill-health, foodservice sector, legitimacy theory, reporting boundary, stakeholder theory

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Table of Contents

LIST OF FIGURES

LIST OF TABLES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

AA1000APS	AccountAbility1000 Accountability Principles Standard
AA1000AS	AccountAbility1000 Assurance Standard
AA1000SES	AccountAbility1000 Stakeholder Engagement Standard
BHA	British Hospitality Association
BiTC	Business in The Community
BSC	Balanced Scorecard
CCRF	Climate Change Reporting Framework
CDSB	Climate Disclosure Standards Board
CEO	Chief Executive Officer
COP	Communication on Progress
CR	Corporate Responsibility
CRC	Carbon Reduction Commitment
CSR	Corporate Social Responsibility
DEFRA	Department for Environment, Farming and Rural Affairs
EMAS	Eco-Management and Audit Scheme
ESG	Economic Social Governance
FASB	Financial Accounting Standards Board
FR	Financial Reporting
FM	Facilities Management
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
ICGN	International Corporate Governance Network
IFRS	International Financial Reporting standard
IIRC	International Integrated Reporting Council
IR	Integrated Reporting
ISAE3000	International Standard on Assurance Engagements 3000
ISO	International Standards Organisation
MDG	Millennium Development Goals
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
PHRD	Public Health Responsibility Deal
SASB	Sustainability Accounting Standards Board
SBSC	Sustainable Balanced Scorecard
SME	Small Medium sized Enterprise
SRG	Sustainability Reporting Guidelines
SRI	Socially Responsible Investment
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environmental Programme
UNGC	United Nations Global Compact

UNPRI	United Nations Principles of Responsible Investment
WRAP	Waste and Resources Action Programme

GLOSSARY

Term	Meaning within this study
Client	The organisation that has a contractual relationship with the foodservice operator for the provision of services
Commentaries on reporting	This guidance offers advice as to the possible content of, or objectives of reporting
COP	Communication on Progress – the reporting requirement of the UN Global Compact
Customer	The consumer of the product produced or supplied by the foodservice operator. In a business environment this will be an employee for the client
Facilities Management	The provision of catering and other services such as cleaning, security, or building management services to clients in the private and public sectors.
Foodservice	This is the provision of meals outside the home
Foodservice operator	This is an organisation that provides a foodservice operation and which may also offer other facilities management services
Guidance setters	Those organisations that produce guidance relating to CR reporting.
Guidance specifically relating to reporting	This guidance provided by organisations that seek to offer guidance that specifically relates to reporting
Performance Indicators	This is a term used in the Sustainability Reporting Guidelines (GRI). Performance Indicators elicit comparable information on the economic, environmental, and social performance of the organization.
Site manager	An employee of the foodservice operator who manages the operations at a client site on a day to day basis.

CHAPTER 1 INTRODUCTION

1.1 A Changing World

The world is facing several significant social, ethical and environmental challenges. It is increasingly recognised that the resources on which both people and business are dependent are limited (WWF, 2010). The Population Reference Bureau predicts that the world's population will have increased to 9 billion people by 2050 (PRB, 2010) and that this growth in population will place additional pressure on resources such as land, energy and water. The population is predicted to grow most rapidly in the emerging economies (PRB, 2010) and as this population grows the rural population will become increasingly urban as people move to the cities. The increase in urbanisation is associated with an increase in wealth, which in turn, leads to increased consumption (WWF, 2012). For example, it is predicted that the more wealthy sections of these populations will adopt a more Western style diet, rich in meat and dairy products, which is more resource intensive than cereal based diets (CFS, 2014). Thus the additional pressure on the available resources comes from both the increasing population and a population that consumes more resource per capita. The Ecological Footprint seeks to assess "how much of the biological capacity of the planet is required by a given human activity or population" (Global Footprint Network, 2015). The Global Ecological Footprint indicates that we are currently consuming 50% more resources than the Earth can provide. Assuming the current patterns of resource consumption continue and that the population increases as expected, by 2030, the Global Ecological Footprint will show that these levels of global consumption require double the earth's resources (WWF, 2012).

In addition to the pressure on resources resulting from an increase in global population, climate change will have an impact. It is recognised that climate change will result in an increased number of extreme weather events such as droughts, floods and hurricanes and these will also have an impact on the availability of resources (IPCC, 2014). As the link between greenhouse gas emissions and climate change is recognised the use of fossil fuels and other activities that make a significant contribution to climate change (of which meat and dairy production are a significant proportion) are increasingly scrutinised. The attention of non-governmental organisations (NGOs), governments, consumers and other stakeholders is shifting from the industries that use large quantities of energy and that have traditionally been considered major polluters to other sectors (CDSB, 2013a). This has in turn encouraged a wider range of business sectors to not only take steps to reduce their ecological impacts, but also to make information about their initiatives available in the public domain.

This increase in publically available information illustrates the changing nature of the relationship between business and society as commented on by Carroll (1979) and reinforced by a number of consultancy companies, including KPMG (2013a). This relationship has changed, in part, as a result of technological developments. Customers, suppliers, employees, shareholders and NGOs have far greater access to information from a variety of sources and people are able to disseminate information about the performance of particular organisations more widely (Tapscott and Ticoll, 2003). Whilst in some jurisdictions, some elements of CR reporting can be considered mandatory for some organisations, the majority of CR reporting is a voluntary exercise. Businesses therefore choose to produce a CR report and there are potentially a variety of motivations for doing so. The terms used to describe this broader form of reporting vary and can include phrases such as corporate responsibility, corporate social responsibility, corporate citizenship, environmental and social, responsible business and sustainability reporting. In this thesis the phrase Corporate Responsibility (CR) reporting will be used.

1.2 Foodservice Sector

Much of the current research on CR reporting has focused on industries that are seen as potentially harmful to society; the extractive industries, sectors that consume substantial quantities of energy, significant polluters or tobacco companies that manufacture products that are damaging to health. CR reporting in the hospitality sector in general has received less attention (de Grosbois, 2012).

There has been a growing recognition in recent years that the social, environmental and ethical challenges facing the world will, however, have implications for businesses operating in the hospitality sector (BHA, 2014). The large multinational businesses operating within the hospitality sector are dependent on a global supply chain and the increased demand for, and pressure on, resources will result in price volatility throughout this supply chain (Foresight, 2011). Whilst in the UK there has recently been a fall in food price inflation, there have been predictions of a return to food price inflation (Foodservice Footprint, 2014).

The governmental response to these challenges results in increased regulatory pressure. The UK Government is seeking to increase low carbon energy generation and so has introduced a range of policies, including the Carbon Reduction Commitment, to encourage companies to change their practices to favour low carbon energy sources. The introduction of the Carbon Reduction Commitment results in higher energy costs which has implications for hospitality businesses (BHA, 2013). There has been much discussion as to the financial impact of these policies and the UK Government estimates that for business the impact is an increase of 5%-14% in the cost of gas and of 22%-30% in the cost of electricity (Department of Energy and Climate Change, 2013:48).

The hospitality sector is diverse encompassing a range of activities which include the provision of accommodation in a wide variety of formats, the production and provision of food also in a wide variety of formats and some elements of transportation such as cruise ships. Figure 1.1 shows the variety within the hospitality sector and its relationship with the travel and tourism sectors.

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Figure 1.1 The Relationship of Hospitality, Travel and Tourism

Source: Bohdanowicz (2003)

Within the sector, some sub-sectors have responded by producing CR reports and this CR reporting has been the subject of research (Section 2.4.1). The foodservice sector, defined as “the provision of catering and other facilities management services to clients in the private and public sector" (BHA, 2014:6) contributes £4.25 billion in revenue (BHA, 2014) to the UK economy. It is a complex environment in which there are 5 large businesses and the response of this sector to the changing environment is of interest.

Foodservice businesses that choose to produce a CR report have access to many sources of guidance from a range of organisations. This can take the form of principles, standards and guidelines or commentary on the possible form and content of reporting, and can be industry specific, generic, national or international. Having identified sources of guidance, organisations can then select which aspects, if any, of the guidance to follow. The foodservice sector has some distinctive characteristics which present particular challenges for CR reporting and so the aim of this study is to critically assess the existing guidance on CR reporting practice and to explore the relevance of this guidance to the UK foodservice sector.

1.2.1 Characteristics of the Foodservice Sector

A range of subsectors are recognised within the Standardised Industrial Classification as representative of the hospitality sector. At the 2 digit classification level, these include: SIC 55 Hotels, Camping sites and other provision of short stay accommodation and SIC 56 Restaurants, Bars and other food service activity. The British Hospitality Association breaks these activities down further into:

- hotels & related services (including camping grounds and other accommodation),
- restaurants & related services (including pubs, takeaway food shops, licensed clubs and motorway service areas, where hospitality services are the main activity for the latter),
- catering (including corporate hospitality/contract catering to both private clients (for example airlines) and public sector clients,
- in-house catering across non-hospitality direct sectors (such as health and education)
- event management (including conference and exhibition organisers)

(BHA, 2013)

According to the Department for Environment, Food and Rural Affairs, in 2013 consumers in the UK spent £84 billion in the catering (not retail) sector comprising restaurants, cafés and canteens, which represents £26.7 billion of GVA. The sector is also a significant employer with 1.4m people employed in 113,623 enterprises with a total of 437,581 outlets (DEFRA, 2013).

Foodservice, which has also been known as the catering sector, is the term commonly used to describe the provision of meals out of the home. The sector has traditionally been divided into two parts; the profit sector which comprises restaurants, pubs, hotels and leisure and the cost sector which comprises staff catering, education, health care, custodial (e.g. prisons), Ministry of Defence and welfare (e.g. old people's homes and meals on wheels) (IGD, 2005).

Horizons, a foodservice industry market research company, produced a breakdown of the foodservice industry (Table 1.1) which estimated sales in the staff catering sector were £2.46 billion for 2013 (Horizons, 2014).

Table 1.1 Sectors within the Foodservice Industry

Sector	Outlets	Meals Served (millions)	Food and drink purchases (millions)	Food and drink sales (millions)
Restaurants	29,090	729	£2,753	£10,565
Quick Service Restaurants	32,353	2,023	£3,094	£11,575
Pubs	44,377	816	£1,620	£5,264
Hotels	45,256	590	£2,135	£8,758
Leisure	19,968	519	£933	£3,840
Staff Catering	17,960	787	£1,105	£2,459
Health Care	32,116	986	£737	£912
Education	34,308	1,094	£858	£1,250
Services	3,071	257	£238	£270
TOTAL 2013	258,500	7,801	£13,473	£44,894

Source: Horizons (2014)

The boundaries between the cost and profit sector are now blurring as many organisation choose to outsource their staff catering functions (which were considered part of the cost sector) to foodservice operators who run these functions on a profit basis. These foodservice operators, which were previously known as contract caterers, now provide a wider range of services (such as cleaning and security) and so are known as facilities management companies. The facilities management sector is a significant part of the UK hospitality industry as this sector contributes £4.25 billion in revenue (BHA, 2014).

Throughout this thesis the term foodservice operator will be used to describe an organisation providing catering and facilities management services across a spectrum of different organisations (the clients of the foodservice operator).

Foodservice operators are part of a complex business environment. They are dependent on a complicated distribution network with several possible entities in the supply chain. Figure 1.2 provides an overview of the distribution network.

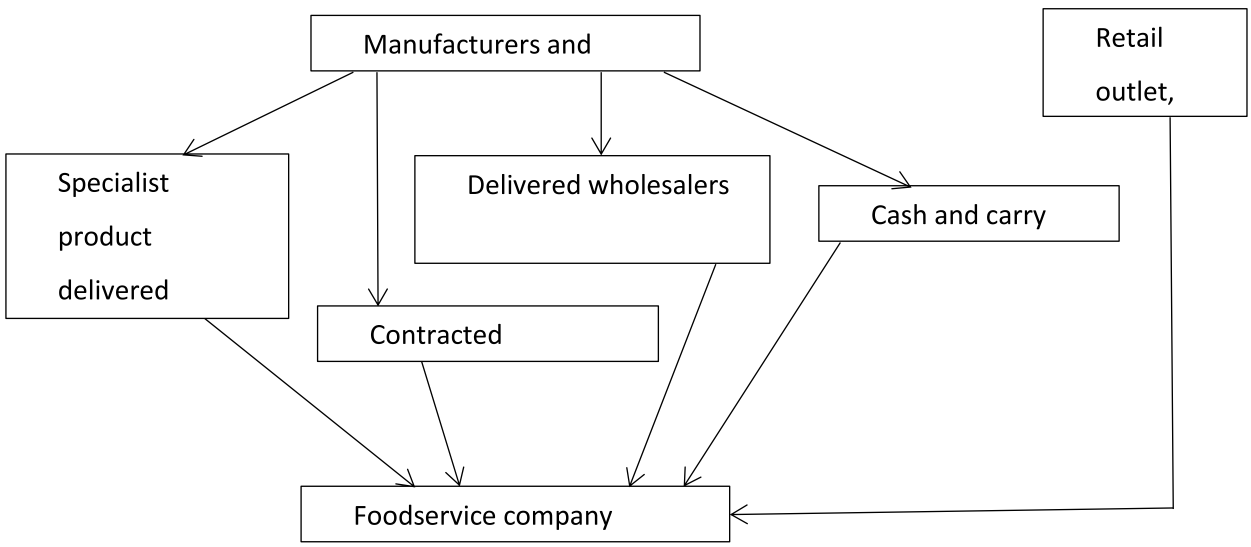


Figure 1.2 Foodservice Distribution Network

A foodservice operator can be supplied through a variety of different channels. The delivered wholesalers, for example Bidvest 3663 and The Brakes Group, deliver a wide range of produce that they have sourced from manufacturers, suppliers and possibly other agents. However, for some provisions, such as meat, fish, cheese, coffee and snacks, a foodservice company may choose to use a specialist product delivered wholesaler.

An alternative source of supply is through a cash and carry outlet that offers a "supermarket" service for foodservice operators, the cash and carry outlet having been supplied by the manufacturers (Peck, 2009).

It is possible for a foodservice operator, generally the larger businesses, to negotiate directly with the manufacturer. The manufacturer fulfils the contract through specialist companies which may be a division of delivered wholesalers. This is known as contracted distribution. A foodservice operator may, of course, use a retail outlet such as a supermarket, fresh produce market or farm (IGD, 2005).

The complexity of the supply chain for a particular foodservice operator is influenced by the nature and size of that operator, so a small owner managed operator providing the catering in a small number of locations will potentially use a combination of general and specialist delivered wholesaler and a cash and carry, whereas a large multinational organisation is likely to enter into contracted distribution agreements with a number of manufacturers and suppliers. For most multinational foodservice businesses, supply chain contracts are commercially sensitive, tightly negotiated and dictate the range of choices available to individual units via a centralised procurement database.

The complexity of this supply chain has been highlighted recently. In January 2013, the Food Safety Authority of Ireland reported that as a result of DNA testing they had identified that burgers retailed in the UK contained pig and horse meat. Following further testing in the UK, several meat products were withdrawn from sale due to contamination and a formal investigation was launched (FSA, n.d.). This incident highlighted the importance of traceability within the supply chain.

The foodservice environment is unusual in as much as foodservice businesses are contracted by clients to provide services to their customers. The operator therefore has a contractual relationship with a client to provide a given level of service (ranging from a catering function through to a full facilities management service). This contract will specify the nature of the product delivered and the client may insist on particular features. The clients of foodservice operators are also often global businesses and so are subject to scrutiny regarding their business practices. The client's approach to CR may therefore influence the nature of the product delivered by the foodservice operator. For example, a client may require, as part of their contract, the provision of Fair Trade beverage products, or that only specific types of fish are used.

The foodservice operator delivers their service in the client's premises. The client may, or may not own the premises, and may have more or less control over decisions relating to the premises. The foodservice operator will be required to operate within the constraints of the premises and may not in a position to specify the nature of the contracted building services such as refuse collection or utility supplier (BHA, 2014). This means the foodservice operator may not have the facility to dispose of separate waste streams, or to collect information about the quantity of waste generated by the foodservice operation itself. The foodservice operator will, of course, be required to follow any local legislation. For example, if the operation is in Scotland, then the regulations relating to the disposal of waste, including food waste, must be adhered to. The Scottish Government's Zero Waste Plan seeks to minimise the amount of waste disposed of in landfill sites. From 1.1.2014 businesses, except those operating in rural areas, which produce more than 50kg of food waste per week are required to separate waste streams so that food waste can be collected separately (Scottish Government, 2013). The foodservice operator will therefore have different arrangements in different regions of the UK.

As part of their operations, the foodservice provider will consume resources such as water and energy. These resources are supplied to the premises and are usually paid for by the client. If the foodservice operator wants to measure the resources that they have used in their operations, the resources will need to be supplied through a separate sub-meter. This arrangement, of sub-metering, is unusual and so the foodservice operator is unlikely to be able to measure their own resource consumption. This has implications for the extent and nature of the data regarding resource use that can be reported.

The foodservice operator may also not have complete control over the equipment that is provided by the client. The premises in which the client operates may have an established facility which is used by the foodservice operator for the delivery of the contract. Even when equipment is replaced, the foodservice operator may not have any input into the decision, as the premises manager or property owner will make that decision.

The hospitality industry, which employs 7% of the working population, is recognised as one in which historically there has been a high turnover of staff and relatively low salary levels (People 1st, 2013). The industry also reports some recruitment difficulties and employers are focusing on how to engage and retain staff (People 1st, 2013). Within the UK, there has been increased scrutiny of the number of women in senior positions in companies, and Davies (2011) concluded that the growth in the proportion of women on listed company boards was too slow, and that companies should make enhanced disclosure in their corporate governance statements. The use of zero-hours contracts has generated some political debate in the UK and these types of contracts are used within the hospitality sector (Big Hospitality, 2013).

Employers, in the UK, are legally required to pay the minimum wage but there is growing interest in the Living Wage (People 1st, 2013). The Living Wage is calculated with reference to the cost of living in the UK and business will pay this rate voluntarily (Living Wage Foundation, n.d.a). As at November 2014, none of the large foodservice companies appear on the list of Living Wage Employers (Living Wage Foundation, n.d.b) suggesting that the Living Wage has not been adopted by the foodservice sector. The guidance provided by the Living Wage Foundation indicates that having considered directly employed staff, organisations should then review the arrangements with suppliers and the expectation is that when contracts are reviewed the Living Wage is considered. It is therefore possible that over time there will be increasing pressure of the foodservice sector to adopt this practice.

The nature of the customers of the foodservice operator will be dependent on the nature of the contract. In a school environment, the customers of the foodservice operator will be the pupils and staff at the school, in a business environment the customers will be the employees of the client. These customers will potentially be aware of CR reporting by other businesses in other sectors. Some businesses within the retail sector produce comprehensive CR reports, for example Marks and Spencer Plan A (Marks and Spencer, 2014) and the Co-operative Group (2013).

Whilst there is a contractual arrangement between the client and the foodservice operator, the foodservice operator may also seek to engage with the community in which it operates. For the foodservice operator, this community comprises the employees of the client and to engage with this community the foodservice operator may support particular initiatives, for example, local or national charities. The foodservice operator may also facilitate the engagement of its staff with charities specifically related to the foodservice sector such as Fairshare. Fairshare is a charitable organisation that works with the food industry, predominantly supermarkets, to redistribute their food surpluses to those in need through other charitable organisations (Fairshare, 2014). This charity relies on volunteers for much of its labour in the distribution depots.

The evaluation of the foodservice sector demonstrates that this environment is complex and the foodservice operator may not have access to data that is readily available to businesses in other sectors. These factors will influence the nature of the CR reporting undertaken by businesses in this sector.

1.3 Research aims and objectives

The foodservice sector makes a significant contribution, £4.25 billion in revenue, to the UK hospitality industry (BHA, 2014). The foodservice sector is a complex environment which potentially presents some challenges to those businesses that do choose to produce a CR report. CR reporting in the sector has not been the focus of academic study.

Therefore, this study aims to fill this gap by:

> critically assessing existing guidance on CR reporting practice and exploring the relevance of this guidance to the UK foodservice sector

In order to achieve this aim, the following objectives were set for the study

- To critically analyse the existing guidance relating to CR reporting practice from a critical realist perspective

- Through semi-structured interviews with individuals closely associated with the foodservice sector, explore how the key issues facing the foodservice sector are and could be reflected in CR reporting
- To evaluate the CR reporting produced by one of the multinational foodservice business operating in the UK, focusing on the 2013 CR report
- To make recommendations as to how CR reporting might be developed in the future and how CR reporting in the foodservice sector might be improved

In critically assessing existing guidance on CR reporting practice and exploring the relevance of this guidance to the UK foodservice sector, this study sought to address the following research questions and so make several contributions to knowledge.

- What does an analysis of the social construction of CR reporting reveal about motivations for reporting?
- To what extent is the existing CR reporting guidance appropriate for the foodservice industry?
- Given the social construction of CR reporting, what evidence is there for an overlap in stakeholder and legitimacy theories?
- How relevant is the CR guidance relating to setting the boundary of CR reporting to the foodservice sector?
- To what extent does the existing CR reporting construction provide a mechanism that is useful for managerial decision-making in the foodservice sector?

1.4 Research methodology

The research philosophy of this study is that of critical realism. Critical realists believe that the constructed world is independent of the researcher and that within this world the relationships between people and institutions are socially constructed Fleetwood (2004). Within this social construction there are mechanisms that determine actions (Bisman, 2010) and research that takes a critical realist perspective seeks to explore these mechanisms. In this study, it is recognised that CR reporting is informed by the mechanisms within the social construction of CR reporting. CR reporting is predominantly a voluntary exercise and managers choose what information to convey through their CR report. The report is therefore influenced by factors in the local, national and global environment in which the business operates. This study, therefore, considers CR reporting to be a social construction. The development of critical realism as a research philosophy, and its relationship with social construction, is explored in section 4.3.

As this study seeks to critically assess existing guidance on CR reporting practice and to explore the relevance of this guidance to the UK foodservice sector, it involves an exploration of the social construction of CR reporting. This recognises that CR practice does not evolve and develop separately from societal norms, stakeholder pressures, regulation, guidelines, awards, the informal infrastructure generated from pioneering companies and professional and academic opinion.

In order to explore the social construction of CR reporting, this study adopts a thematic analysis of qualitative data. This thematic analysis is informed by the themes identified through a critical review of the literature and two semi-structured interviews conducted with two organisations operating in the foodservice sector which are recognised as leaders in the field of CR practice. An overview of the research process is presented in Figure 1.3.

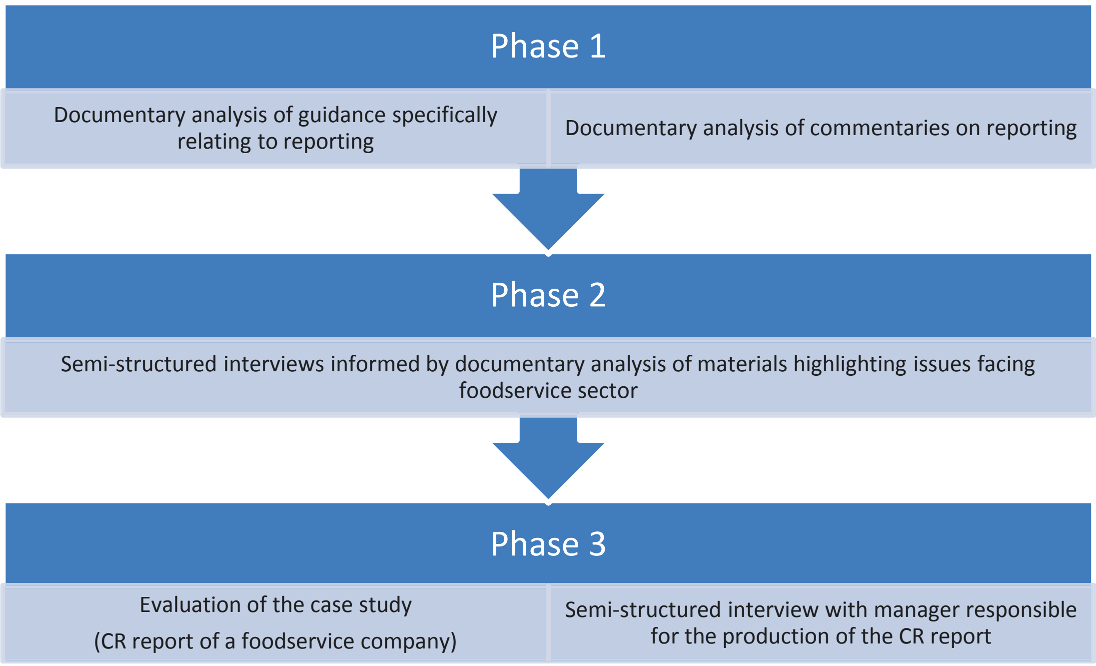


Figure 1.3 An overview of the research process

The study was conducted in three phases;

Phase 1

Having identified themes from the literature review and initial interviews, the first phase of the research involved a critical analysis of these themes within the guidance specifically relating to reporting and commentaries on reporting. As the researcher was working in an inductive manner, she was also open to themes that might arise from the data themselves.

Phase 2

In order to explore the possible form and content of CR reporting, the second stage of the research involved a series of semi-structured interviews with nine individuals associated with the foodservice sector, for example, British Hospitality Association, Food Ethics Council, Soil Association, Sustain, Sustainable Restaurant Association. These interviews were informed by a documentary analysis of materials relating to the foodservice sector. The data collected was then analysed using the identified themes.

Phase 3

The final stage of the research was the evaluation of the CR reporting of the case study company. An interview was also conducted with the manager responsible for the preparation of the report.

1.5 Outline structure of the thesis

This thesis is divided into a further six chapters:

Chapter 2 presents a review of the academic and professional literature to analyse possible motivations for the production of a CR report. This analysis revealed a range of motivations existed and that these motivations could be placed on a continuum, ranging from normative to strategic or managerial motivations. Both legitimacy theory and stakeholder theory have been used to explain CR reporting and there is recognition of the overlap in these theories.

This chapter presents an explanation of how these theories can be seen to overlap.

Chapter 3 presents a review of the development of CR reporting guidance and the emergence of international accountability standards. Different forms of CR reporting guidance have emerged and these contribute to the social construction from which an organisation's CR reporting emerges.

The themes used in data analysis were identified through this review of both academic and professional literature.

In Chapter 4 the research methodology adopted is discussed. The possible philosophical approaches to the research are considered, the research approach is explained and the methods adopted are justified. The approach to the analysis of data and the concept of quality in the context of this study are explained.

Chapters 5 and 6 contain an evaluation, interpretation and discussion of the data collected. Chapter 5 focuses on the themes relating to the objectives and motivations for reporting. The evaluation of the data arising from the documentary analysis of the reporting guidance revealed a range of objectives of reporting. These objectives ranged from normative to managerial and so provided evidence of the continuum of motivations identified in the literature review. This chapter presents the evidence of how legitimacy theory and stakeholder theory can be seen to overlap.

Chapter 6 considers themes relating to the nature and content of the reporting. The evaluation of the data presented in this chapter demonstrates that the CR reporting guidance has appropriated concepts from financial reporting and that these concepts may not be wholly applicable. The extent to which existing CR reporting guidance addresses the complex environment of the foodservice sector is also considered.

Chapter 7 presents the contributions to knowledge made by this study. There are two theoretical contributions to knowledge and two contributions to knowledge of the foodservice sector. Areas for further research suggested. The thesis concludes with a personal reflection of the doctoral experience.

CHAPTER 2 THE DEVELOPMENT OF CR REPORTING AND THEORETICAL DEBATES

2.1 Introduction

This chapter introduces the concept of Corporate Responsibility (CR) reporting. It traces the origins and development of CR reporting and considers the current reporting practice of multinational corporations generally and in the foodservice sector specifically. The reasons why businesses might choose to undertake this form of voluntary reporting are explored through an analysis of both the academic literature and the professional literature produced by those working in the field of CR reporting.

There is significant interest in CR reporting from the large accounting and consulting firms, such as Accenture, Deloitte, Ernst & Young, KPMG and PriceWaterhouseCoopers as well as more specialist sustainability consultancies, such as SustainAbility, Context and terrafiniti. These large advisory firms and specialist consultancies provide advice relating to the development and implementation of corporate social responsibility and sustainability strategies, are actively involved in writing CR reports for businesses and assure some forms of CR reporting. These organisations undertake some research providing information relating to the nature and extent of reporting. For example, KPMG publish a triennial review of the nature and extent of global CR reporting practice (KPMG, 2013a; KPMG, 2011). These specialist consultancy firms are also commissioned by other agencies, such as the United Nations Environmental Programme (UNEP), to undertake research activities relating to particular projects. For example, the United Nations Global Compact (UNGC) commission Accenture to research the views of senior executives on issues relating to sustainability and reporting practice (Accenture, 2013; Accenture, 2010). These consultancies also contribute to the development of standards and guidance by responding to the consultations undertaken by various organisations issuing guidance.

When seeking to explore the possible motivations for reporting, academics have applied explanatory theories from a variety of sources. The most common theories are:

- Agency theory, which considers the relationship between business and society as one of principal and agent, and CR reporting as a monitoring device;
- Political Economy Theories, which explore the nature of the political and societal framework in which business operates, and how institutions respond to this;
- Legitimacy Theory which explores the strategies business adopts to preserve its licence to operate within society, and how CR reporting is used to manage perceptions of legitimacy;
- Stakeholder Theory which explores the strategic management of stakeholders by managers and views CR reporting as a mechanism for dealing with stakeholder interests and demands.

Legitimacy theory and stakeholder theory are the predominant theories used to explain CR reporting (Stanton and Stanton, 2002; Spence et al., 2010) and so these theories have been reviewed in this chapter. The relationship between the information that is used for managerial decision making and that used for external reporting purposes (Burritt and Schaltegger, 2010) has also been evaluated.

2.2 The Development of CR Reporting and CR Reporting Research

CR reporting has developed over time and the change in emphasis in the content of CR reporting over the last four decades have been reflected in the changing titles given to the various reports produced by organisations. Reports have, for example, variously been called “Corporate Social Responsibility”, “Corporate Responsibility”, “Corporate Citizenship”, “Sustainability”, “Responsible Business” or “Integrated Reports”’. The nomenclature used is still changing and KPMG (2011) noted a move away from the descriptor sustainability reporting to environmental, social and governance disclosure. Academics working in this field have also adopted various terms and over time this area of study has been known as Social and

Environmental Reporting (SER), Social and Environmental Accountability and Reporting (SEAR) and Social and Environmental Accountability (SEA). This is evidence that CR reporting practice is evolving and that the CR report published at a point in time emerges from the social construction of that time.

Whilst the term Corporate Social Responsibility (CSR) has been widely adopted by business there has been considerable variation in the interpretation of the concept (Freeman and Hasnaoui, 2011). In the USA, for example, there has been a focus on the philanthropic aspects of corporate social responsibility, whereas, the European Commission defined CSR as “the responsibility of enterprises for their impacts on society” (European Commission, 2011:6). Okoye (2009) argued that this continuing inconsistency in the definition of the term CSR is evidence that corporate social responsibility is an essentially contested concept. As such, there will not be a consensus as to the definition, but there should be a shared understanding of the common ground. An understanding of this common ground informs the CR reporting of business.

There have been several authoritative reviews of the development of CR reporting and the associated research in this area (Gray et al., 1995; Matthews, 1997; Parker, 2005, and; Owen, 2008).

In his comprehensive review of the literature, Matthews (1997) suggested that CR reporting in the period 1971-80 was concerned with broad social issues including disclosures relating to employees and there was interest in forms of social accounting, such as the social audit. The social audit was developed as a means of measuring the social performance of business and was adopted by companies such the consulting firm Abt (Carroll and Beiler, 1975). Some Non-Governmental Organisations (NGOs) used this concept as a mechanism for critically appraising the performance of companies. For example, the International Federation of Chemical, Energy, Mines and General Workers Union produced a more critical report on the environmental performance of Rio Tinto as an alternative to the company’s Annual Report (Henriques, 2001). In the UK, organisations such as Traidcraft and The Body Shop pioneered the use of the social audit as a means of reporting on their social and environmental performance and some of those who worked on these projects then formed the Institute of Social and Ethical Accounting to further develop accounting and reporting in this area (Henriques, 2001).

CSR was included in a three dimensional conceptual model of corporate performance which sought to articulate the relationship between business and society (Carroll, 1979). Social responsibility was one dimension of this model and Carroll (1979) stated that business has four levels of social responsibility; an economic responsibility to make a profit, a legal responsibility to adhere to relevant laws, a non-mandatory ethical responsibility to adhere to societal norms, and a non-mandatory discretionary or philanthropic responsibility to act in such a way as to benefit society. In addition to assessing social responsibility he argued that a business must also identify the social issues involved and decide on a response philosophy which might range from ‘do nothing’ to a proactive response.

Early research into CR reporting was characterised by descriptive, often quantitative analysis of the information disclosed, in an attempt to identify relationships between the nature of disclosure and the characteristics of the reporting company (Matthews, 1997). Variations in reporting practice across geographical locations were recognised and it is noticeable that the majority of studies of CR reporting are set within a defined geographical area, for example, O’Dwyer, (Ireland), O’Donovan (Australia) and Gray (UK). This is evidence of the highly contextual nature of reporting practice which is consistent with CR reporting being seen as a social construction, reflecting the environment in which the organisation operates.

Recognising that CR reporting is a social construction emerging from the environment in which the business operates the geographical area for the study must be defined. As the aim of this study is to critically assess existing guidance on CR reporting practice and to explore the relevance of this guidance to the UK foodservice sector, the defined geographical area for the current study is the UK. Research focused on industries that were seen as either significant polluters, for example, the extractive industries such as mining, oil and gas sectors, or those industries involved in activities perceived as less socially acceptable, such as tobacco companies. Researchers adopted social contract theory and legitimacy theory to define the relationship between business and society (Matthews, 1997). For example, Gray et al. (1995) demonstrated that within the UK there was a significant rise in disclosure relating to environmental issues which continued into the 1990s. Patten (1992) identified a similar phenomenon, an increase in the quantity of environmental disclosure, in the US oil and gas sector, following the 1989 Exxon Valdez oil spill.

The number of companies undertaking some form of CR reporting continued to increase in the late 1990s and 2000s with the focus extending beyond environmental disclosure (Matthews, 1997). CorporateRegister.com, an organisation that maintains a database of CR reports and which categorises reports based on content, found that in 1992 the proportion of CR reports focusing on exclusively environmental issues was 60% whereas by 2002 this had fallen to 45%. In this period there had been a corresponding increase in the proportion of reports including community and social issues along with environmental issues (CorporateRegister, 2013). This indicated that the range of issues included in CR reporting was increasing.

A positivist stream of research developed as Wood (1991) further developed Carroll's (1979) model of corporate social performance by considering corporate social performance from a systems perspective. In this model, the principles of social responsibility are considered as inputs into a range of processes, such as environmental scanning, stakeholder management and public affairs management, which result in outcomes. The resulting outcomes can be measured and so the impact of these processes can be evaluated. As this model of corporate social performance identified financial performance as an outcome, there have been numerous attempts to prove the existence of a direct relationship between corporate social performance and financial performance. Wood (2010) provided a comprehensive review of this stream of research.

As well as the development of this positivist research seeking to prove the relationship between corporate social performance and financial performance, CR reporting was explored from either a managerial perspective or a range of critical perspectives, such as Marxist political economy theory, feminist or deep green ecology perspectives (Parker, 2005; Gray et al.,1995). Those working from critical perspectives concluded that the existing forms of accounting for and, reporting on, sustainability which are derived from traditional managerial reporting are not fit for purpose (Aras and Crowther, 2009; Gray and Milne, 2002; Gray et al., 1995). The critical theorists, therefore, proposed that there should be new forms of reporting which seek to evaluate the social and environmental impacts of business activities at a societal or geographic level. Nikolaou and Evangelinos (2010) argued that in order to fully assess the impact of business activities new and different forms of accounting such as life cycle costing, full cost accounting, life cycle analysis and environmental balance sheets are required.

From the managerial perspective, CR reporting was considered as an addition, or augmentation, to the existing conventional accounting and reporting and theories such as legitimacy theory and stakeholder theory were used to analyse CR reporting. The main criticism levelled at the augmentation theories was that reporting is produced for those with a financial interest in the business (Parker, 2005). An example of this approach is the concept of triple bottom line reporting (Elkington, 1997) in which business performance was measured with reference to its financial, environmental and social/ethical performance. Elkington (1997) advocated that by focusing the attention of management on these three areas the overall business performance would be improved and so the triple bottom line is considered to be based on a philosophy that accepts the current role that business has in society (Matthews, 2008). The suggestion that the environmental and social/ethical performance of a business could be measured and aggregated into a single result which was analogous to a profit figure, was considered fundamentally flawed by Norman and MacDonald (2004). Gray (2006) concurred, as he recognised, that in this approach to CR reporting, the economic perspective was likely to dominate as the implications of social and environmental activities would be assessed in terms of their impact on economic activities.

The range of activities included within CR reports has continued to expand. Kolk and Pinkse (2010) found that in the USA, a number of larger (Fortune Global 250) companies chose to include information relating to governance within their CR reporting. They suggested that reporting will continue to develop in this area as multinational companies seek to address calls for greater transparency. This call for greater transparency might be considered a response to the financial scandals at Worldcom in 2002 and Enron in 2001, and the near collapse of the financial markets as a result of the failure of Lehman Brothers in 2008. Since then, there have been further revelations in the UK regarding the manipulation of the inter-banking lending rate, LIBOR, which emerged in 2012, and the scrutiny of the levels of UK corporation tax paid by multinational corporations such as Starbucks, Google and Amazon in 2013 (Barford and Holt, 2013).

Spence et al. (2010) suggested that if research into CR reporting is considered in isolation, then the discussion is limited as it ignores the business practice. A future focus of work, therefore, should be with both management and those around the organisation. This echoes the calls by others (Gray, 2002; Owen 2008) who suggested that one way in which the field can move forward is through the contributions made by researchers engaging with those in practice. Parker (2005) supported this sentiment and called for researchers to be engaged with business in order to promote change in both organisations and in policy.

A more recent development has been that of Integrated Reporting (IR). The concept of IR was developed by the Prince of Wales' Accounting for Sustainability project which, in 2009, called for the establishment of an International Integrated Reporting Council (IIRC) (Accounting for Sustainability, n.d.). IR is defined as "a concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term" (IIRC, 2013:7). It is claimed that Integrated Reporting can address some of the weaknesses in current CR reporting by offering an account of how the use of a broad range of what are known as capital bases are used to create value in the short, medium and long term. The capital bases considered are financial, manufactured, human, intellectual, natural and social capital. The IIRC launched an international pilot programme in 2011 through which it developed an International Integrated Reporting Framework, the final version of which was published in

December 2013. Since then, interest in IR is growing (KPMG, 2013b), in part, as it has been adopted as a listing requirement by the Johannesburg Stock Exchange, South Africa (SA). This has led to a growth in the production of integrated reports, although the quality has been seen as variable (CorporateRegister, 2013). IR has not been widely endorsed outside SA and KPMG (2013b) suggested that, as yet, the concept is having a limited impact. Accenture (2013) supported this view as the CEOs they surveyed reported that there was limited progress on the integration of sustainability issues with financial information. This managerialist approach to CR reporting also allowed management to subvert the CR reporting agenda for their own ends in a process known as managerial capture (Ball et al., 2000). Those critical of current CR reporting have expressed concern that IR is another development in reporting that has been captured by corporate interests (Deegan, 2013).

Whilst acknowledging that the critical perspective seeks to challenge the status quo, this study adopts a managerial perspective. CR reporting is seen as an addition to other forms of reporting, such as, financial reporting and the study seeks to explore how the CR reporting of a major foodservice operator is influenced by the guidance on reporting produced from a range of sources.

2.3 Current CR Reporting Practice

There continues to be an increase in the amount of CR reporting undertaken by companies (CorporateRegister, 2013) and surveys undertaken by the major consultancy firms working in this area provide evidence of current reporting practice. The latest KPMG survey (2013a) reviewed the extent of CR reporting of the largest 250 companies globally and then identified trends in reporting by analysing the CR reporting of the largest 100 companies operating in 41 countries. KPMG also conducted a survey of CEOs through which they sought to understand business leaders' opinions on reporting. Following this latest survey, they concluded that "CR reporting is now undeniably a mainstream business practice worldwide" (KPMG, 2013a:11) as 93% of the world's largest 250 companies produce some form of CR report. The content of CR reporting has evolved over time and now, in addition to environmental reporting, there is an expectation that

CR reports will also consider social and community issues, ethics and human rights, gender issues, and relationships with the supply chain (CorporateRegister, 2013).

At a national level, the number of companies reporting is also increasing, and KPMG suggested that this will lead to increased pressure on those who choose not to report (KPMG, 2011). This is consistent with the findings of Kolk (2005) who identified that one of the reasons given by CEOs for not producing a CR report was that competitors were not doing so. As reporting has become more widespread, CEOs recognise that their competitors are producing reports and so they are more likely to also report themselves. Thorne et al. (2014), having surveyed Canadian companies, found that keeping up with competitors was less of a factor in the motivation to report than stakeholder pressure, however, within the UK peer pressure has been recognised as a motivation for reporting (Collison et al., 2009; Spence, 2007).

At a national level the local regulatory environment still has a significant impact on the uptake of CR reporting (KPMG, 2013a). For example, Denmark has seen a significant increase in reporting as a result of the Amending the Danish Financial Statements Act (Accounting for CSR in large businesses) which requires large companies to report on their CSR practices or explain why they choose not to report (KPMG, 2013b). In a global context, Europe, and the UK in particular, is considered to have a mature CR reporting environment and UK companies are generally recognised as producing some of the highest quality CR reports (KPMG, 2013a).

The size of the company appears to influence the likelihood of CR reporting. Companies with revenues of more than US$ 50 billion are twice as likely to report as those with revenues of less than US$5 billion (KPMG, 2011), and much of the emerging mandatory regulation is focused on large companies (KPMG, 2013a). In 2011, KPMG found that reporting was most prevalent amongst publically owned companies with 69% of listed companies in the world undertaking some form of reporting, and that, increasingly, stock exchange listing required some form of sustainability reporting (KPMG, 2011). Stock exchanges in some developing economies have adopted this approach, for example, a listing on the Johannesburg

Stock Exchange, South Africa, requires the production of an Integrated Report. Another means by which elements of CR reporting can be made mandatory is through the regulation of state owned companies. This approach has been deployed in Sweden, India and Russia (KPMG, 2013a) Historically companies which have a restricted ownership, such as family firms, or those financed through private equity, are least likely to report (KPMG, 2010). However, there has been an increase in the amount of CR reporting undertaken by the small and medium sized enterprise (SME) sector and this might be the result of pressure applied by larger multinational corporations who require some form of CR reporting by their suppliers (KPMG, 2013a).

Whilst CR reporting can be considered as primarily a concern of Western society (van der Lann, 2009), there is a growing interest in CR reporting in developing countries as it is argued that these developing nations, who are often dependent on the foreign investment derived from large multinational corporations, are less able to regulate the behaviour of these companies (de Jonge, 2011). Furthermore, Barkemeyer (2011) argued that the concerns of those operating from a western context prioritise the environmental dimension of CR performance over the socioeconomic dimension that is of importance to those from in a developing economy context. China has also seen a significant rise in the level of reporting (KPMG, 2013a). This might be the result of some elements of mandatory CR reporting such as the Environment Information Disclosure Act, and the listing requirements of the Shanghai Stock Exchange, but it might also be the result of the globalisation of trade as Western organisations are expected to demonstrate greater transparency in their supply chains, which might be located in a non-Western environment.

Business must comply with the legal requirements of the jurisdiction within which they operate. It is therefore appropriate to consider the approach of the UK Government to social and environmental reporting by business. The approach has been somewhat confused. In March 2005 the legal obligation for public companies to report on their social and environmental performance through the Operating and Financial Review (OFR) came into force. However, this was abolished in

November 2005 and was replaced by the requirement for an extended business review which incorporated a requirement to disclose how the directors considered significant social and environmental issues within their decision–making (Rowbottom and Schroeder, 2014). However, the legislation regulating the production of information by companies, The Companies Act (2006), did not provide guidance as to what non-financial information should be included and the extended business review is not audited. Following a consultation on Narrative Reporting in 2010, the Department for Business, Innovation and Skills published a draft Regulation to amend the Companies Act (2006) which required companies to produce a strategic report, in place of the extended business review. From October 2013 publically quoted companies in the UK must produce a strategic report that includes information relating to environmental matters and social, community and human rights issues (Companies Act, 2006). This legislation takes a narrow perspective in that the information is provided so the user can assess the potential impacts on the future value of the business, rather than the impact of the businesses activities per se. The user, in this context, is the user of the financial information provided in the annual report and so this reporting is directed at the financiers (shareholders and creditors) of the business.

2.4 Research in CR reporting in the hospitality and foodservice sectors

When looking at the trajectories of the development of CR reporting, Kolk (2010) sought to identify trends within sectors. He classified multinational corporations as consistent reporters (who were early adopters and who have continued to report), late adopters (who started later but who have then consistently reported), laggards (who started publishing reports after the late adopters) and consistent non-reporters and inconsistent reporters, who publish intermittently. He found the global food and beverage sector had the highest proportion of laggards at 33% (Kolk, 2010:372). In KPMG's most recent survey (2013a) the rate of reporting in the food and beverage sector was 72% as compared to 84% in mining and forestry, pulp and paper. This sector analysis from KPMG is very broad, and the food and beverage sector included food processing and manufacture as well as hospitality operations. KPMG (2013a) observed that the gap between the sectors with the highest and lowest reporting rates has narrowed and suggested that this is evidence of a maturing reporting environment.

Research into CR reporting within the hospitality sector can be divided into two broad areas; research into the CR practices implemented by hospitality businesses and research into the reporting practice of hospitality businesses. When considering the CR practices implemented by hospitality businesses, research has focused on the practices associated with environmental management in a specific company context, for example, Hilton's "We Care" programme (Bohdanowicz et al., 2011) and Scandic's "Omtanke" programme (Bohdanowicz and Zientara, 2008), in a specific geographical context, for example, Spain (Bonilla-Priego et al., 2011; Martinez and Rodriguez del Bosque, 2013), Turkey (Erdogan and Baris, 2007) or a specific sector, family businesses in the rural tourism and hospitality sector (Carlsen et al., 2001). In their review of environmentally related research in hospitality, Myung et al. (2012) identified that the sector that had attracted the most scrutiny was the lodging (or accommodation) sector and that future research effort should be directed at an assessment of the potential financial benefits of environmental management practices, an exploration of the impact of training and development in this area and further work on the impact of environmental policies on consumer behaviour.

The lodging sector has also been the focus of research effort relating to CR reporting which de Grosbois (2012) argued has received less attention. Holcomb et al. (2007) considered the CR reporting of the top 10 hotel companies worldwide whilst Bohdanowicz and Zientara (2008) and Bonilla-Priego and Palacios (2008) focused on environmental disclosure. Jones et al. (2014) undertook a qualitative analysis of the sustainability reporting of the top ten global hotel chains and identified marked variations in practice. They concluded that the hotel chains studied adopt a managerial approach to sustainability reporting in which the potential benefits of efficiencies and competitive advantage are emphasized. Although four of the ten global hotel chains claim to follow reporting guidance, the reporting was predominantly narrative in nature and few precise targets were identified. There was very little recognition of the tension between sustainability practice and operational demands, or the tension between a commitment to sustainability and a business model that promotes continued growth.

De Grosbois' (2012) wider study of 150 global hotel companies involved quantitative content analysis which categorised the communication method used and investigated the nature of the CR commitment to 5 major themes (environmental goals, employment quality, diversity and accessibility, society/community wellbeing and economic prosperity). The nature of the commitment of each company was evaluated by reviewing the CR reporting on the company's website and considering whether a commitment to any of 33 predefined goals was reported, whether any specific initiatives related to the achievement of the goal were identified and whether progress towards achievement of the goal was reported. The results showed that 109 of 150 hotels reported some CR related information relating to some or all of the 5 major themes. However fewer companies provided this information in the form of commitments, and fewer still reported on progress relating to these commitments. It is interesting to note that the themes that were most frequently referred to were society and community well-being and employment quality. Within these themes, the more frequently reported goals (with over 50 companies identifying this) were the provision of fair wages and benefits, provision of opportunities for learning and development and improvement in the quality of life in the community. This suggests companies were promoting the 'social' rather than 'environmental' aspects of their CR effort. There has however been a limited amount of research into CR practice in the hospitality sector that has also considered the 'social' aspects of CR (Bohdanowicz and Zientara, 2009).

A study by Font et al. (2012) sought to assess both CR reporting and CR performance to explore the extent of a disclosure-performance gap in ten international hotel chains. For the analysis of disclosure, CR themes were identified and a content analysis of the reporting undertaken, whilst performance was evaluated through a questionnaire and site visits. It was concluded that whilst CR disclosure and performance had improved since the Holcomb et al. (2007) study, there was a gap between disclosure and performance. It was noted that the strength of the engagement in CR activities varied by theme, with greater engagement in environmental issues, and there was little acknowledgement of the impacts of the hotel's activities on the local community or discussion of sustainability within the supply chain.

There has been some research into the impact of the nature of ownership on CR activities. Singal (2014) investigated whether firms that were under family control such as Marriott, Hilton or Hyatt invest more in CR activities compared to non-family firms and whether the financial conditions in which the company operates influence these decisions. This study which used an Environmental, Social and Governance database (previously known as the KLD database[1])) to evaluate and quantify CR performance deduced that family firms do invest more in CR activities than non-family firms and suggested that this was as a result of improved financial performance associated with family firms, which then provided the resources for CR activities.

Small and medium sized enterprises (SMEs) are an important component of the hospitality sector as SMEs represent some of the lodging and much of the restaurant sectors (BHA, 2013). The research that has focused on SMEs rather than global, international chains is limited. As well as considering the relationship between CR practice and financial performance, Garay and Font (2012:335) identified that SMEs in a Spanish context undertook a range of other socio-economic practices such as "local development and heritage conservation, promotion of identity, civic attitudes and consumption of local products, recruitment of local workers, fair wages and gender equality". This supports the view that the range of activities that fall within CR, and that might therefore be reported on, has broadened.

[1] The KLD database is a CSR index of approximately 1100 US listed companies. Companies are judged according to exclusion screens (e.g. gambling, alcohol, tobacco etc.) and qualitative screens which rate CSR activity across a range of activities e.g. environmental, community, corporate governance etc.) The quality of engagement is not assessed, just the presence of some reporting, with scores of 0 or 1 imparted for each category.

Whilst much research has focused on accommodation, other subsectors have been considered. Research within the restaurant subsector has focused on the link between CR and financial performance (Kang et al., 2010; Kim and Kim, 2014; Lee and Heo, 2009). Recently there has been some consideration of the responsibilities associated with being a food provider in a society where there are rising levels of obesity. Jones et al. (2006b) made the connection between a response to the issue of diet related ill-health and CR, but found that the response from the top ten UK food retailers was varied. McCool and McCool (2010a) suggested that, as a result of the obesity crisis in the USA, foodservice providers, and in particular quick service restaurants, had a social responsibility to respond. They drew parallels between the current levels of obesity in the USA and previous public health issues of smoking and foodborne illness. They concluded that a foodservice operation should, as part of their commitment to CR, consider their marketing practices in particular advertising to children, portion-size modification, new product development and consistent nutritional labelling on menus (McCool and McCool, 2010b). Lee et al. (2014) concurred and provided empirical evidence that where restaurants provided healthy options and nutritional information customers perceived them to be socially responsible.

The foodservice sector is recognised as a challenging environment in which to undertake research, in particular for those undertaking qualitative research as there can be issues relating to gaining access, recruiting and selecting participants and collecting data, however this research is valued as it provides “depth and breadth of understanding” (Arendt et al., 2012:834).

2.5 Theoretical Perspectives on Voluntary Motivations for CR Reporting

Stanton and Stanton (2002) reviewed the theoretical perspectives taken by academics whose research on company Annual Reports was published in the period 1990-2000. They found that agency theory, accountability, political economy theories, legitimacy theory and stakeholder theory had been used to explore the possible motivations for reporting. Of these, legitimacy theory and stakeholder theory were the most prevalent and so have been reviewed.

2.5.1 Legitimacy Theory

When considering the motivations for the production of CR reports, the most widely used approach is legitimacy theory (Parker, 2005). Legitimacy theory is considered to have developed from institutional theorists, such as Powell and DiMaggio (1991) who recognized that organisations can be considered as open systems in which the boundary between the organisation and its environment is permeable. Therefore, the belief systems and cultural norms within society have an influence over organisations as information can flow across the boundary, and as a result the environment has an influence on the business. Business may also derive benefit from influencing its external environment. When considering the nature of the external environment, legitimacy theory does not question the structure of the environment as it assumes that society is pluralistic and that those in society can influence the activities of business (Gray et al., 1995). The concept of the social contract has been used to describe this relationship between business and society (Donaldson and Duffee, 1999; Deegan et al., 2002).

There are two seminal papers which consider the management of legitimacy: Lindblom (1994) and Suchman (1995). Legitimacy theory as reportedly defined by Lindblom (1994) has been used to explore and explain managerial action and in particular how managers use disclosure practice to gain societal support or approval. It should be noted, and as Spence et al. (2010) explained, the work by Lindblom appeared as conference proceedings but was not published in a peer reviewed journal. There is some confusion as to the date of publication with both 1993 (Spence et al., 2010) and 1994 (Deegan, 2007) being used. Attempts to trace this conference proceeding were unsuccessful, however, within the field of social and environmental reporting research, there is extensive reference to Lindblom's explanation of legitimacy theory (Gray et al., 1995; Deegan et al., 2002; Bebbington et al., 2008; Spence et al., 2010) and so an analysis is included here. Suchman (1995) developed a broader conceptual framework to consider legitimacy and how it might be managed.

Lindblom (1994:2), as quoted by Gray et al. (1995), defined legitimacy as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system". Given that legitimacy is defined with reference to the system in which it exists it can be considered a social construction. Gray et al. (1995) stated that Lindblom (1994) then identified a threat to an entity's legitimacy where a "disparity, actual or potential, exists between the two value systems". Therefore, if society's expectations of acceptable behaviour for particular sectors, or individual businesses, are not met a legitimacy gap is said to exist (Lindblom, 1994; Deegan et al., 2002).

Deegan (2007) stated that Sethi (1977) recognised that the origins of a legitimacy gap may result from the changing nature of society's expectations of organisations' behaviour or when society is made aware of previously undisclosed information about an organization. In order to close a legitimacy gap, or attain a state of legitimacy, organisations will develop legitimation strategies which can include the disclosure of information.

Gray et al. (1995) explained that Lindblom (1994:3) suggested that business might adopt one of four strategies to address a legitimacy gap and each of the strategies requires disclosure of information to 'relevant publics'. The organisation can:

- Seek to inform relevant publics about changes in activities so that these activities meet societal expectations. When, in response to societal pressure, the business has changed aspects of the way in which it conducts its business, it will want to inform the public of this. For example, a textile manufacturer may adopt the principles of the Ethical Trading Initiative in response to consumer or media concern about exploitation of child labour.
- Continue with activities, but seek to change the perceptions of relevant publics by providing false information about the activities. This is a dangerous strategy as consumer groups, NGOs or the media may seek to expose lies and double standards and this could lead to accusations of greenwash. Several large organisations have shadow websites that seek to present an alternative view of their operations. For example, the Tescopoly Alliance was created in 2005 to "highlight and challenge the negative impacts of Tesco's behaviour along its supply chains, both in the UK and internationally, on small businesses, on

communities and the environment" (Tescopoly, n.d.). NGOs, such as Greenpeace, see investigations, which "challenge government and corporations when they fail to live up to their mandate to safeguard our environment and our future" as a core aspect of their work (Greenpeace International, n.d.)

- Deflect attention from the contentious activity by promoting other more acceptable activities. For example, tobacco companies have promoted philanthropic activities whilst continuing to promote a core product that is considered by many to be less than legitimate.
- Seek to change societal expectations by demonstrating that the expectations are unreasonable. As a strategy this may or may not be successful. For example, Monsanto, a multinational biotechnology company that dominated the agricultural fertiliser, herbicide, pesticide and seed markets in America, spent years trying to convince the general public in Europe that genetic modification of plants was socially and environmentally acceptable (BBC, 2013), but this campaign backfired, resulting in an unprecedented demand for organic produce in Europe.

Each of the strategies reportedly identified by Lindblom (1994) requires management to react to the external environment through the disclosure of information as a result of the appearance of a legitimacy gap and so legitimacy theory is seen as reactive (Stanton and Stanton, 2002). Whilst Gray et al.'s (1995:54) analysis that Lindblom's use of the term 'relevant publics' suggested that she recognised the "classical political economy possibilities" in the use of legitimacy theory, it is generally recognised that legitimacy theory (as defined by Lindblom, 1994) falls within the bourgeois branch of political economy theory (Deegan, 2007; Spence et al. 2010). As the bourgeois branch of political economy theory involves an individual organisation, legitimacy theory is considered to operate at the micro level.

In his seminal work, Suchman (1995:574) defined legitimacy as "a generalised perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions". He recognised that legitimacy operated at different levels. At the macro level, he suggested that institutional legitimacy is relatively static which suggested that the social construction, comprising the major institutions of society such as a free market business environment, remain in place.

Suchman (1995) theorised that organisational legitimacy could take three forms; pragmatic, moral and cognitive. The first, pragmatic legitimacy is where an organisation seeks to act in its self-interest, identifying its immediate audiences and ensuring that these are satisfied. If seeking moral legitimacy, the organisation acts in such a way as to reflect the beliefs and values of the society within which it operates, rather than out of self-interest. At a deeper level, cognitive legitimacy is reached when society the organisation and its actions are fully accepted by society so there must be a shared understanding.

Suchman (1995) also identified strategies that organisations may adopt to manage legitimacy. He argued that business may adopt strategies to justify the organisation's existence (maintain legitimacy), to change perceptions (gain legitimacy), or to respond to threats (repair legitimacy). Theoretically, these three strategies can be applied to the three categories of pragmatic, moral and cognitive legitimacy, and Suchman (1995) provides examples of possible legitimation strategies.

There are some features that are common to Lindblom's (1994) reported view of legitimacy theory and Suchman's (1995) analysis. There are also some differences. The legitimation strategies, that it is reported that Lindblom (1994) identified, are considered reactive in nature which is consistent with the repair and maintain strategies identified by Suchman (1995). Suchman (1995) however differentiated strategies which seek to gain legitimacy as these are considered to be proactive. Managers, having identified their future plans, know in advance that they need to build (or gain) legitimacy. Table 2.1 summarises the main features of legitimacy theory as developed by Lindbolm (1994) and Suchman (1995).

Table 2.1 Legitimacy Theory as developed by Lindblom (1994) and Suchman (1995)

	Reportedly Lindblom (1994)	Suchman (1995)
Resolution	Micro /organisational	Micro /organisational
Types of legitimacy	Normative (i.e organisational legitimacy ought to be in line with that of societal norms)	Pragmatic, moral, cognitive
Strategies	Provide information in order to: Evidence the changes made in activities to meet societal expectations Continue with activities but change perception of these activities Deflect attention from contentious activities Change societal expectations by demonstrating expectations are unreasonable	Repair – separate the specific past action (that resulted in the loss of legitimacy) from the on-going actions. Maintain- identify future changes and protect past accomplishments Gain – by conforming to current societal expectations; by selecting environments that support current practices; by manipulating the current environment by creating new audiences
Who	Relevant publics	Audiences
Timeframe	Reactive	Gain – proactive Repair & maintain – reactive

Source: Researcher

The strategies identified by both Suchman (1995) and Lindblom (1994) rely on the disclosure of information. This can take the form of CR reporting and thus legitimacy theory has been used extensively to explore the motivations for the production of CR reports.

Most of the extant literature provides some support for legitimacy theory, with two notable exceptions. Guthrie and Parker (1989) found that their longitudinal analysis of the disclosure practice of BHP Ltd (in period 1885-1985) did not support legitimacy theory. However, Deegan et al. (2002) raised concerns regarding the methodology with respect to the measurement of community concern. Campbell et al. (2003) analysed the social disclosure over time by five companies in three different industries (tobacco, brewing and retailing) and concluded that there was no relationship between the perceived acceptability of corporate behaviour and levels of disclosure, hence that legitimacy theory did not provide an explanation for the levels of CR reporting.

At the organisational level the perception of what is legitimate can change over time and organisations may adapt to conform to societal expectations of corporate behaviour. Therefore, several studies have taken a longitudinal approach, seeking to explain disclosure practice over an extended period of time as attempts to strategically manage legitimacy. In support of legitimacy theory, Gray et al. (1995) explored the UK context and concluded that legitimacy theory did offer some explanation for CR disclosure practice. This was echoed by Deegan et al. (2002), who extended the work of Guthrie and Parker (1989), whilst addressing some of the concerns within the data. Likewise, Patten (1992) reviewed disclosure practice across the petroleum sector following a significant environmental crisis (Exxon-Valdez oil spill in 1989) and also found support for a repair legitimation strategy. De Villiers and van Staden (2006) found evidence in favour of legitimacy theory as a reduction of CR reporting by South African mining companies was correlated to a reduction in societal expectations. Along a similar vein, Tilling and Tilt (2010), interpreted a reduction in CR reporting by Rothmans (the tobacco company) in Australia, by proposing an extension to the legitimacy model. They took a lifecycle approach and recognized that over time an organisation could lose legitimacy as societal expectations of legitimate behaviour change fundamentally and so the organisation enters a loss phase. In this phase the organisation provides less disclosure as managers see no value in legitimation through disclosure, as the organisation already has low legitimacy.

Legitimacy has also been employed to explore managers' perceptions of different legitimation strategies. O'Donovan (2002) explored legitimation strategies by providing senior managers with vignettes of possible disclosure responses relating to an environmental issue which they were then asked to rank and subsequently justify their decisions. This study found support for legitimacy theory, and that managers adapted their strategy based on the need to gain, maintain or repair legitimacy. However, O'Dwyer (2002) found that when examining managerial perceptions of CR reporting in an Irish context, legitimacy theory was not particularly persuasive and that the picture was rather more complex.

There has been less empirical exploration of Suchman's (1995) concepts of pragmatic, moral and cognitive legitimacy. In one recent contribution, O'Dwyer et al. (2011) interviewed practitioners in a large European sustainability consultancy practice regarding the discussions that took place during the drafting of sustainability assurance statements. These data suggested that these reports were used as a legitimation strategy and that there was evidence to support the different concepts of pragmatic and moral legitimacy.

Whilst Spence et al. (2010) have questioned the pre-eminence of legitimacy theory as the theoretical basis for research into CR reporting, it remains one of the most widely used theories. The other theory that has been widely used to explore CR reporting is stakeholder theory.

2.5.2 Stakeholder Theory

When seeking to explore the motivations for the production of a CR report, stakeholder theory has also been used (Stanton and Stanton, 2002; Spence et al., 2010). In his seminal work, Freeman (1984:46) defined a stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives", and argued that managers should manage their stakeholders strategically in order to ensure continuing success of the organisation. From this base, stakeholder theory has developed as an umbrella concept covering hundreds of definitions of stakeholders (Miles, 2012) as well as a multitude of ideas relating to the strategic management of stakeholders by managers (Friedman and Miles, 2006).

Freeman's (1984) definition of a stakeholder is considered to be a broad definition of stakeholders, as a more narrow definition would define stakeholders in terms of their relative importance to organisational survival. Clarkson (1995:106) extended this definition by defining a primary stakeholder as being of "direct relevance to the firm's core economic interest" and acknowledging those "who influence or affect, or are influenced or affected by" as secondary stakeholders. There continues to be much academic debate regarding the definition of stakeholders which Miles (2012) suggested is evidence that stakeholder is an essentially contested concept, and as such a consensus regarding a precise definition cannot be reached. The lack of a precise definition presents some difficulties as organisations can adopt as broad or as narrow definition as suits their particular purpose.

Donaldson and Preston (1995) made a significant contribution to the theoretical basis for stakeholder theory by identifying three distinctive strands of theory; descriptive, instrumental and normative. Descriptive (or empirical) stakeholder theory seeks "to describe, and sometimes to explain, specific corporate characteristics and behaviours" (Donaldson and Preston, 1995:70). Descriptive stakeholder theory is therefore used to explore how managers in business take stakeholder interests into account.

The instrumental strand of stakeholder theory seeks to establish a theoretical framework for exploring the relationship between stakeholder management and corporate performance. Corporate performance is usually defined in terms of financial performance that is increased profitability. This strand, therefore, is used to explore how the management of stakeholders can enable management to achieve its traditional corporate objectives, and so instrumental stakeholder theory establishes a connection between actions and results. Jones (1995) suggested that organisations through their agents (managers) have relationships with their stakeholders and these managers will therefore take action, such as CR reporting, to develop these relationships. In this guise the use of stakeholder theory to explore reporting practice “stands virtually unopposed” (Phillips et al., 2003:479).

When stakeholder theory is used to offer guidance on the basis of “some underlying moral or philosophical principles” (Donaldson and Preston, 1995:72), it is used from a normative perspective as it is seeking to explore what managers should, rather than could, do. The difficulty with this definition is that it is unclear how the underlying principles or norms have been developed. If these are based on historical behaviour that has become the norm, they are time and place dependent (Friedman and Miles, 2006:37).

Normative stakeholder theory has been further analysed by Hendry (2001) who classified normative theories into three kinds.

- Theories of the first kind look to explain the manner in which should firms be governed from an ethical perspective (Hendry 2001). These theories sought to explore managers’ responsibilities within an ideal just society and so advocated high levels of stakeholder participation in corporate decision making processes. Theories of the first kind are therefore seen as “demanding” (Hendry 2001:163).
- Theories of the second kind explore how laws and regulations in society should or could change in order to reflect the ideals of a just society. These theories make the case for participation of all stakeholders in decision making, a demanding claim, or that some stakeholder interests are incorporated in the governance of the institution, an intermediate claim.
- The theories of the third kind start with the current legal and regulatory context and consider “to whom and for what are managers morally responsible”. Within theories of the third kind stakeholders are treated with respect and stakeholder engagement in decision making is “modest” (Hendry, 2001:164).

The normative model would suggest that managers will voluntarily engage with CR reporting because it is ethically the right thing to do, and communication with stakeholders will be honest and transparent. In reality this approach is adopted by very few companies, and those which do so are seen as pioneer companies. Globally, Unilever, which developed and implemented the “Sustainable Living Plan” (Unilever, 2014), might be considered in this category and in the UK, this might include Marks and Spencer who have developed “Plan A” reporting (Marks and Spencer, 2014).

When stakeholder theory is used instrumentally to achieve a traditional corporate objective such as profit maximisation, managers are unlikely to consider all stakeholders equal. Mitchell et al. (1997) presented a model of stakeholder salience which theorised how managers might decide on stakeholder importance. This model identifies a typology of types of stakeholder based on different combinations of the stakeholder attributes of power, legitimacy and urgency (Mitchell et al., 1997:865):

- Power being the ability “to bring about outcomes they [stakeholders] desire”
- Legitimacy, that the stakeholder claims are desirable and fall within the social norms
- Urgency “the degree to which stakeholder claims calls for immediate attention” which is the result of being time sensitive or critical.

A stakeholder’s or stakeholder group’s salience is dependent on the combination of these attributes, with the highly salient stakeholder or stakeholder group possessing all three attributes at any given point in time. There have been two extensive reviews of the literature in this area. The model has been developed further by Driscoll and Starik (2004) who added the attribute ‘proximity’, which seeks to take account of the relative centrality of the stakeholder and Ojala and Luoma-aho (2008) who advocated that ‘frequency’ was also a significant attribute. Neville et al. (2011) suggested a refinement of the model in which urgency was considered a less important attribute, and managers assess the moral legitimacy of the stakeholders’ claims. There remains the issue that the model does not provide guidance on the relative weightings of the attributes that contribute to salience and, so, does not provide any clarification of the resulting typology of stakeholder types. With respect to CR reporting it would be indicative that the more salient a stakeholder, the more likely managers would attend to their needs and disclosure would reflect this accordingly.

These models are organisation-centric as they define the environment from the viewpoint of the organisation, informing managerial decision making to ensure the continued success of the organisation (Friedman and Miles, 2006:84). It is also possible to consider the viewpoint of the stakeholder. Stakeholder-centric models seek to explore and explain the behaviour of stakeholders to provide managers with an understanding of how best to manage these relationships for the benefit of the organisation.

Rowley (1997), recognising that Freeman's hub and spokes representation of organisation -stakeholder relationships did not reflect the potential overlaps of stakeholder groups, considered the multiple interdependent relationships that exist in stakeholder environments which he represented by networks. He developed a typology, based on density (defined as interconnectedness of stakeholders) and centrality (being the relative position in the stakeholder-organisation network) to describe the organisations position with respect to various stakeholders and to suggest strategies organisations may adopt as a result. Rowley and Moldoveanu (2003) argued that the extent to which a stakeholder group mobilizes in response to an issue is dependent on the interest overlap and identity overlap with other stakeholders in the network. With respect to CR reporting this would indicate that companies would be likely to pre-empt demands for information from those stakeholders involved in dense networks, especially where the threat of mobilisation is high, and disclose accordingly. Frooman (1999) analysed the possible responses of stakeholders through the action they took by developing Mitchell et al.'s (1997) attributes. He argued that stakeholders choose to adopt either withholding or usage strategies depending on whether they choose direct or indirect action.

It is interesting to consider the role the media may play in the network of stakeholders. The mass media is not considered a specific stakeholder but is considered to be an intermediary that is not fully controlled by either stakeholder groups or the organisation (Friedman and Miles, 2006:228). As technology develops, the sources of media will become more fragmented and accessible. People will receive information from a variety of sources, and so the extent to which organisations can control the news flow will reduce. This rise in technology may also facilitate communication around the network of stakeholders (Rowley, 1997) and so the density or interconnectedness may increase. This suggests that the opportunities for organisations to act as “commander” (Rowley, 1997:901) will become more limited.

Stakeholder theory can, therefore, be used to analyse CR reporting in a variety of ways, although this perspective is not always acknowledged (Speence et al., 2010; Stanton and Stanton, 2002). Descriptive stakeholder theory can be used to explore CR reporting practice and to identify the stakeholder groups to whom reporting is directed. An early attempt at producing a model which sought to explore an organisations’ relationship with its stakeholders that was managed through its CR reporting practice was inconclusive (Ullmann, 1985). However, Roberts (1992) found more evidence to support stakeholder theory as an explanatory model, although this study only considered a narrow group of stakeholders, namely government and creditors (Spence et al., 2010). Cormier et al. (2004) considered managerial perceptions and concluded that CR reporting was directed at specific groups of stakeholders and in this case the CR reporting was considered a response to the financial community. For those taking a critical perspective of CR reporting, stakeholder theory offers an explanation of how and why managers respond to the information needs of the most powerful, and why that reporting is therefore unsatisfactory (Owen et al., 2001).

There have been some studies looking at the influence of specific stakeholder groups, such as external pressure groups (Tilt, 1994) and NGOs (O’Dwyer et al., 2005). Deegan and Blomquist (2006) also considered the extent to which NGOs or lobbying groups (as stakeholder groups) were able to influence reporting practice through a case study involving WWF-Australia and the Australian minerals industry. They found evidence to suggest that organisations listened to NGOs and did report changes to some aspects of their behaviour, however, this was in the context of an existing business model.

Strategic stakeholder theory suggests that managers will actively manage the relationships various stakeholder groups have with the organisation, and that this can take the form of a dialogue with different stakeholder groups collectively or on an individual basis. This is often referred to as stakeholder engagement (Clarkson Centre for Business Ethics, 1999). Stakeholder engagement practices can form part of CR reporting practice (Owen et al., 2001), however there is some dispute about the extent to which stakeholder engagement is a meaningful addition to the process.

In assessing the nature of the interaction with stakeholders, several authors (Unerman and Bennett, 2004; Reynolds and Yuthas, 2008; Rasche and Esser, 2006) have drawn on the work of Habermas (1996). These scholars argue that for stakeholder engagement to have moral legitimacy, the engagement must be free of strategic intent (Rasche and Esser, 2006). When discourse is free from strategic intent differences in power will not influence or corrupt discussions and genuine agreement will be reached. Discourse is seen as a means of reaching a consensus amongst differing stakeholder views. Working from a more managerial approach, ethical strategists consider stakeholder engagement to be ethical when the engagement is “honest, open and fair” (Noland and Phillips, 2010:41), and when this is seen as an essential element of business strategy. For those who believe that CR reporting is a way to hold business to account, stakeholder engagement where the corporate perspective is dominant is seen as another means of legitimising business and maintaining the status quo (Adams, 2004).

Friedman and Miles (2006:162) building on the seminal work of Arnstein (1969) developed a ladder of stakeholder management and engagement. Different forms of stakeholder management and engagement are placed on the ladder in an order based on the nature of stakeholder participation which is dependent on management’s intention. They argued that at the lower levels of the ladder the purpose of stakeholder engagement is the manipulation of stakeholders; managers seek to either mislead stakeholders or to change their expectations. This form of stakeholder management is associated with one-way dialogue such as published CR reports with very little stakeholder engagement. Moving up the ladder, managers who want to appear responsive will consult or negotiate with stakeholders so, in this form of engagement, the stakeholder's influence is increasing, but the organisation retains decision making power. This is characterised by two way dialogue involving, for example, focus groups or advisory panels. At the higher levels of the ladder, stakeholders have greater influence and are in the majority in the decision making process through representation in the governance structures or involvement in a joint venture. This form of stakeholder engagement is very rare, but may be found in community projects.

Greenwood (2007) cautioned that stakeholder engagement is not always synonymous with the responsible treatment of stakeholders. She presented a model of stakeholder engagement which explored the relationship between stakeholder engagement and the responsible treatment of stakeholders (termed stakeholder agency). She, too, identified situations in which companies engage with stakeholders with little intent of genuine dialogue.

2.6 Business perspectives on Voluntary Motivations for CR Reporting

The professional literature provides an insight into the attitudes of senior executives, and as these reports are resources available to those producing CR reports they form part of the social construction from which CR reporting emerges. As discussed in section 2.1, KPMG undertake a review every 3 years of the nature and extent of global CR reporting practice and publish the results of these surveys (KPMG, 2013a; KPMG, 2011). The United Nations Global Compact (UNGC) and the United Nations Environmental Programme (UNEP) commission the consultancy firm Accenture to conduct an annual survey of the views of senior executives on issues relating to sustainability and reporting practice (Accenture, 2013; Accenture, 2010). Academics have analysed this survey to consider: the influence of geographical location and sector (Kolk et al., 2001); reporting trends (Kolk, 2003;

2008), and; the inclusion of corporate governance in CR reporting (Kolk and Pinkse, 2010).

This professional literature identified a range of possible motivations for CR reporting which sought to promote what is called the business case that is, promoting the current role of business in society. However, there was little recognition of a tension between the activities of business and the impact on the society and environment in which it operates. The motivation for reporting was to protect the status quo, thus the reasons for reporting were managerial, rather than normative, in nature. The CEOs interviewed as part of the Accenture (2013) study suggested that the business case for sustainability needed to be made more clearly so that sustainability was more likely to be embedded in the business model. They felt that a more normative approach which adopts sustainable practices because it is the right thing to do, or that sees CR actions as charitable of philanthropic endeavours, will be increasingly difficult to justify to financial markets. These managers felt that in order to take a managerial approach of justifying the business case for sustainability, it was necessary to reconsider some of the underlying principles of the measurement of business performance and to consider ways in which value might be measured and reported. An organisation which is seeking to embed sustainability in its business model is potentially adopting a strategic approach and therefore the CR report might be expected to reflect the strategy.

There were also calls, by these CEOs, for intervention by governments and policy makers which would include “hard measures on regulation, standards and taxation” (Accenture, 2013:12) as this would level the playing field so that sustainability could be embedded in the business model without disadvantaging the competitive position. This there is convergence between the managerial perspective and those of a critical perspective who believe that hard regulation is necessary in order to address the inequality in the relationship between business and society.

The motivations for CR reporting identified in the professional literature related to the management of business reputation, the management of the strategic stakeholder groups, employees, investors and NGOs and the potential for innovation and improved business performance.

The professional literature indicated that one of the main reasons for producing a CR report is to enhance the reputation of the business (KPMG, 2013a; Accenture, 2013). This is consistent with legitimacy theory whose proponents suggested that business will use legitimation strategies, including CR reporting practices, to preserve the licence to operate granted by society. Kolk (2010) concluded that a motivating factor for the production of a CR report was impression management. When viewing CR reporting from a communications perspective, Hooghiemstra (2000) suggested it is aimed at protecting or enhancing reputation and that the positive image created may lead to competitive advantage. For Bebbington et al. (2008), drawing on the image restoration work of Benoit (1995) CR reporting could be considered as part of reputation risk management processes and could perhaps be seen as the outcome of such processes.

Consumer-facing businesses consider both the reputation of the company and the performance of the products and services with respect to CR issues important. Haddock-Fraser and Fraser (2008) concluded that the visibility of the business to the consumer influenced the extent of its environmental reporting with those companies with close proximity to consumers having increased levels of environmental reporting. Marin et al. (2009:75) investigated the influence of CR reporting on consumer loyalty in the banking sector. They concluded that CR practices can be a means of deepening consumer relationships which can enhance loyalty and so recommended that marketing managers invest in CR activities as this is an “important strategic task that provides enduring customer loyalty”. A similar study specifically considered CR and customer loyalty in the hospitality industry (Martinez and Rodriguez del Bosque, 2013). This concluded that hotel companies should develop a distinct CR based corporate identity as this encourages consumers to identify with and remain loyal to that brand.

In seeking to enhance the reputation of business, managers may use their CR reporting to demonstrate the attributes valued by society which include transparency and honesty (Edelman, 2012). Transparency is considered important due to the rise of new forms of internet enabled communications technology such as social media. Social media enables and potentially encourages users to generate their own content through forums, comments or blogs and this content can be communicated to others relatively easily and this content needs to be controlled both within and outside their organisation (Tapscott and Ticoll, 2003). In 2012, Edelman found that the number of people who considered social media a trustworthy source of information had increased compared to previous years. Transparency, within academic literature, is often linked with discussion of accountability (Owen et al., 2001). Swift (2001) made a notable contribution when she considered the relationship between trust, reputation and accountability. She concluded that where business operated in a non-regulated environment there was mutual vulnerability and interdependence in the organisation-stakeholder relationship. In this environment, business earned trust by demonstrating a pattern of, and reputation for, trustworthy behaviour. This trustworthy behaviour can be demonstrated through transparency and corporate accountability and may take a variety of forms including stakeholder engagement and the publication of CR reports. She considered this to be a soft form of accountability due to the lack of the institutionalisation of the right to information.

Business recognised that it was operating in an “era of transparency” as their actions and those in their supply chains were open to scrutiny (Accenture, 2013:38), however, the extent to which a business takes responsibility for the performance of organisations within its supply chain varies. Some sectors, such as the clothing and footwear producers (which contain global customer facing brands) can be subject to close scrutiny. The conditions at factories supplying goods to Nike, Adidas, Gap, Next, Asda, Primark, Tesco, Marks & Spencer and more recently Apple have been highlighted by anti-poverty campaigners (Klein, 2001). The brand was implicated in the working practices adopted by the production facilities which were not directly owned by the brand. This led to the development of several codes of practice such as the Fair Labour Association Workplace Code of Conduct. The Fair Labour Association, a not for profit affiliate organisation, produced a Workplace Code of Conduct that protects workers’ rights which affiliate companies implement across their supplier chains. Adherence to the Code is monitored through unannounced audits (FLA, 2012). Codes of conduct are therefore considered a means by which a buyer defines their expectations as to suppliers' responsible behaviour and a supplier may seek to demonstrate adherence to a code of conduct through their own CR reporting, but Codes are difficult to implement and monitor (Hoejmose and Adrien-Kirby, 2012). Business may also use their CR reporting to demonstrate resilience in their supply chain. This is of particular importance for those businesses which rely on natural resources as these resources may be at risk from the impact of climate change. Having considered the nature of the private discourse between institutional investors and managers which took place in meetings, Solomon et al. (2011) concluded that there was an emerging discourse relating to risks and opportunities presented by climate change.

The review of the professional literature also demonstrated that CR reporting was used to manage strategic stakeholder groups. One of these groups is employees (Accenture, 2013:25; CorporateRegister, 2013; KPMG, 2011). Business in the Community (BiTC), a not-for-profit UK-based business network organisation which seeks to promote responsible business, advocated CR practice as an important tool to engage existing and future employees (Doughty Centre for Corporate Responsibility and BiTC, 2011; Accenture, 2013). In 2008, PwC investigated the attitudes of current graduates, termed the millennials, and found that the corporate values of the organisation were important to these potential employees. Of the 2,739 graduates surveyed (graduates from China, US and UK who had been offered jobs with PwC) 88% said that they sought an employer with values that reflected their own and that 86% would consider leaving the organisation if the employer's corporate responsibility values were lacking. The survey was repeated following the financial crisis and economic downturn and there had been a fall in the number of graduates (to 59%) who sought an employer whose values matched their own. This survey also found that corporate values appeared to become more important to these graduates once their basic needs (pay and working conditions) were satisfied (PwC, 2011). Paul Polman, CEO of Unilever, reported that following the development of the 'Sustainable Living Plan', Unilever's; employment engagement score had risen (compared to eight thousand other companies) and was at its highest level, employee turnover was lower and that Unilever was seen as a preferred employer (Polman, 2014)

In the hospitality sector, some studies have been undertaken to investigate employees' perceptions of CR practices. Park and Levy (2014) found that employees working in the USA identified with CR practices that went beyond those seen as having an environmental impact. Practices that engaged communities, employees and consumers were seen as contributing to a sense of organisational identity. Similarly, Lee et al. (2012) who studied employees within franchised foodservice operations in Korea deduced that different aspects of CR practice influenced employees in different ways. Their study demonstrated that the philanthropic aspects of CR practice, such as employee involvement in charity fundraising, significantly affected organisational trust whereas the ethical aspects of CR practice influenced job satisfaction.

Non-governmental organisations (NGOs) or civil society organisations are another strategic stakeholder group as they can potentially draw attention to certain business practices. Some NGOs, notably Greenpeace, have successfully campaigned on CR related issues, for example, the disposal of the Brent Spar platform (Greenpeace, 1999) and the impact of deforestation on orang-utan habitats (Greenpeace, n.d.b). Senior managers, however, see the role of NGOs changing and becoming less radical and more mainstream as NGOs were more likely to be partners in CR projects and initiatives, rather than a stakeholder group that was driving a reporting agenda (Accenture, 2013). Some multinational corporations, in what some would see as a legitimation strategy, have entered into some form of strategic alliance, or partnership, with such NGOs. For example, Marks and Spencer plc has links with Oxfam, Woodland Trust and World Wide Fund for Nature. The extent to which CR reporting has been directed to public interest groups or NGOs has been questioned. O'Dwyer et al. (2005) questioned the evidence to support the assumption that NGOs attempt to directly influence the reporting practices of companies. They did, however, conclude that NGOs may have an indirect influence through their contribution to the multi-stakeholder debates that generate much reporting guidance. This has led to some debate as to the accountability of the NGOs themselves (Gray et al., 2006; O'Dwyer and Unerman, 2008; Unerman and O'Dwyer, 2010).

One of the stakeholder groups that might be considered to have an influence on CR reporting is investors. As Investors are the recipients of a significant volume of financial information, they might be expected to be interested in CR reporting. Perrini et al. (2011) presented a review of the literature relating to whether undertaking CR practices or the provision of CR information has a beneficial effect on company financial performance prior to proposing a framework that sought to identify the specific performance effects of different CR activities. However, senior managers did not regard investor pressure as a reason for CR reporting and do not believe that the existing market mechanisms capture the value to business of the investment in CR activities (Accenture, 2013).

There is, however, a group of investors who are interested in the reported CR performance of companies and these are the socially responsible or ethical investors. The Global Sustainable Investment Alliance (GSIA) report that on a global basis there are US$ 13.6 trillion of professionally managed assets that incorporate economic, social, governance (ESG) concerns in their investment selection, with $8,758 billion under management in Europe (GSIA, 2013). This interest has led to an increase in the number of organisations offering some form of socially responsible rating, ranking or index such as the Dow Jones Sustainability Index in the US, the FTSE4Good in the UK, and Ethibel in Europe (SustainAbility, 2010). Many of these indices operate on the basis of negative screening which means that the indices assess a company's performance against criteria and exclude those that do not meet the required standard. There is often an aspiration amongst those that produce the ratings, rankings and indices, that the pressure to meet the required criteria will lead to a change in behaviour. However, the transparency and rigour of some of the rating criteria used has been questioned, with the acceptance criteria for listing being set at a fairly pedestrian level, resulting in 'light green' indices which do not necessarily represent sound CR practice (SustainAbility, 2010; Joly, 2010). There is limited evidence that these indices result in significantly altered behaviour and so they are seen as legitimation strategies (Collison et al., 2009).

The rating organisations used a variety of methods of information gathering with approximately one third relying exclusively on publically disclosed information SustainAbility (2010). Publically disclosed information is considered deficient as it does not explain how issues relating to corporate responsibility are managed internally. In order to resolve the tension between being socially responsible and the investment process, Richardson and Cragg (2010) argued that reform of the institutional framework was required.

The professional literature emphasised a motivation for CR reporting that was not highlighted in the academic literature. The professional literature encouraged managers to discuss the innovation and improvements in business performance that may result from their CR activities within their CR reporting. The sectors that are either heavy polluters (e.g. chemical industry) or are dependent on scarce natural resources (e.g. telecommunications industry) seek to innovate to improve their environmental performance as this is of commercial benefit. Indeed, Solomon et al. (2011), having analysed the discourse in the private meetings of institutional investors and managers, reported that institutional investors were solely interested in commercial benefit of innovation, such as the market share related to products with perceived environmental or social benefit. The extent to which there is commercial benefit in 'green' products and services is debated. Consumers' concern for social and environmental performance is not translated into a willingness to pay higher prices, so there is a suggestion that sound environmental performance is, or soon will be, taken for granted (Accenture, 2013). Innovation can also take the form of different business models, such as efforts by the state owned Brazilian bank, Caixa Economica Federal, to address the housing deficit in Brazil (Accenture, 2013).

2.7 Performance Measurement for Managerial Decision-making and the link with CR reporting

Many of the motivations for the production of CR reports identified in the professional literature can be analysed using either stakeholder theory or legitimacy theory. However, it is possible that collecting data for the purposes of CR reporting might also improve managerial decision-making, so CR reporting can be seen as an output of managerial decision-making. Burritt and Schaltegger (2010) argued that the philosophical debate as to the purpose of CR reporting will not be resolved as it is dependent on the researcher's own philosophical approach to the macro environment, and so advocated that more consideration be given to CR accounting and reporting as a means of supporting managerial decision-making.

There have been some theoretical attempts to incorporate sustainability measures into the evaluation of business performance. Figge et al. (2002) suggested adaptations to the balanced scorecard (BSC) which was originally developed by Kaplan and Norton (1992) who identified that corporate strategy should be measured across four perspectives (financial; customer; learning and growth, and internal business processes). Figge et al. (2002) included an additional, non-market perspective, which sought to measure social and environmental performance. Hubbard (2009) refined these ideas by identifying which measures might be used to evaluate the non-market perspective, in a Sustainability Balanced Scorecard (SBSC). The performance detailed in the SBSC was then aggregated to give a sustainability organisation performance index. This approach is interesting as the BSC is seen as a strategic management tool and the measures included in the BSC should directly relate to strategic direction. So by incorporating sustainability into the performance evaluation of the business, it suggests that social and environmental issues, and the means by which these are monitored, are considered as part of strategic planning. Unilever is a recent example of a business looking to adopt this strategic approach as evident in their Sustainable Living Plan published in November 2010. This presented a ten year strategy "to double the size of the business, whilst reducing our environmental footprint and increasing our positive social impact" (Unilever, 2014).

Accenture (2013) reported that whilst there is recognition amongst business leaders that sustainability can form part of a business strategy, they "are struggling to quantify and capture the business value of sustainability" (Accenture, 2013:11) which made communicating with the markets difficult. This might also suggest that business leaders do not have access to all the information they need for strategic decision making. An example of a business that sought to capture environmental information for the purposes of strategic decision-making was Puma, the global sport and life-style company, which developed an Environmental Profit and Loss Account. This exercise which was described as ‘truly pioneering’ (Beavis, 2012) attempted to calculate the cost to the environment of Puma’s operations across its entire supply chain. The analysis was revealing as it identified potential threats or risks to their business operations in the longer term. Puma have reviewed their entire operations and recognised the extent of their dependence on particular natural resources, including energy, water and particular raw materials (Puma, 2015).

If CR accounting and reporting is considered as a means of supporting managerial decision making, then the collection of data is fundamental to this decision making process. Burritt and Schaltegger (2010) argued that there are two possible approaches to the collection and use of data. The ‘outside – in’ approach is focused on the collection of data for the purposes of external parties which might include; those issues identified through stakeholder dialogues, data that are relevant to rating agencies, data that are required by reporting frameworks or are of current public interest. The ‘inside – out’ approach seeks to identify the data that are necessary for the management of the business strategy that has been implemented and that once these data have been collected they then form the basis of reporting. If a business adopts a strategy of corporate sustainability, then the management accounting systems will need to adapt to provide the necessary information to support the related decision-making.

In their analysis of environmental management decision making in Spanish hotels, Bonilla-Priego et al. (2011) alluded to this distinction. They identified that there had been a shift in motivations for undertaking environmental management in hotels from internal reasons, such as resource efficiency and productivity, to external reasons such as highlighting the environmental credentials to customers or distribution channels. They also found that in some cases hotels were using the data disclosed in the reporting for internal planning purposes, but that the required management tools were not embedded within the organisations.

2.8 Mapping Theoretical Positions

The motivations for CR reporting can be explored from a variety of theoretical perspectives and given that these theoretical perspectives seek to explain the same phenomenon it is worth considering how the theoretical perspectives relate to each other. The professional literature offers insights into how these theoretical approaches might be implemented.

2.8.1 A Continuum of CR Reporting Theories

In his analysis of the social and environmental research literature, Matthews (2004) theorised that the different philosophical approaches adopted by different researchers could be placed on a spectrum. At one end of the spectrum are the (radical) philosophies of the critical theorists whilst at the other end are the philosophies of those who argue in support of acknowledging the business case. It is also important to consider how these theories sit in the macro environment. Figure 2.1 provides a representation of the interrelation of political economy, stakeholder and legitimacy theories.

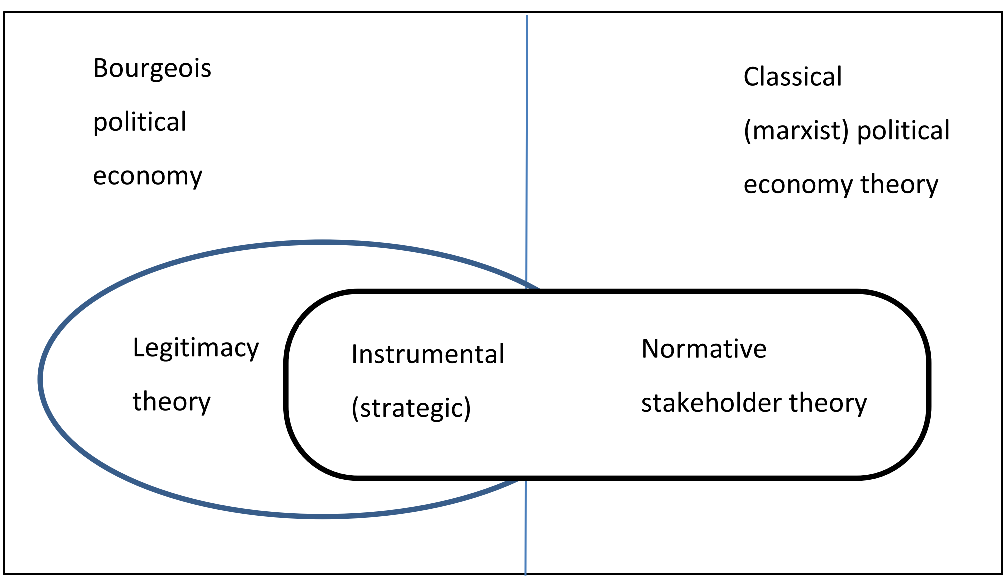


Figure 2.1 Inter-relation of Theoretical Frameworks

Source: Researcher

The starting point of this representation is the macro environment as business seeks to manage its relationship with society in the context of this external environment. Business will therefore produce reporting as a response to the social, political and economic issues in the system in which they operate (Guthie and Parker, 1990). Gray et al. (1995) argued that political economy theory, can be divided into two strands, bourgeois and classical (or Marxist), which are differentiated by the extent of their consideration of power within society, and the extent to which this power is challenged. It has been recognised that legitimacy theory is derived from bourgeois political economy theory (Gray et al., 1995; Parker, 2005), and as such offers less challenge to existing power structures. Legitimacy theory is focused at an organisational level and the legitimation strategies seek to manage the perceptions of 'relevant publics' (Lindblom, 1994) or 'audiences' (Suchman, 1995) and as such involve managerial strategies.

Stakeholder theory can be considered to fall into three strands; descriptive, instrumental (or strategic) and normative (Donaldson and Preston, 1995). A highly normative model of stakeholder theory would indicate that managers would voluntarily produce CR reports which address the needs of a wide range of stakeholders, as managers respond to the requirements of an ideal and just society. Working from a radical perspective, the Marxist political economy theorists believe that current CR reporting is not fit for purpose and it should be radically different. In this different form, CR reporting should meet the needs of a just society and so there is potentially an overlap with normative stakeholder theory. When stakeholder theory is used instrumentally to manage stakeholders in order to further the traditional business objectives, which are dependent on the business appearing legitimate to society, then stakeholder theory is being used to promote the legitimacy of the business and so there is an overlap with legitimacy theory.

Friedman and Miles (2006) furthered the analysis of the normative stakeholder theories presented by Henry (2001) (which were discussed in section 2.5.5) by considering the extent to which they are realizable. They argued that Henry's (2001) three kinds of normative theory can be placed on a dimension of logical time or normativity. Theories of the first kind which seek a just society in which business is managed for the benefit of a range of stakeholders are considered to have a high level of normativity. These theories require widespread societal change and so are not realisable in the near future. Theories of the third kind, which consider normative behaviour in the current legal and institutional context require a managerial approach and are more immediately realisable. Theories of the second kind can be placed somewhere between these two. Thus, this dimension of normativity can be considered as a continuum with the theories of the first kind placed at the highly normative end and the theories of the third kind, the managerial theories, placed at the other end of the continuum. It is suggested, therefore, that the theories used to explore CR reporting can also be placed on a continuum with managerial (or strategic) theories are at one end and more normative theories at the other end of the continuum. At the managerial end of the continuum there is potentially an overlap of legitimacy and stakeholder theory. The nature of this overlap is now considered in more detail.

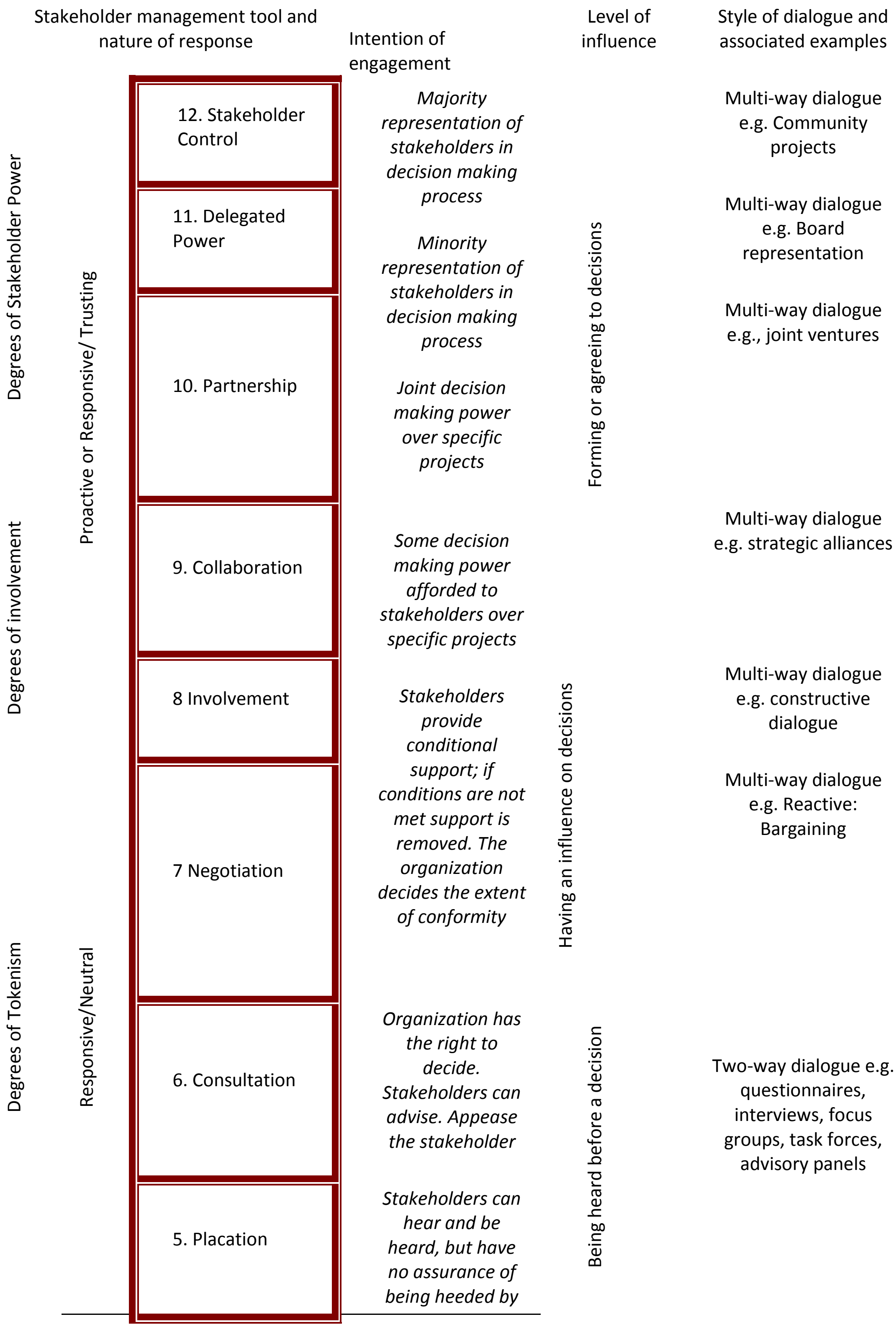
2.8.2 Overlaps Evident in Theoretical Approaches

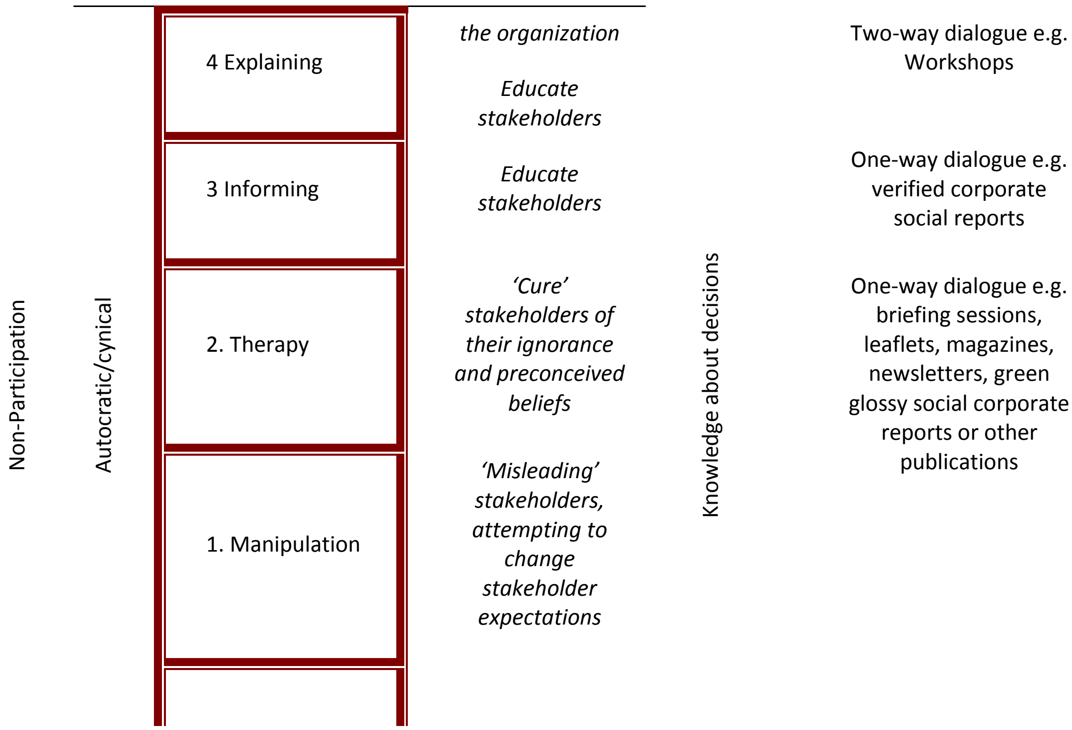
In the past, scholars have sought to differentiate legitimacy theory and stakeholder theory through the use of different terms for the external bodies; Lindblom (1994) is reported to have identified these as “relevant publics”. Recognising that not all external bodies have the same claim, Suchman (1995:574) talked of “audiences” and O’Donovan (2002:347) “conferring publics”. Whilst the definition of the term stakeholder is still the subject of debate (Miles, 2012), there is now greater recognition of the complementary nature of stakeholder and legitimacy theories. O’Dwyer (2002) recognised that stakeholder salience (Mitchell et al., 1997) might be of use in unravelling the web of concurrent stakeholder claims, and Deegan and Blomquist (2006) suggested that these theories offered different levels of refinement; legitimacy theory offers insights as to the role reporting plays in the management of the expectations of society generally, whereas stakeholder theory offered insights into the management of particular constituencies, or stakeholder groups. Indeed Spence et al. (2010) suggested that had Lindblom (1994) used the term stakeholder instead of relevant public, stakeholder and legitimacy theories would have combined and as such provided a stronger theoretical base for the exploration of CR reporting.

The overlap between legitimacy theory and instrumental (strategic) stakeholder theory has been recognised (van der Laan, 2009, Chen and Roberts, 2010), and there have been attempts to consider how legitimacy and stakeholder theories overlap. Chen and Roberts (2010) concluded that legitimacy theory provided an overarching concept. However, this was based on a narrow view of stakeholder theory that focused on the management of conflicting stakeholder demands, which indicated that they were restricting their view of stakeholder theory to that of stakeholder salience (Mitchell et al., 1997). There is richness within stakeholder theory (Friedman and Miles, 2006) which suggests that there may be other mechanisms through which stakeholder theory and legitimacy theory overlap. The nature of the overlap of legitimacy and stakeholder theory has been further explored further by Mahadeo et al. (2011) who considered the three types of pragmatic legitimacy identified by Suchman (1995). They suggested that exchange legitimacy (based on the expected value to the audience), influence legitimacy (responding to the audience's interests) and dispositional legitimacy (affiliating with the audience's values) can all be managed through managerial stakeholder theory. They did not, however, suggest in what ways managerial stakeholder theory might be applied.

In order to further explore the nature of the overlap between legitimacy theory and managerial stakeholder theory, it is worth considering whether legitimation strategies, as identified by both Lindblom (1994) and Suchman (1995), could be considered as stakeholder engagement tools. Friedman and Miles (2006:162), in developing Arnstein's (1969) ladder of participation, presented a categorisation of stakeholder management and engagement tools (Figure 2.2). This ladder of stakeholder management categorised different forms of stakeholder management and engagement which are dependent on management's intention. The top of the ladder represented a higher level of stakeholder power and a proactive or trusting response from management, (for example, through a majority representation of stakeholders in the decision-making process through joint ventures, board representation or community projects), and the lower end of the ladder, where stakeholder management is characterised by non-participation, or degrees of tokenism and the response from management is cynical.

Figure 2.2 A Ladder of Stakeholder Management and Engagement





Source: Friedman and Miles (2006:162)

At the lower levels of the ladder of stakeholder engagement, there is little stakeholder participation as the organisation informs stakeholders about decisions that have taken place. Friedman and Miles (2006:162) argued that at the lower levels “manipulation” and “therapy” are characterised by an autocratic stakeholder management that is a cynical attempt to manipulate stakeholder expectations. This corresponds with the reported suggestion of Lindblom (1994) that organisations may seek to present information in such a way to suggest, possibly through the provision of false information that the organisation’s behaviour has changed when it has not or that the organisation may also seek to manipulate perception of performance by deflecting attention away from contentious activities. Manipulation of the environment is also a legitimation strategy identified by Suchman (1995:591) as he suggested managers might “promulgate new explanations of social reality” in order to gain legitimacy. The second rung on the ladder relates to “therapy” where the intention of the engagement is to “‘cure’ stakeholders of their ignorance and preconceived beliefs” (Friedman and Miles, 2006:162), which might be considered a form of education. The legitimation strategies that relate to this level of engagement are those that seek to change expectations of the organisation’s performance possibly by demonstrating that society’s expectations are unreasonable (Lindblom, 1994), or repairing legitimacy through the provision of excuses or justifications (Suchman, 1995).

The next rungs on the ladder “informing” and “explaining”, which Friedman and Miles (2006:162) suggest are also forms of stakeholder education with “informing” being a one way dialogue as opposed to “explaining”, which is seen as a two-way dialogue. By “informing” or “explaining” stakeholders about the actual changes made in the organisation’s activities in order to show that these activities are now in line with society’s expectations, managers are adopting a legitimation strategy identified by Lindblom (1994). Suchman (1995) suggested managers seeking to gain legitimacy will often seek to demonstrate that they conform to existing societal expectations, which may involve providing information on performance.

The next rungs on the ladder of engagement are “placation” and “consultation” (Friedman and Miles, 2006:162). In placating stakeholders, Friedman and Miles (2006) advanced that business indicates that stakeholders’ views can be heard, but there is no assurance that these views will be taken into account. Stakeholders may also be appeased by information that indicates that the performance of this business is in line with that of others. This information can be provided in the form of benchmarking data. The provision of benchmarking data may also be a means of highlighting existing accomplishments, which is a legitimation strategy identified by Suchman (1995).

In seeking to maintain legitimacy Suchman (1995:600) suggested managers will “monitor tastes” and “consult opinion leaders”. In order to do this, managers will monitor the external environment so as to protect the existing business model. Engagement with stakeholders through a two-way dialogue is one means of monitoring the external environment in order to identify the issues that are likely to present future challenges. This then enables managers to develop a response to the challenge and so maintain the organisation’s legitimacy. This strategy to maintain legitimacy is therefore aligned with the stakeholder engagement tool of consultation which may involve the use of focus groups or advisory panels, through which stakeholders views are presented, but it must be remembered that in this instance the organisation retains the decision making power.

The alignment of the legitimation strategies of Suchman (1995) and Lindblom (1994) with stakeholder management tools is presented in Table 2.2. There are stakeholder management and engagement tools identified in Friedman and Miles’ (2006) ladder for which there is no equivalent legitimation strategy identified by Lindblom (1994) or Suchman (1995).

Table 2.2 Legitimation strategies mapped to the Ladder of Stakeholder Management and Engagement

Stakeholder management tools (Friedman and Miles, 2006:162)	Lindblom (1994)	Suchman (1995)
The stakeholder management tools towards the top of the ladder of management and engagement, namely stakeholder control, delegated power, partnership, collaboration and involvement, were not considered to overlap with the legitimation strategies of Lindblom (1994) or Suchman (1995).		
7. Negotiation		
6. Consultation		Maintain legitimacy by identifying future changes
5. Placation		Maintain legitimacy through the protection of accomplishments
4. Explaining		Repair legitimacy through the provision of a normalising account that provides excuses/ justifications
3. Informing	Provide information to evidence the changes made to activities to meet societal expectations	Gain legitimacy by providing evidence of meeting societal expectations
2. Therapy	Demonstrate that societal expectations regarding behaviour are unreasonable	
1. Manipulation	Seek to change stakeholder perceptions but not behaviour (falsely indicate that performance has changed) Deflect attention from contentious activities	Gain legitimacy by manipulating the environment by creating new audiences

Source: Researcher

The legitimation strategies suggested by Lindblom (1994) and Suchman (1995) sit towards the bottom of the ladder of stakeholder management and engagement. This is consistent with legitimacy theory being a managerial theory seeking to explain how an organisation manages its 'social contract' with society.

Whilst Suchman (1995) did not suggest the three forms of legitimacy were hierarchal, he recognised that moral and cognitive legitimacy required an understanding of the cultural norm. As the cultural norm is part of the social construction that is external to the business, this understanding is likely to be developed through stakeholder management and engagement tools which are higher up the ladder as these require a two-way dialogue with stakeholders.

When considering the actions taken by business, Suchman (1995:583) makes a further distinction. He theorised that, for each type of legitimacy, the actions a manager might adopt were either episodic (transitory) or continual. As the stakeholder engagement activities higher up the ladder require an on-going dialogue, these are continual rather than episodic in nature. Suchman (1995:596) also argued that in order to maintain legitimacy, the exchanges between the organisation and its audiences needed to be "consistent and predictable", and also "eliminate uncertainty". Behaviour which seeks to be consistent and predictable, is the type of behaviour that Swift (2001) identified as demonstrating trustworthiness. She suggested that in an environment of soft accountability, one in which the organisation and stakeholders are interdependent, an organisation seeks to develop trust on "the basis of consistent trustworthy behaviour" (Swift, 2001:23). Examples of trustworthy behaviour might include consultation activities associated with the production of CR reports. It is therefore argued that the overlap of stakeholder theory with legitimacy theory is also through on-going strategies used to maintain legitimacy which are continual in nature.

2.9 Conclusions

This chapter has considered the possible motivations for the production of a CR report from a variety of philosophical and theoretical perspectives, both critical and managerial. Critical scholars argue for a change in the institutional infrastructures, by for example making forms of CR reporting mandatory and developing new forms of accounting. Business itself may also adopt a normative perspective believing it has a duty to report, or that reporting is the 'right thing to do' and this may inform the nature of the engagement with stakeholders.

Scholars working from a managerial perspective have used both legitimacy theory and stakeholder theory to explore CR reporting. Both these theories suggest that managers will seek to maintain the position of business within society through the management of their external relationships. Stakeholder theory is really a broad umbrella theory, covering many different perspectives. The strategic management of stakeholders has been analysed in a variety of ways including a consideration of stakeholder salience (Mitchell et al., 1997), the importance of network of stakeholder groups (Rowley and Moldoveanu, 2003) and stakeholder influencing strategies (Frooman, 1999).

Legitimacy theory, which can be used to analyse the response of individual businesses, infers that business adopts different strategies, including the disclosure of information in the form of CR reporting, to gain, maintain or repair its legitimacy. Moving away from the philosophical motivation for CR reporting, there has been consideration of the influence that the need for information for managerial decision-making has on the nature of the information reported. In essence, information may be reported because it is required by external parties, or the information reported may reflect that used by managers for decision making purposes (Burritt and Schategger, 2010). The theoretical explanations for CR reporting indicate that business has a variety of motivations and that these motivations range from normative to strategic, or managerial. The normative perspective seeks to develop, and to report on, responses that address issues identified by stakeholders. It is recognised that the normative motivations articulated are within the context of existing business practice, and so are not based on a radical perspective. These are, however, more normative than the strategic, or managerial, perspective, which emphasises the benefit to the business of undertaking CR reporting.

As CR reporting is predominantly a voluntary exercise and businesses can select which, if any, aspects of their performance they choose to report on, the CR reporting of a business emerges from the broad social construction of CR reporting. An analysis of professional literature, which is part of this social construction, revealed that the motivations articulated by business, concur with those in the academic literature. The professional literature advocated the adoption of legitimation strategies and engagement with specific stakeholder groups, in particular employees.

Having identified that the motivation for reporting can be placed on a continuum from normative to strategic and given a range of CR reporting guidance exists, it is possible that managers may seek to follow CR reporting guidance that reflects their motivation. This will influence the nature of the CR reporting. If CR reporting is driven by a normative motivation, the manager would be expected to adopt a broad definition of users of the reporting, whereas a manager that has a strategic motivation for CR reporting is likely to adopt a narrow definition of the user of the reporting. Therefore, CR reporting guidance will be analysed to establish whether there is evidence of a normative to managerial or strategic continuum in the range of CR guidance. The analysis of this data is presented in Chapter 5.

Given that both legitimacy theory and stakeholder theory can be used to explore CR reporting and that the overlap of the theories has been recognised, evidence of how this overlap might occur was sought. One aspect of CR reporting practice advocated by both the academic and professional literature is that of stakeholder engagement and so the use of stakeholder engagement to gain legitimacy was explored. The managerial tools associated with different forms of stakeholder engagement were classified by Friedman and Miles (2006) with an expansion and refinement of Arnstein's (1969) ladder of engagement. The legitimation strategies advocated by Lindblom (1994) Suchman (1995) were mapped to the Friedman and Miles (2006) ladder and, from this the possible form of the overlap of stakeholder and legitimacy theory was proposed. The nature of this overlap is analysed in Chapter 5. .

CHAPTER 3 DEVELOPMENT AND CRITIQUE OF REPORTING GUIDANCE

3.1 Introduction

In the previous chapter the reasons why business engages in CR reporting were explored from a variety of theoretical and professional perspectives. Both stakeholder theory and legitimacy theory offer insights into the motives managers have for engaging in CR reporting. In order to critically evaluate the CR reporting of an organisation within the food service sector, it is necessary to explore the social construction from which CR reporting emerges. Therefore this chapter considers the reporting guidance that forms part of that social construction.

3.2 The Emergence of Reporting Guidance and Standards

With the growth of interest in Corporate Responsibility (CR), there has been a significant growth in the development of guidance about the implementation of CR and the reporting of CR activities (KPMG, 2013a). As the global economy has developed, transnational corporations have located production activities in areas of the world that have the weaker laws, less onerous environmental regulations and oppressive regimes, typically in the developing world (Jamali, 2010; Gilbert and Rasche, 2008; Zadek, 1998). As business operates on an international basis with activities crossing several national boundaries, adherence to national regulation is problematic. The emergence of CR reporting initiatives are seen as an attempt to regulate the power of corporations (de Jonge, 2011) and as a means of overcoming the lack of global regulation with respect to environmental performance and social equality (Rasche, 2010). However, the adoption of voluntary guidance by business is a means by which business can mitigate the risk of extensive national or international regulation (Fortanier et al., 2011).

The development of CR reporting initiatives can also be seen as a response to the increase in demands for comparable non-financial information for use by socially responsible investors (Willis, 2003). Business can use inclusion in a ‘sustainability/ethical’ index such as FTSE4Good, Ethibel, Dow Jones Sustainability Index (DJSI) or Corporate Responsibility Index, as a means of legitimation (Collison et al., 2009) and whilst these indices do not mandate the use of particular CR reporting initiatives, they do require the disclosure of CR information. When discussing the implications of inclusion in DJSI, with a sample of American and Canadian companies, Robinson et al. (2011) found that the requirement to produce information prompted the development of a sustainability report.

CR guidance takes a variety of forms which include standards, principles, guidelines and codes of conduct. These terms do not have precise meanings however, there are some accepted differences in the meaning of the terms.

- Guideline

Guidelines are developed externally to organisations and seek to provide guidance that applies more generally to either process or output (Gilbert et al., 2011). Sethi and Schepers (2014) argued that whilst voluntary guidance has some advantages in that it offers business the opportunity to develop solutions that are focused, practical and economically efficient, there will be variable levels of adherence to the guidance.

- Standard

Standards are informed by the norms (the established approved way of doing things at a point in time) and can be defined as "predefined rules for organisational behaviour" (Rasche and Esser, 2006:253). The monitoring of adherence to standards is either by organisations themselves, possibly through some form of self-certification, by the standard setting organisation or by the users of the information. The extent to which the standard setting organisation monitors compliance with their standards varies between standard setting organisations.

- Principles

Principles are overarching values which provide "guidance on acceptable and unacceptable behaviours and practices" (Waddock, 2008:90). They are of a more general nature than standards and examples include CERES Principles which focus on sustainability, the CAUX Round Table Principles for Responsible Business and the Equator Principles which provide an environmental and social risk management framework for use by financial institutions in assessing possible investment projects.

- Codes of conduct

Codes of conduct generally have a narrower focus than principles or standards and may be developed internally (Gilbert et al., 2011).

3.3 Specific CR Reporting Guidance

There are several internationally recognised initiatives that seek to provide guidance on reporting. These global initiatives have different perspectives and so produce different forms of guidance. There are three international bodies that produce guidance that address CR reporting; the AccountAbility 1000 series (AA1000), Global Reporting Initiative (GRI) and UN Global Compact (UNGC).

The three initiatives which support or require some form of reporting are very different. The AA1000 series, as a principle-based initiative, does not provide a list of reporting requirements as it requires reporting to be a response to stakeholder dialogue that is based on the underlying principles. Whilst AA1000APS (2008) identifies the underlying principles of inclusivity, materiality and responsiveness, the application of these principles to CR Reporting is not fully explained. It is therefore possible for business to decouple its reporting from its actual performance. A principles based approach to CR reporting might be more effective if there were a common understanding of the key aspects of the report, such as the principles of recognition and measurement, the concept of the boundary of a report, and the time frame of the reporting.

In contrast, the SRG (GRI, 2011) is a reporting framework which provides extensive guidance as to the content of CR reports. This approach provides managers with a list of possible reporting measures from which they can ‘cherry pick’ those that are most beneficial. This can potentially be seen to stifle discussion of the inherent trade-offs involved in CR practice and may not provide managers with the information that they require for their decision making. The UNGC, conversely, seeks to identify and promote principles of responsible business behaviour globally but concerns have been raised as to the effectiveness of the reporting requirements (Arevalo and Fallon, 2008; Deva, 2006).

As this guidance is part of the social construction, the reporting initiatives will influence and possibly compete with each other.

3.3.1 The AA1000 series

The AA1000 series of standards emerged from work on social and environmental reporting undertaken by several organisations during the 1990s, including, the New Economics Foundation (nef) who worked with Traidcraft to produce social accounts and the Copenhagen Business School that developed a form of ethical accounting that was used by public and private sector organisations in Scandinavia (Zadek, 1998). Organisations working in this area recognised the need for some coherence of approach and so established the Institute of Social and Ethical AccountAbility (ISEA) in 1995. This international membership organisation developed a series of accountability standards, known as the AA1000 series, through a process of stakeholder consensus.

The AA1000 series comprised a principles standard, AA1000APS, an assurance standard AA1000AS, and a stakeholder engagement standard AA1000SES. The first version of the standards was published as the AccountAbility Framework Standard in 1999. This standard was revised in 2003 at which time the assurance standard, AA1000AS, was published followed by AA1000SES in 2005. In 2008, the AA1000AS was revised and the AA1000APS standard was released. The principles identified in AA1000APS (2008) are Inclusivity, Materiality and Responsiveness. The part of the AccountAbility organisation that is responsible for setting and promoting the use of the AA1000 series of standards is now a community interest company, and the development of the standards is overseen by an independent governance structure with the support of a technical committee. AccountAbility is also a corporate responsibility consultancy service offering advisory services to its clients and in the eyes of one of its founders, Simon Zadek, has now become more focused on this aspect of its operations (Zadek, 2011).

3.3.1.1 Critique of AA1000

AA1000 is a principles-based standard and as such does not provide specific instructions regarding reporting practice. Within the field of financial reporting there has been much discussion of a principles-based as opposed to a rules-based approach to standard setting and Evans (2003) provides a review of this debate. Within the financial reporting field, the rules-based approach, which promotes 'bright-line' decision-rules, has been adopted in the US, and this has been criticised as it can reduce the role of judgement (Benston et al., 2006; ICAS, 2006) and leads to deliberate attempts to comply with the letter of the standard whilst deviating from the spirit of the standard.

As a principles-based standard, AA1000APS (2008) therefore provides little explicit guidance and requires considerable exercise of judgement on the part of the preparer. The standard presents an approach or process which suggests that by adhering to the Principles of Inclusivity, Responsiveness and Materiality, the organisation will be accountable to stakeholders, consequently, de Colle et al. (2014) classified AA1000APS (2008) as a process standard. The approach of AA1000APS (2008) can be considered a dialogue between the organisation and its stakeholders (Gao and Zhang, 2006), and this dialogue places stakeholders, through stakeholder engagement, at the centre of a strategic process that informs business strategy and so provides the context for the measurement and reporting of performance (Beckett and Jonker, 2002). This concept of dialogue through which the organisation demonstrates its accountability is dependent on the nature of the dialogue, as engagement with stakeholders must be free from strategic intent (Unerman and Bennett, 2004; Reynolds and Yuthas, 2008; Rasche and Esser 2006). This approach has some difficulties as within AA1000APS (2008), there is little guidance as to how this dialogue is actually managed, or how consensus is reached when there are conflicting stakeholder views. It also assumes that the organisation is capable of reflection (Beschorner and Muller, 2007). Taking a managerial perspective there is concern that the management of conflicting views may delay management decision-making (de Colle and Gonella, 2002). As the standard does not provide detailed requirements, relying instead on the development of performance measures that are responsive to stakeholder needs, the provision of comparable information for the purposes of benchmarking is not the primary goal. It is possible that the standard could be used by business for the purpose of symbolic conformity. Symbolic conformity, or de-coupling, allows institutions to makes changes to their formal structure as an indication of conformity, but these changes do not require significant changes to actual practice (Jamali, 2010) and Behnam and Maclean (2011) advised that principles based standards are the most likely to be decoupled.

A search of the professional literature revealed that Accenture (2013), KPMG (2013a), KPMG (2013b) and CorporateRegister (2013), referred only to the assurance standard, AA1000AS. The lack of reference to AA1000APS (2008) indicated that this standard is not widely recognised by business.

3.3.2 The Global Reporting Initiative (GRI)

The initial idea for a global sustainability reporting standard originated in 1997 at the Tellus Institute and the Coalition for Environmentally Responsible Economies which was responsible for the development of the environmental reporting guidelines, the CERES Principles. This initiative was endorsed by the United Nations Environmental Programme (UNEP) as a partner institution in 1998, and became the Global Reporting Initiative (GRI). The GRI is a non-profit organisation based in the Netherlands with a mission “to make sustainability reporting standard practice by providing guidance and support to organisations” (GRI, n.d.a).

At its inception, the GRI recognised that businesses were facing several issues: increasing numbers of requests for information regarding social and environmental performance; inconsistent reporting by business on social and environmental performance, which made it difficult for analysts and stakeholders to compare performance, and a variety of organisations introducing guidelines and other frameworks. The Sustainability Reporting Guidelines (SRG) were therefore designed to meet the need for the provision of comparable non-financial information (Willis, 2003), and were developed through the building of multi-stakeholder consensus in which NGOs and business could work collaboratively (Levy et al., 2010).

The first iteration of the SRG was launched in 2000 and this widened the remit from a focus on environmental issues to include social accountability and the link to economic performance (Brown et al., 2009). These initial SRG were revised in 2002 and a third iteration, known as SRG version 3.1, was published in 2011. The GRI has grown to become the most widely used reporting standard and amongst the largest global businesses its use is "almost universal" (KPMG, 2013a:12) which has been attributed to the skill of the founders as institutional entrepreneurs, and their capacity to promote a "win-win" solution (Brown et al., 2009:186). Thus the development of the SRG can be seen as an embodiment of triple bottom line reporting (Grafe-Buckens and Jankowska, 2001; Belal, 2002). Triple bottom line was the term coined by Elkington (1997) to represent the combination of the economic, environmental and social impacts. The SRG (version 3.1) require the disclosure of information in the following areas; economic, environmental, labour practices and decent work, human rights, society, and product responsibility (GRI, 2011). Following a period of consultation, the fourth iteration of the Guidelines (GRI v.4) was launched in May 2013.

It is important to note that GRI v.4 is not dealt with at length here as in a critical realist philosophy knowledge is deemed to be relativistic, that is it exists in time and place (Reed, 2005), and this study explores the social construction of CR reporting during the period 2010-2012. During the period under review GRI v.4 did not exist and therefore did not form part of the weak social construction explored.

The reporting requirements associated with the SRG (GRI, 2011) are extensive as companies are required to report on Strategy and Profile, Management Approach and Performance Indicators. The disclosures relating to Strategy and Profile provide the overall context for understanding organisational performance, the Management Approach provides the context for understanding performance as this details how an organisation addresses a given set of topics, and Performance Indicators which provide comparable information regarding economic, environmental and social performance (GRI, 2011:5). When considering the reporting requirements advocated by the SRG, it should be remembered that the GRI is dependent on business for its funding. This funding comes from donations from organisational stakeholders, some government grants and revenue generated from products and services (such as training and certification) that are offered by the GRI (GRI, n.d.b).

Whilst the uptake of SRG is widespread, there are geographic variations, and companies within the UK have not tended to adopt this framework, indeed UK uptake is lower than other countries (CorporateRegister, 2013).

3.3.2.1 Critique of the Sustainability Reporting Guidelines

The SRG (GRI, 2011) are recognised as the most widely used reporting framework (Dingwerth and Eichinger, 2010; Dumay et al., 2010; KPMG, 2013a; Levy at al., 2010). However there are several criticisms of the GRI and the SRG (GRI, 2011). Milne and Gray (2013) argued that reporting which focuses on the triple bottom line, such as the GRI, does not equate to sustainability reporting because there is an inherent assumption that the business continues to operate as usual, without confronting the potential unsustainability of its operations. In their analysis of the earlier version of the guidelines, Moneva et al. (2006) suggested that lack of clarity in the expected reporting boundary, the lack of requirement for assurance, and the lack of integrated measures undermine the claim that the GRI methodology promotes sustainability.

SRG version 3.1 (GRI, 2011) included the definition of sustainability from the UNWCED (1987). However the extent to which this is incorporated within the framework is debatable. Brown et al. (2009) argued that this is symptomatic of the trade-offs resulting from the balance of competing interests, and that, in developing the SRG, discussion was focused at a technical level and so avoided ideological debate such as defining sustainability. Joseph (2012) suggested that this ambiguity around the concept of sustainability means the guidelines do not recognise that transparent reporting requires acknowledgement of these ambiguities, and recognition of the tension between societal and organisational goals. Dumay et al. (2010) concluded that the SRG may be incomplete as organisations use other sustainability reporting guidelines in conjunction with those produced by the GRI.

The GRI is seen as taking an instrumental or managerialist approach to reporting (Matthews, 2008) as it focuses on the quality and reliability of information, and encourages consideration of the economic aspects of improved social and environmental performance. It is argued that the economic aspects in fact dominate and that economic consideration equates to financial performance (Dumay et al., 2010; Gray, 2006). This managerialist approach results in a framework that is complicated with “too many indicators” and that the use of “application levels is unwieldy, often confusing” (CorporateRegister 2011:6). This complexity is particularly challenging for small enterprises.

UNEP/SustainAbility (2004) suggested that the challenge lies in responding to the Reporting Principles for defining the content and quality of the report, and that in this aspect the Guidelines lack detail. The temptation for managers is that the SRG offer a checklist for reporting (van der Lann, 2009) which, Burritt and Schategger (2010:836) suggested, leads to an “outside-in” approach to reporting in which the content of the report is determined by the requirements of the guidelines used. De Colle et al. (2014:181-2) concurred, arguing that CR standards can promote an “obsession with compliance” at the expense of “values-based decision making”. This use of the Guidelines as a checklist can also stifle innovation as the content of the report is driven by the requirements of the guidelines (de Colle et al., 2014). Burritt and Schlategger (2010) suggested there is an alternative in which reporting develops as sustainability becomes central to the business strategy, driving the need for information to support managers’ decision making processes. This information is then incorporated in the external reporting. As a result, innovation is encouraged and new forms of sustainability accounting are developed which focus on reporting to stakeholders the cost of externalities such as, carbon, natural resources and water.

During the early development of the SRG, the GRI argued that a standardised reporting framework would be more efficient as user needs for information would be met, and so requests for information from interested parties such as investment research enterprises, shareholder activists and other activist organisations would decline. This has not been the case (Brown et al., 2009) and some businesses find that the standardised nature of the SRG does not enable them to describe the progress made on their journey towards a more sustainable future. Socially responsible investment funds, which seek additional information for the purposes of their screening, find that GRI reporting does not meet their needs and so they have developed their own proprietary research tools (Levy et al., 2010) or use additional complex questionnaires administered by third parties, for example, EIRIS (Friedman and Miles, 2001). It is suggested that the original goal of providing a framework for the provision of information to enable various actors to hold business to account has failed, as the engagement of activists and NGOs with GRI is now limited (Levy et al., 2010).

Caron and Turcotte (2009) used an institutional entrepreneur lens to analyse the development of the sustainability reporting guidelines. They concluded that whilst the GRI sought to encourage ‘path creation’ in which the organisation is encouraged to adhere to the ideals of the institutional entrepreneur, organisations adopting the Guidelines may actually follow a process of path dependence and seek to act according to the existing norms. Their analysis of CR reporting argued that compromises are made and that companies are only partially adopting the SRG and so do not create a new path (following the sustainability ideal).

3.3.3 United nations Global Compact (UNGC)

Recognising the global nature of the issues facing society and the potential of business rather than national governments to influence change, the UN developed the UNGC as a means by which business could demonstrate their support of international development and their commitment to supporting progress toward achieving the Millennium Development Goals. The UNGC, which was launched in 1999, is a voluntary initiative that “is a practical framework for the development, implementation and disclosure of sustainability policies and practices” (UNGC, 2013). There are two aspects to the Global Compact; business is asked to align its business strategies with, originally nine, and now ten principles and to report on progress in these areas, and to promote co-operation and learning by joining regional networks and through this share best practice. In terms of reporting requirements, the UNGC requires companies to produce a Communication on

Progress (COP). These reporting requirements are not onerous as all that is required is a statement of continued support, a description of action and measurement of outcomes in the four areas that are covered by the UNGC (environmental, human rights, labour and anti-corruption). There is no requirement to seek improvement in performance by, for example, reporting on targets set, nor is there a requirement for verification of data. Companies are encouraged to integrate the COP into existing stakeholder communications such as annual, corporate or sustainability reports in order to avoid duplication of effort. To remain a member of the UNGC, with the attendant right to display the logo, companies must upload their COP to the UNGC website from where the COPs are then publically available. The UNGC does not, however, review the COPs that are submitted. If a company does not comply with this requirement, they will ultimately be expelled from the organisation and this information is also included on the UNGC website.

In 2009, the UNGC updated the Policy for the Communication on Progress to promote improvements in reporting in the COP. This explicitly encouraged the use of the SRG (GRI, 2011) and identified the GRI as a strategic partner and amended the guidance on failure to communicate progress so that the sanction of expulsion was made more explicit. In 2011, the UNGC introduced a Differentiation Programme which sought to classify organisations as GC Active or GC Advanced (UNGC, 2014). A business wishing to declare that they were GC Advanced was required to provide an enhanced level of disclosure regarding the implementation of 24 advanced criteria. The guidance relating to GC Advanced made specific reference to the SRG Performance Indicators (GRI, 2011) and so those reporting under these criteria provide a greater level of detail and more comparable information.

3.3.3.1 Critique of the UNGC

Unsurprisingly, given the very general and uncontroversial nature of the ten principles, the UN Global Compact has seen extensive growth in the last decade and hence its claim to be the largest sustainability initiative. In June 2014, UNGC claimed that 12,000 corporations and other organisations had adopted the UNGC

(UNGC, 2013). Whilst it can also be argued that there are benefits in seeking a global response from multinational actors given the lack of regulatory frameworks, particularly within developing countries and where the issues faced are international in nature (Therien and Pouliot, 2006; Williams, 2014), the extent of the contribution it is making is disputed (Arevalo and Fallon, 2008). The UNGC has been criticised for the manner in which the ten principles were identified and the lack of involvement of other UN agencies, such as UNEP, UNICEF, OHCHR and civil society organisations such as Amnesty International (Sethi and Schepers, 2014). It has been suggested that the principles within the UNGC are so vague that they are difficult to implement and that the lack of compliance or verification procedures means that the UNGC can be used as a marketing tool (Deva, 2006; Arevalo and Fallon, 2008).

It is suggested that by working closely with business, the UNGC offers multinational organisations the opportunity to 'capture' the agenda. This is of particular concern if business uses the concepts of long-term learning and collaborative problem solving which are within the UNGC as a means of avoiding or delaying regulation (Rasche, 2009a). Williams (2014) however viewed the country and regional networks, which can promote dialogue and learning as a key strength, arguing that this allows for the development of ethical norms that take account of the local situation. Berliner and Prakash (2014) taking the institutional perspective of the UNGC as a club concluded that the UNGC should be in a position to encourage businesses to change behaviour, however, the lack of monitoring and enforcement does allow business to shirk their responsibilities under the UNGC. It should also be remembered that the UNGC is funded through the UNGC Foundation that is, in turn, funded through the charges levied on business and the contributions made by government. The UNGC therefore relies on business for a proportion of its funding (Sethi and Schepers, 2014).

It should, however, be recognised that the UNGC was not devised as, nor has it become, a certification tool but was developed to provide the space on a macro level for learning, experimenting and sharing so it is not a means by which organisations can be held accountable (Clapp, 2005). Instead Williams (2014:247) suggested that the “power of public transparency and the watchdog role of the media and NGOs serve as an accountability structure”. This however requires information to be published that is both sufficient and comparable. The current reporting requirement in the form of the COP does not do this (Berliner and Prakash, 2014). Rasche and Waddock (2014) argued that in order to assess the UNGC it is necessary to accept that as a Compact it is a different form of initiative that was not developed to compete with voluntary standards, but was seen as complementary. Viewed in this form, the strength of the UNGC, in their eyes, is that it provides a space in which business and some elements of society can discuss issues and ideas related to ethical corporate behaviour.

One of the areas in which the UNGC has been criticised is the lack of compliance procedures and Arevalo and Fallon (2008) advised that the future credibility of the UNGC lies in its ability to assess its own performance. In January 2011 the UNGC reported the expulsion of 2,048 companies for failure to adhere to the requirement for a COP (UNGC, 2011a), and this could be seen as a response to this criticism. The role of the COP as a means of reporting is unclear as it has been criticised as a reporting mechanism, as “COPs do not provide sufficient or meaningful information” (Sethi and Schepers, 2014:206), since the business itself identifies both the issue on which it wants to report and the means by which progress is measured. Rasche and Waddock (2014) cited the development of the COP and the introduction of active and advanced categories of reporting, as evidence of the ethos of a learning strategy. In a survey of signatories to the UN Principles of Responsible Investment, which in 2010 comprised investor 540 organisations, only 20% of respondents requested a COP from the companies they were potentially investing in, which suggested that the COP is not seen as adding value as a reporting tool.

3.4 Guidance from other perspectives

This thesis explores the social construction from which CR reporting in the foodservice sector emerges. This social construction is informed by multiple perspectives as there are numerous organisations that provide guidance or information on what business could, or should, include in their CR reporting. In this thesis this guidance is known as commentaries on reporting and this guidance is reviewed in this section.

3.4.1 Regulatory perspective

Companies that produce CR reporting will also produce other forms of reporting, such as financial reporting (FR) in the form of financial statements which in the UK are contained in the Annual Report. The production of financial statements is mandatory so there is a regulatory framework associated with FR. This regulatory framework will have some influence on the social construction that is CR reporting. Within the field of FR there are two main regulatory bodies for listed companies. The UK has adopted International Financial Reporting Standards (IFRS) which are developed by the International Accounting Standards Board (IASB) whereas in the USA, financial reporting is regulated by Financial Accounting Standards Board (FASB).

One of the areas of reporting for which the IASB has developed guidance is that of narrative reporting in the form of management commentary. The management commentary is defined as a narrative report covering both the financial and non-financial performance that provides the context within which to interpret the financial statements. In 2010, the IASB issued an IFRS Practice Statement Management Commentary (IASB, 2010a) which seeks to assist management in the preparation of integrated information to provide a context for the financial statements. The management commentary seeks to provide users, who are defined as “existing and potential investors, lenders and creditors” (IASB, 2010a:8), with information that helps these users assess past performance and some forward about the future direction of the business.

The management commentary should enable users to understand the;

- nature of environment in which the business operates
- business model itself
- opportunities and threats that management see in that environment and their strategies for addressing these

- significant resources, both financial and non-financial on which the business relies
- results of operations and future prospects
- performance measures and indicators used by management to assess performance.

(IASB, 2010a)

Whilst Practice Statements are not mandatory, they do have advisory power and so provide a regulatory perspective of the purpose and possible content of non-financial reporting.

The approach that has been adopted by the FR standard setting bodies is interesting. The IASB develop standards with reference to a Conceptual Framework which “sets out the concepts that underlie the preparation and presentation of financial statements for external users” (IASB, 2010b:A25). The preparers of FR have guidance in the form of principles-based standards and a conceptual framework. Where there is no relevant standard, the preparer of FR is guided by the underlying principles contained in the Conceptual Framework. This avoids an excessively detailed rules-based approach which is considered to render standards very complex and to hinder professional judgement (Alexander and Jermakowicz, 2006). However the rules based approach does produce reporting that is comparable, offers some protection for managers and auditors as there is definitive guidance to follow and provides society with evidence that standard setters are actively tackling issues. Whereas, the principles based or objectives orientated approach is considered more efficient but does require a consistently applied conceptual framework in order to achieve consistency (Benston et al., 2006).

To date, the conceptual framework for FR has considered “the objective of financial reporting” and “the qualitative characteristics of useful financial information” (IASB, 2010b:A23). Whilst these concepts have developed with respect to FR they will have potentially influenced the development of CR reporting. There is evidence that the qualitative characteristics used in FR have been appropriated by CR reporting guidance. Solomon (2000) investigated the extent to which the qualitative characteristics identified in the financial reporting Conceptual Framework were similar to those considered important within CR reporting and found a strong correlation. He suggested that this was evidence that the implicit conceptual framework within CR reporting was shadowing the explicit conceptual framework in financial reporting. However, O'Dwyer (2000) disputed the potential benefit to CR reporting of following a set of underlying principles similar to those used in FR, as he contended that the users of CR reporting, a range of stakeholders, were significantly different from those of financial reporting, namely shareholders.

In the USA, public listed companies are required to file Form 10-K with the Securities and Exchange Commission (SEC). This form, which includes the financial statements, provides a comprehensive overview of the company's business and financial condition and so may refer to non-financial information. The Sustainability Accounting Standards Board (SASB) has therefore been established to develop sustainability accounting standards for use primarily in the USA. Recognising that the sustainability issues can be addressed at an industry level, the SASB analysed the existing classification of industries with reference to the intensity of resource use and the sustainability impact (SASB, 2014) and so identified 88 industries in 10 sectors. The standards for these different industries are currently (2014) being developed through a process of research which identifies material issues, existing accounting metrics and develops new metrics. Following this initial research phase SASB have a development phase during which an industry working party provides feedback on the outcome of research and then a finalisation phase during which there is a pubic consultation on the proposed standard.

The SASB have developed these sustainability accounting standards to supplement the information provided in the financial statements and the SASB define the user of this information as a 'reasonable investor'. The SASB have also issued a conceptual framework (SASB, 2013) that seeks to explain the sustainability topics that were identified, the methodology used to assess the materiality of sustainability issues and the approach to standards development. The definition of the reporting entity, contained in this conceptual framework, follows the FR definition being those entities over which the company (parent) has direct control. The sustainability accounting standards themselves then detail the sustainability issue and the associated accounting metric. Within their conceptual framework, the SASB (2013) are clear that these sustainability accounting standards have been developed to enable companies to fulfil SEC's requirement for Form 10-K and as such have been developed for the use of companies listed in the US and for the benefit of the investor.

3.4.2 Investor perspective

One of the primary user groups for FR is investors, both current and prospective. Recent developments in the management commentary have suggested that investors, beyond specialist groups such as SRI funds, are interested in non-financial information, e.g. whilst Accenture (2013) found that CEOs did not think that investors either guided their approach to, or were a chief motivator for, CR practices, they suggested that investors would become increasingly interested in this area. It is therefore appropriate to review the commentaries on reporting produced by organisations representing the interests of investors.

- The International Corporate Governance Network (ICGN)

The International Corporate Governance Network (ICGN) is a global network organisation. As at June 2014, this comprised 600 members, mainly institutional investors, with approximately US$18 trillion under management. The ICGN produce the Global Corporate Governance Principles, which in 2014 are in their fourth iteration, as well as various statements and guidance on related issues, such as gender diversity and lobbying activities. Recognising that to exercise their fiduciary duty, institutional investors need to take into account both financial and non-financial information, the ICGN issued a Statement on Non-financial Business Reporting in December 2008. The aim of this guidance is to enable shareholders and investors to make informed investment decisions recognising that in the current complex business environment, long term business success can be dependent on factors that are outside the scope of the traditional financial information (ICGN, 2008).

The ICGN Statement and Guidance on Non-Financial Reporting emphasised the need for the users to be able to make informed judgements about the long term prospects of businesses. To enable users to do this, this guidance advocated that business should disclose information relating "the impact of environmental risk, such as climate change; matters affecting employees, customers, suppliers and host communities" (ICGN, 2008:5). The ICGN suggested that the purpose of sustainability reports is to inform the wider community, but that the sustainability report is not the appropriate mechanism for reporting to investors. Information relating to the material non-financial issues should be contained in the Annual Report as the preparation of this is overseen by the directors, and it is addressed to shareholders. There are some similarities between the approach suggested by ICGN (2008) and the approach adopted by the IASB within the Management Commentary (IASB, 2010a). In both cases, there is an emphasis on the inclusion of forward-looking information within the CR reporting.

- Climate Disclosures Standards Board (CDSB)

Another organisation that seeks to serve the information needs of investors is the Climate Disclosure Standards Board (CDSB). The CDSB is a consortium of eight international environmental NGOs and businesses that promote the integration of information relating to climate change into mainstream corporate reporting. The CDSB has developed a Climate Change Reporting (CCRF) Framework which seeks to "elicit information of value to investors in gauging how climate change affects strategy performance and prospects for organisations" (CDSB, 2012:4). The CCRF was developed for use with mainstream financial reports with a view to standardising the disclosures relating to climate change and so is aligned to the principles guiding financial reporting as articulated by the IASB. It is suggested that this information is useful for investors as it aids comparability. The CDSB promotes the CCRF as 'standard-ready' suggesting that it can be adopted by regulators seeking to make this form of reporting mandatory.

In the UK, large companies are required to report on their greenhouse gas emissions under the London Stock Exchange listing requirements, and the CCRF is one of the methodologies that can be used. Ascui and Lovell (2011) suggested that there continues to be some debate regarding the concept of carbon accounting, but that this form of climate-change specific reporting has been more widely adopted than CR reporting. Whilst energy use and green-house gas measurements are regularly included in triple bottom line reporting, such as SRG (GRI, 2011), this form of reporting is more extensive. The CCRF is therefore a more specific form of guidance that relates to one aspect of CR reporting. Through an analysis of the context in which the CDSB works and the process of development of the CCRF, Andrew and Cortese (2013) concluded that the CDSB offers a market solution (a neoliberal remedy) through a discourse emphasising the management of opportunities and risks and that, in their opinion, the centrality of the market could be challenged.

- UN Principles for Responsible Investment

Following the approach of working with business, as adopted by UNGC, the UN sought to engage the investor community in the responsible business debate. The Principles for Responsible Investment were developed by institutional investors working with the UN Environment Programme Finance Initiative and the UNGC and were launched in 2006. The approach adopted is one of identifying principles, high level statements of intent to which organisations commit, but where oversight of adherence is limited. The six principles were devised by the investment community who recognised that environmental, social and governance issues have an impact on the performance of business over the longer term, and as institutional investors, acting in the best interests of their beneficiaries, they should consider environmental, social and governance (ESG) issues. The UNPRI also recognise that the Principles "may better align investors with the broader objectives of society" (UNPRI, n.d.). It could therefore be argued that the UNPRI provide another means by which businesses within the financial services sector can legitimise their actions. In terms CR reporting, it is the third Principle that is relevant as it states that institutional investors "will seek appropriate disclosure on ESG issues by the entities in which we invest" (UNPRI, n.d.). The Principles do not provide detailed guidance on what disclosure is appropriate, but refer to "relevant norms, standards, codes of conduct or international initiatives" and refer to both

UNGC and GRI’s Sustainability Reporting Guidelines (2011). Richardson and Cragg (2010) suggested that voluntary standards such as UNPRI are not sufficiently rigorous to challenge the status quo and that effective socially responsible investment would be enabled through a reconsideration of the nature of the fiduciary duties of investors.

- UN Conference on Trade and Development (UNCTAD)

The first UN Conference on Trade and Development (UNCTAD) was held in 1964 to address concerns regarding the involvement of developing countries in international trade. In the early 2000s UNCTAD recognised that there was a growing interest in CR issues in developed and developing countries and that there was increased demand for guidance in this area. Therefore during 2004-2007 UNCTAD convened an Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR). Following these discussions, Guidance on Corporate Responsibility Indicators in Annual Reports (2008) was issued. This guidance is to “assist preparers of enterprise reporting in producing concise and comparable corporate responsibility indicators within their annual financial reports” (UNCTAD, 2008).

Solomon et al. (2011) considered the nature of the private discourse relating to climate change by interviewing twenty institutional investors. They concluded that these institutional investors believed that climate change presented a material risk to business and therefore expected companies to provide information relating to their risk management strategy and in particular in relation to the risk from regulation or changes to the taxation regime. This information was provided in one to one meetings and was in addition to the information provided in the company’s CR reporting which indicated that the institutional investors considered the information provided in CR reporting to be lacking to some degree. Solomon et al. (2011) also note that there was a complete lack of an ethical discourse in their interviews, with no discussion of responsibility or accountability, and that the institutional investor is interested in the financial risks of climate change and management’s response to this.

3.4.3 Assurors perspective

Associated with the growth of standards there has been a significant growth in assurance practice which Dando and Swift (2003) suggested, with the involvement of stakeholders, could narrow the credibility gap and enhance trust in the information reported. However as O'Dwyer and Owen (2005) concluded this is often not the case and that the assurance process is effectively controlled by management. More recently Manelli and Toccafondi (2012) found some evidence of stakeholder consultation within the assurance statements, but they acknowledge that this is usually limited to internal stakeholders, such as employees and managers. Indeed Levy et al. (2010) suggested that some of the main beneficiaries of the growth of GRI reporting are the accountancy and consultancy practices that specialise in the provision of assurance services.

For non-financial reporting, there are two main assurance standards;

- ISAE 3000 Assurance Engagements developed by the International Federation of Accountants in 2003
- AA1000AS (2008) which is part of the Accountability series.

Recognising that many managers voluntarily decide to assure their CR reporting and so are able to define the nature of the assurance engagement, both these standards offer two levels of assurance. ISAE 3000 (IFAC, 2005) defined a limited assurance engagement as one which offers a lower level of assurance: an assurance is given that, based on work performed, nothing has come to light that suggested that the subject matter is materially misstated. Conversely, in a reasonable assurance engagement, the practitioner forms an opinion on the outcome of measurement, or underlying subject matter, and so this offers a higher level of assurance.

Within AA1000AS (2008) the two forms of engagement defined are: Type 1 engagement, whereby the assurance provider evaluates the adherence to the AA1000 AccountAbility Principles "without verifying the reliability of the reported information" (AA1000AS, 2008:9), and Type 2 engagement whereby the adherence to the AA1000 AccountAbility Principles is evaluated and the reliability of specified sustainability performance information also is evaluated, representing a higher level of assurance. Within both Type 1 and 2 engagement, the assurance provider can specify high assurance, in which “the risk of their conclusion being in error is very low but not zero” or moderate assurance where the “the risk of their conclusion being in error is reduced but not reduced to very low but not zero” (AA1000AS, 2008:11).

There is recognition that non-financial information has different characteristics to financial information. ISAE 3000 suggested that the underlying subject matter has different characteristics in that it can be, for example, quantitative or qualitative, historic or prospective, objective or subjective (IFAC 2003:para A49) and that these characteristics will impact on the precision with which the underlying subject matter can be measured. The criteria for evaluating underlying subject matter are dependent on context and when these are developed for the purposes of a specific engagement, this should be disclosed. It is clear that for assurers the information disclosed in CR reporting has certain characteristics and those with different perspectives may value these characteristics differently.

As the number of organisations producing CR reporting increased, there was an increase in the number of CR reports that had some form of independent assurance (Junior et al., 2014). It is suggested that the assurance of the CR report enhances the credibility of the reporting (Zorio et al., 2013; Wong and Millington, 2014). However, O’Dwyer and Owen (2007) concluded that there was a lack of stakeholder involvement in the assurance process. From their study of the quality of assurance reports, Zorio et al., (2013) suggested that the industry sector and inclusion on a stock exchange (in this case Spanish stock exchange) were determining factors in assurance decisions. Whilst Wong and Millington (2014) suggested that in their study stakeholders preferred specialist assurors, the ‘Big 4’ auditing firms had a greater share of this market (Junior et al., 2014). The development of this new form of assurance service has been the focus of relatively recent work (O’Dwyer et al., 2011).

3.4.4 Management process perspective

The management of the environmental impacts of energy use, water consumption and waste produced by operations has become an important aspect of the management of business operations. The European Union created EMAS in 1993 to encourage voluntary participation in environmental management schemes. The scheme has subsequently been revised twice, and is designed to improve environmental performance and to offer credibility through an external accreditation process. It encourages transparency as the organisation must produce an environmental statement (external communication) and implementation of the scheme requires the involvement of employees (internal communication). EMAS is applicable across both manufacturing and service sectors and adoption of the scheme varies from state to state. Some EU countries, such as Spain, have significantly greater involvement in the scheme and so Spain has been the focus of several recent studies on environmental disclosure (Bonilla-Priego and Palacios, 2008; Bonilla-Priego et al., 2011).

Whilst EMAS is a European initiative, the ISO14000 series of standards are global standards that support the development and audit of environmental management systems. The ISO14001 standard does not seek to set standards for environmental performance, rather it provides a framework to support the establishment of an environmental management system which can then be certified by a third party. EMAS is considered a more rigorous scheme than ISO14001 as it requires; a commitment to continual improvement of environmental performance, compliance with environmental legislation, a commitment to the provision of public information through the publication of a Public Environment Statement and the involvement of employees (EU, 2008). The ISO14001 standard that was published in 2004 is under review in 2014. Within the UK there is a greater adoption of ISO14000 as compared to EMAS (Milieu Ltd and RPA Ltd, 2009).

In 2010 ISO issued ISO26000 Guidance for Social Responsibility in response to growing interest in this area. The aim of this ISO was to produce, through stakeholder consensus, an overarching standard that defines Social Responsibility concepts and topics. The standard, which is voluntary and so is not used for the purposes of accreditation, identifies seven core subjects, and provides guidance as to how to integrate and implement socially responsible behaviour throughout an organisation. It does not however require any external acknowledgement or any specific guidance on reporting practice.

3.4.5 Guidance from a UK perspective

This research is based on a critical realist perspective which assumes that CR reporting emerges from a social construction. This social construction is determined by the society in which the business operates. This study considers the UK foodservice sector and so it is important to give some consideration to reporting guidance that is specific to the UK perspective.

Within the UK, there have been moves to require listed companies to report on wider aspects of their operations, most notably the provision for an Operating and Financial Review that was withdrawn in 2005. The Companies Act 2006 requires publically quoted companies to produce a strategic report that includes a description of the company's strategy, business model and main trends and factors that are likely to affect the future development, performance and position of the company. Corporations are also required to disclose information regarding environmental impact, employees and social and community issues where this is necessary for "an understanding of the development, performance or position of the company's business" (Companies Act, 2006:para 417 (4)). Given that the Companies Act codifies the relationship between management (directors) and owners (shareholders), the information provided in the strategic report is written for the members of the company and so in assessing materiality a shareholder-centric perspective is taken and directors are not required to disclose information if such disclosure is considered seriously prejudicial to the interests of the company.

There is some overlap between the Companies Act (2006) and the IASB's guidance on the preparation of the Management Commentary (IASB, 2010a) as both these sets of guidance emphasise the need for companies to disclose information relating to the nature of the business and future prospects. It appears, therefore, that preparers of reporting are being asked to produce an historic account of past performance as well as information relating to future direction. The requirement for forward looking information as articulated in the management commentary might be seen to support the view that CR reporting could reflect some of the information used by managers in their strategic decision making. Burritt and Schaltegger (2010) analysed the extent to which CR reporting could be seen as an exercise to produce an externally determined set of information, or is a reflection of the information used internally for decision making.

There are some mandatory disclosure requirements which are the result of the UK listing requirements or legislation. If a company is listed on the main market of the London Stock Exchange, it is required to report its greenhouse gas emissions in the directors' report, and to comply with the UK Corporate Governance Code. This Corporate Governance Code (FRC, 2012) contains the standards of good practice, which companies must adopt, or explain their reasoning for not doing do, in relation to, amongst other things, accountability. The principle for accountability in this context is that the board "should present a fair, balanced and understandable assessment of the company's position and prospects" and that the "board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems" (FRC, 2012:18).

An additional piece of legislation, the Carbon Reduction Commitment (CRC) requires large, non-energy intensive organisations (both private and public sector) to report their carbon dioxide emissions to the Environment Agency. In order to comply with these provisions organisations, such as larger hotels, are required to maintain internal records. This legislation targets the non-energy intensive organisations, the energy intensive organisations already fall under the EU Emissions Trading Scheme and Climate Change Agreements, and so it has been suggested that this will be the first form of environmental reporting for some organisations (KPMG, 2013b). The CRC will include some of the larger hotel chains operating in the UK and will impact the larger premises in which foodservice operators are based. The extent to which the foodservice operator is directly responsible for energy use will be dependent on the nature of the contract. In the

Business and Industry sector, where the foodservice provision is in a client's premises, the facilities management company responsible for the building (who may also be providing the foodservice operation) will manage the energy efficiency. If a foodservice operator has their own off-site centralised production facilities, these will potentially fall under this scheme.

Within the UK, Business in The Community (BiTC) has played a prominent role in the development of CR initiatives through promotion of the Corporate Responsibility (CR) Index and the associated BiTC Big Tick awards which have been in existence for 17 years. The CR Index was designed in consultation with business leaders, to enable companies to "systematically measure manage and integrate responsible business practice" (BiTC, 2014). The Index is also a means of benchmarking corporate responsibility performance as businesses complete an annual survey and self-assessment which are submitted for review by BiTC. Norman et al. (2009) acknowledged that one of the reasons for developing awards and rankings was to provide some incentive for business to adopt practices that qualify them for recognition and Hammond and Miles (2004) found that awards were considered by executives to be guides to best practice and supported the development of CR reporting. Whilst Gray et al. (1996) suggested that such schemes have had an influence on the nature of reporting, there is a temptation for companies to act instrumentally, and to report in such a way as to meet award criteria. This has led to some surprising award winners, notably British American Tobacco, and further discussion of the merit of awards within a more mature reporting environment.

3.5 Development of an Institutional Infrastructure for International Accountability Standards

There has been a proliferation of CR standards and whilst those with a critical perspective continue to argue that mandatory regulation is necessary if CR reporting is to provide a degree of accountability, there are some advantages to voluntary reporting. Bendell et al. (2011:268) suggested that national regulations provide a lower threshold, the baseline below which performance should not fall and that CR standards are "less static, aspirational, evolving".

3.5.1 Classification of CR Reporting standards and guidelines

There are a wide range of standards, principles guidelines and codes of conduct and so there have been various attempts to classify the standards. Waddock (2008) reviewed a range of CR guidance and classified it by the type of institution producing the guidance, namely;

- market/business institutions,
- civil society/societal institutions
- state/government institutions

She argued that this was evidence of the emergence of a new institutional infrastructure. Gilbert et al. (2011:23) concurred and described the emerging standards as “international accountability standards (IAS)” and suggested this phenomenon is the response to the lack of global governance in this area.

Rasche (2009b) further refined this classification by suggesting a taxonomy based on the means by which the standards hold organisations to account (policy, accounting, auditing and reporting) and the focus of the standards (social, environmental or economic). This analysis looked at the main focus of each standard and concluded that no one standard covers all areas. However, most of the standards do anticipate some form of communication or reporting, for example, the UN Global Compact which is classified by Rasche (2009b) as a policy standard does require organisations to report in the form of the Communication on Progress. Rasche (2009b) did not include the AA1000 Accountability standards in this classification and it is difficult to identify how these would be classified as the focus of these standards is on the process required for a company to demonstrate its accountability.

An alternative classification is provided by Gilbert et al. (2011) who classify the initiatives as;

- principles-based,
- certification,
- reporting

- process;

The UNGC is an example of a principles based initiative, AA1000AS (2008) and ISAE3000 (IFAC, 2005) are certification initiatives, GRI (2011) is a reporting initiative and AA1000APS (2008) is a process initiative. The standards have also been classified by source and compliance mechanism (Bendell et al., 2011).

Fortanier et al. (2011) provided evidence to support the existence of an institutional infrastructure. They advised that where companies adopted one or more of the international accountability standards, there was less of a country of origin effect in their reporting, in that the domestic or national institutions had less influence on the CR reporting than the international standards. They concluded that the international accountability standards were having an upward harmonisation effect, but that this effect was not related to the strength of the enforcement mechanism associated with the standard. Within the FR field, it is recognised that a standard setting process is political in nature. Interested parties, such as finance directors or the auditing profession, seek to manage the standard setting process in their own interests so that the resulting financial reporting standards enable them to present their financial performance in a favourable light (Nobes, 1992).

Aras and Crowther (2008b) compared the process for the development of FR standards with that of CR reporting guidance and suggested that as these international accountability standards are developed through consensual agreement and a range of stakeholder views are considered, the powerful are less able to lobby for their own interests. This is at odds with Joseph (2012) who suggested that discussions about standard development, particularly within the GRI, are dominated by large multinational companies and so the powerful are able to lobby for their own interests.

The role of these international accountability standards remains contested. It is recognised that the different standards have different foci, and so the decision about which standard to use is critical. If management are able to promote or enhance the corporate objectives by applying particular standards, then the business might not be accountable. Thus international accountability standards have been considered as the culmination of an exercise in managerial capture because managerial stakeholders are able to devise a standard which provides the organisation with legitimacy and which addresses the issues that the organisation considers important (Owen, 2008; Gray 2007). It has been suggested that the issue of managerial capture can be addressed by involving stakeholders in the decisions as to which standard to adopt. However, as different standards meet different stakeholder needs, there is still the potential for one stakeholder group to dominate (Rasche and Esser, 2006).

Having reviewed the theoretical debates relating to CR reporting, it was concluded that there was a continuum of philosophical approaches of the researchers and that the theories used to explore the motivations for CR reporting could also be placed on a normative – strategic continuum (section 2.8.1). The major global reporting guidance has been reviewed and it, too, can be classified on a normative – strategic continuum. Of the standards considered AA1000APS (2008) is the most normative as it provides guidance suggesting that business responds to those issues identified by stakeholders and that stakeholders' views inform measurement, monitoring and reporting processes. Whilst the UNGC might be considered normative, seeking to provide over-arching principles of ethical behaviour, in practice it can be used strategically as it offers the opportunity for symbolic conformity (Jamali, 2010). The SRG (GRI, 2011) are more strategic as they adopt a managerialist approach (Matthews, 2009).

Figure 3.1 demonstrates how the reporting guidance can be placed on a strategic-normative continuum and how this relates to the interrelation of political economy, stakeholder and legitimacy theories (discussed in section 2.8.1).

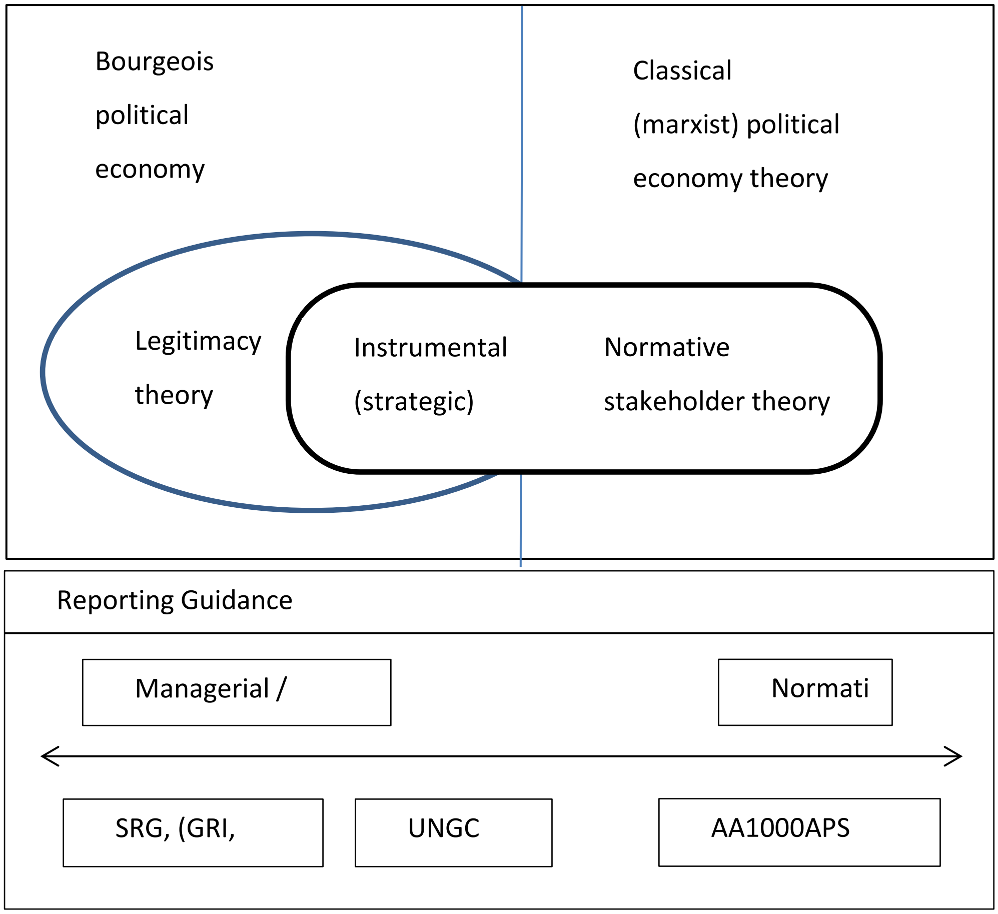


Figure 3.1 Positioning of Reporting Guidance on a Managerial / Strategic-Normative Continuum

It should also be remembered that the criticism remains; whilst reporting is voluntary, managers use their discretion to identify the issues they address, which leads to the accusation that initiatives can be cherry picked to give a favourable impression (van der Laan, 2009). In their recent paper, de Colle et al. (2014:184) drew attention to the problems that can occur through the use of “deceptive measurement” in CR standards. They argued that the use of proxies to measure the more intangible aspects of performance distract from the important aspects of that performance as managers focus on the proxy. De Colle et al. (2014) also highlighted the danger of CR standards eroding individual responsibility in that individuals may follow the rules and standards without considering whether these rules are promoting the desired behaviour. There is potential for confusion as the objectives of a normative initiative will differ from those of a managerial initiative, and a managerial initiative might want to appear to have normative objectives. Managers who want to appear accountable, a normative objective, might therefore seek an initiative that offers this as an objective, but then actually follow the managerial elements.

3.5.2 CR Reporting guidelines complementarity

The emerging institutional infrastructure formed by the international accountability standards is complex. There are a variety of different standards, certification and monitoring schemes which have different foci and so there is the potential for some confusion. Waddock (2008) suggested that the answer to this is some consolidation of the initiatives. The relationships between the different sets of reporting guidance were analysed by establishing what references were made to other guidance. The UNGC and GRI have formed a strategic alliance and have committed to working more closely together. The UNGC therefore recommends that the SRG be used as a reporting framework when preparing the COP and the GRI agreed to incorporate the 10 UNGC principles in the next iteration of the SRG.

The relationship between the three standards considered is shown in Table 3.1

Table 3.1 References made to alternative reporting guidance within existing reporting guidance

		Within this guidance		
		AA1000APS (2008)	SRG (GRI, 2011)	UN Global Compact (2011)
This guidance is referred to	AA1000 APS (2008)		Acknowledges the accountability Assurance Standard, AA1000AS (2008) as a suitable assurance standard but does not mention the Accountability Principles Standard (AA1000APS, 2008) or the Accountability Stakeholder Engagement Standard (AA1000SES,)	The Communication on Progress (COP) may be assured with reference to the AA1000AS (2008)
	SRG (GRI, 2011)	The use of guidelines for sustainability reporting is mentioned in AA1000APS (2008) but the GRI guidelines are not mentioned by name		Memorandum of understanding – the UNGC will recommend the SRG (GRI, 2011) as the reporting framework for the COP
	UN Global Compact (2011)	AA1000APS (2008) does not refer to UNGC.	The GRI has a strategic alliance with UNGC – the GRI will integrate UNGC's 10 Principles into the next iteration of the SRG	

Source: Researcher

It is apparent that the AA1000 series of standards is acknowledged as an assurance standard. The assurance standard, AA1000AS is related to the Principles Standard

AA1000APS (2008) because to adhere to the assurance standard the organisation must adopt the Accountability Principles. However, the principles based approach to accountability and reporting outlined in AA1000APS (2008), is not explicitly acknowledged by either the UNGC or the SRG. AA1000APS (2008) has a more normative approach to the identification of the issues included in the reporting as it is based on the Principle of Inclusivity. Stakeholders are seen as an integral part of the process and this more normative approach is not consistent with the managerialist approach of GRI.

Both the GRI and the UNGC appear to be working closely as they highlight the links with each other on their respective websites. The GRI have produced documents to highlight the links between the SRG and the UNGC, and within the GC Advanced, the SRG (GRI, 2011) are highlighted. This is unsurprising as the Sustainability Reporting Guidelines evolved from the United Nations Environment Programme (UNEP) with which it has a strategic alliance. Whilst the UNGC does not advertise an association with UNEP prominently on its website, the UNEP is listed as a UN agency in the participants and stakeholders section of the website. AccountAbility, the organisation that developed the AA1000 series of standards, is not recognised in this way.

3.5.3 Institutional Infrastructure and the need for a conceptual framework

The range and variety, and potential harmonisation, of CR initiatives suggest that an institutional infrastructure is emerging (Waddock, 2008). The nature of this emerging infrastructure can be compared to the institutional infrastructure that has already been established for financial reporting (FR). In FR the standard setting bodies have developed a conceptual framework which articulates the nature, function and limits of reporting and so provides the theoretical underpinning to the preparation and presentation of financial statements. As a social construction, the conceptual frameworks themselves have developed over time, but their existence ensures that when adapting to changes in the external environment, the developments in standards are consistent and theoretically sound (Archer, 1992). Independent verification, through a process of auditing, is an important aspect of FR and so the conceptual framework and associated standards are also of importance to assurers as a source of guidance. As most CR reporting is discretionary and there is no legal requirement for external verification, managers can select which, if any, of the different CR reporting guidance to follow.

The similarities between the conceptual framework for FR and some of the CR reporting guidance, in particular the Sustainability Reporting Guidelines (GRI, 2011), have been recognised. Solomon (2000) suggested that the development of CR reporting was shadowing the more explicit FR conceptual framework. Lamberton (2005) agreed, suggesting that in the development of the Sustainability Reporting Guidelines, the GRI had followed elements of the FR framework which is unsurprising given that the SRG was modeled on the US financial reporting system (Brown et al., 2009). However Lamberton (2005) believed that more work was needed for sustainability accounting to match the rigour and integrity of FR. The extent to which this was desirable was disputed as there are a wider range of users of CR reporting with different information needs to shareholders (O'Dwyer, 2000).

In the US, the Sustainability Accounting Standards Board have issued a conceptual framework (SASB, 2013), but rather than articulating the underlying principles to which the standards adhere, it explains of the process by which they are developed. These sustainability accounting standards have been devised to meet the reporting needs of US companies and investors, as they are used in the completion of the Securities and Exchange Commission (SEC) Form 10-K. They adopt a more rules based approach as specific issues and related sustainability accounting metrics are identified for the industries within the different sectors. This is an instrumental or strategic approach as the objective of this form of CR reporting is to measure the performance of the business in order to provide investors and managers with information to enable them to make economic decisions, and to assess the stewardship of resource by management.

As the discussion relating to the theoretical perspectives demonstrated, there is still much debate as to the objective of CR reporting, and an alternative more normative perspective is that the objective of CR reporting is to be accountable. AA1000APS (2008), having a more normative perspective, adopts a principles based approach to CR reporting, with the Principle of Responsiveness suggesting that the organisation determines the response to meet the needs of stakeholders and so the standard does not require specific disclosures but, instead, requires the organisation to follow a process. AA1000APS (2008) does not, however, provide a conceptual framework to underpin this standard and so preparers of reporting may have difficulty applying the standard, for example, in determining competing stakeholder information needs. The Sustainability Reporting Guidelines (GRI, 2011) provide a more managerial perspective as the reporting seeks to provide information that aids comparison and benchmarking, so the guidelines require the disclosure of specific performance indicators which is a more rules based approach.

If a principles-based approach to reporting is followed, then it is essential that there is a clear conceptual framework. A conceptual framework that underpins the different forms of CR reporting has yet to be developed, in part due to the lack of common understanding of, or agreement on, the principles underpinning CR reporting. However as Matthews (2008) suggested, if CR reporting is to be considered on an equal footing to FR, then legislation is required. If CR reporting became mandatory exercise, then a conceptual framework, standards and an audit regime would be developed.

Within FR, the development of a conceptual framework created an environment which supported a unified approach to accounting, where accounting was developed in a coherent manner, rather than in an ad-hoc, transitory fashion based on expedient solutions (Gore and Zimmermann, 2007). The development of a conceptual framework for CR reporting would require a discussion of the purpose and nature of CR reporting and the definition of the fundamental principles and elements. This would then support the development of various aspects of reporting such as an approach to the reporting of social impact.

3.6 Initiatives used in the foodservice sector

The hospitality sector also has a series of awards which often include an award relating to CR or sustainability performance. For example, Caterer and Hotelkeeper organise both the Catey and the Foodservice Catey awards which include an award for sustainable business practice, which seeks to recognise innovative CR practice (rather than reporting). Similarly, the awards organised by

Foodservice Footprint, a responsible business and sustainability information service for the foodservice sector, seek to recognise sustainable and responsible business practice.

There are a multitude of different environmental management schemes within the hospitality industry generally and the foodservice sector specifically. These can be considered to fall into different categories. Some are developed internally by organisations themselves, such as the Radisson Hotel Group's Responsible Business (Rezidor Hotel group, 2013) and the Code of Business Conduct (Compass Group, 2011) Others are produced by industry associations such as, International Hotel and Restaurant Association, American Hotel and Motel Association. In addition, there are independent schemes such as Eco-Management and Audit Scheme (EMAS) or the environmental management series ISO14000 (Hawkins and Bohdanowicz, 2012). There are also two initiatives that have been promoted by the UK Government in response to issues within the sector: these are the Public Health Responsibility Deal (PHRD) which seeks to promote healthier lifestyles and, the Foodservice and Hospitality Agreement (HaFS) which seeks to address the issue of waste in the sector.

The Public Health Responsibility Deal (PHRD) is a UK Government sponsored voluntary initiative which seeks to work in collaboration with business to improve public health (Department of Health, 2011). The work of PHRD is overseen by a group of senior representatives from the business community, NGOs, public health organisations and local government. In terms of reporting, the signatories to the PHRD are asked to provide details of how they intend to meet their commitments and then to provide an annual progress update for publication on the PHRD website. The reporting may be quantitative, as some measures have been defined, or a qualitative narrative report.

The PHRD has been criticised by the public health community as they believe voluntary agreements allow for the prioritisation of the commercial and financial interests of the industry and that a regulatory approach is more effective (Bryden et al., 2013). From their analysis of 47 studies relating to voluntary agreements, Bryden et al. (2013) concluded that the pledges relating to physical activity in the

PHRD are completely voluntary agreements with few sanctions for non-compliance, but that the government used the threat of future regulation to encourage the adoption of the pledges for food and alcohol. They also suggested in order for a voluntary standard to be credible there needs to be ambitious and clearly defined targets with a monitoring system that involves an element of publicity.

The Waste & Resources Action Programme (WRAP) is a UK government-funded initiative that encourages people to recycle more and waste less. WRAP is currently working with the hospitality sector on the Hospitality and Food Service Agreement (HaFS). This voluntary Agreement seeks to reduce food waste, optimise packaging and increase recycling by setting the sector targets relating to waste prevention and waste management.

Within this Agreement, WRAP reports publically on the collective performance in relation to the sector-wide targets. Signatories to the Agreement commit to taking action to deliver these targets, and they can report that they are signatories to the Agreement but are not required to publically report on their individual performance. On joining the agreement, large company signatories are required to establish a baseline of current levels of waste, and then work with WRAP to set targets for waste prevention and reduction, and then to report annually to WRAP on progress via an on-line portal. In order to implement this reporting mechanism WRAP worked with the industry to develop guidance on the reporting measures. The HaFS Agreement is a voluntary initiative and so WRAP emphasise the commercial (economic) benefits of the programme, for example, they translate food waste statistics into monetary values: “food wasted in the sector is estimated at £2.5bn per year” (WRAP, n.d.).

3.7 Conclusion

This chapter has evaluated the development of the guidance that specifically addresses reporting, AA1000 (2008), Sustainability Reporting Guidelines (GRI, 2011) and UNGC requirement for a Communication on Progress (COP). In order to explore the social construction of CR reporting, it has also evaluated the guidance from those bodies that provide commentary on reporting. Thus the perspectives of others associated with CR reporting were evaluated.

Waddock (2008) and Gilbert et al. (2011) suggested that there is evidence of an emerging institutional infrastructure for international accountability standards and there is evidence of some mutual recognition of standards. The SRG (GRI, 2011) is the most widely recognised standard and this success has been attributed to its positioning as a managerial standard which advocated a triple bottom line approach to sustainability offering business a win-win situation.

There is no evidence that this institutional infrastructure has emerged from a common underlying set of principles which define some of the key concepts in CR reports. Within FR, the conceptual framework considers the underlying principles such as the objectives of reporting, the desirable characteristics of reporting and the principles behind recognition and measurement within reporting. The definition of this conceptual framework encourages a more unified approach to FR and so the ad-hoc development of expedient accounting treatments is avoided. The lack of a conceptual framework for CR reporting means that in formulating each set of guidance those preparing the guidance, or those commenting on the guidance make their own decisions regarding the fundamental underlying principles. The consequences of this are, potentially, a lack of common understanding of the terms used, such as the boundary of reporting, and a mismatch between the objectives of the reporting and the principles applied. If the motivation of a business for reporting is managerial, they might perceive some advantage in presenting CR reporting that appears normative by following guidance that is more normative in nature.

Users of CR reporting may find this particularly problematic as they may assume that the principles underpinning the different forms of guidance are the same and so may not fully understand the difference bases on which CR reports are prepared. The lack of a conceptual framework for CR reporting is particularly problematic for the guidance that adopts a principles based approach to reporting. Both AA1000 (2008) and the UNGC (2011b) are considered principles-based standards and have been criticised for a lack of detail that provides the opportunity for symbolic conformity (Jamali, 2010).

The exploration of this social construction identified meta-themes of the boundary of CR reporting and the content of CR reporting. One meta-theme is that of the boundary of the reporting. Managers can manipulate the impression given by the CR reporting through careful consideration of the boundary (a finding that was confirmed by the initial interviews, see section 6.2). For example, a hotel company may choose to report on the environmental performance of the hotels it owns, but if this company operates a significant number of properties under management contract or franchise arrangements then these properties would not fall within the boundary of the report. The CR reporting would therefore be misleading. A concept that is related to the boundary of reporting is that of materiality. A material item is one that is considered relevant and so this concept can be used to determine the content of a CR report but in defining a material item as one that is relevant, the question arises as to relevance to whom and in what context. The use of materiality in defining report content will therefore be explored.

When considering the content of reporting, there are several other themes that will be explored. Whilst recognising the CR report as a report on past performance, some of the communications on reporting which sought to represent the views of financiers also emphasised their interest in forward looking information and in particular the strategic direction of the organisation. These users are interested in the future value of an organisation and strategic direction may influence this. Therefore the reporting guidance and the reporting of the foodservice operator will be reviewed to explore the balance between the reporting of past performance and forward looking information.

Forward looking information may be presented in the form of performance targets and managers will make decisions as to the performance measures and the targets used. It is also possible that managers may choose to report on measures that relate to managerial decision making. Therefore the themes of the links between the content of reporting and the strategy adopted, the use of targets and the performance measures used, will be analysed in Chapter 6.

CHAPTER 4 METHODOLOGY

4.1 Introduction

The aim of this study is to critically assess existing guidance on CR reporting practice and to explore the relevance of this guidance to the UK foodservice sector. A variety of different approaches could be adopted to address this aim and the objective of this chapter is to discuss the rationale for the methodology adopted. This discussion is important because a clear and transparent explanation of the underlying philosophical stance, the overall research design and the specific research methods adopted, is important as an indicator of the quality of a study (Bryman, 2008; Silverman, 2010).

All research starts with a desire to answer a research question and the manner in which this is achieved is informed by the researcher's own philosophical approach to research. Therefore this chapter includes consideration of the different philosophical traditions, the philosophical stance of the researcher, and the impact of this on the study. The research approach and strategy are then explained, as are the research methods used. Particular attention has been paid to describing the techniques used for the analysis of data, because in qualitative studies, the researcher has "an obligation to monitor and report on their own analytical procedures and processes as fully and truthfully as possible" (Patton, 2002:434).

In addition, this chapter also considers the nature of validity and reliability in a qualitative study and so explains the steps taken to enhance the quality of the study. Consideration is also given to the ethical issues associated with the design of this study. As this study considers CR reporting in the foodservice sector, finally consideration is also given to the challenges of researching in this context.

4.2 Research aim

In order to address the aim of this study, the following objectives were identified;

1. To critically analyse the exiting guidance relating to CR reporting practice from a critical realist perspective

2. Through semi-structured interviews with individuals closely associated with the foodservice sector, explore how the key issues facing the foodservice sector are and could be reflected in CR reporting

3. To evaluate the CR reporting produced by a multinational foodservice business operating in the UK, focusing on the 2013 CR report

4. To make recommendations as to how CR reporting might be developed in the future and how CR reporting in the foodservice sector might be improved

In order to achieve these objectives, the following research questions were identified:

1. What does an analysis of the social construction of CR reporting reveal about motivations for reporting?

2. To what extent is the existing CR reporting guidance appropriate for the foodservice industry?

3. Given the social construction of CR reporting, what evidence is there for an overlap in stakeholder and legitimacy theories?

4. How relevant is the CR guidance relating to setting the boundary of CR reporting to the foodservice sector?

5. To what extent does the existing CR reporting construction provide a mechanism that is useful for managerial decision-making in the foodservice sector?

The philosophical approach adopted within this study is that of critical realism and so this study seeks to explore the underlying mechanisms that influence the causal relationships within CR reporting. This study will consider the social construction of CR reporting in the foodservice sector by considering the response of a specific foodservice company (the case study company). The findings and conclusions may offer insights to others undertaking CR reporting, but the findings are not directly generalisable, as may be the case with a large scale quantitative study.

4.3 Philosophical considerations

It is widely recognised that there are broadly two traditions of research philosophy; the positivist paradigm and the phenomenological/interpretivist paradigm (Robson 2011; Teddlie and Tashakkori, 2009). The positivist paradigm is often associated with the quantitative tradition, and the phenomenological/interpretivist paradigm with the qualitative tradition.

Within the positivist paradigm knowledge is seen as external to and distinct from the researcher. As a single reality is assumed to exist, positivist researchers believe that causal relationships can be identified and the nature of the relationship proved, often through the application of statistical methods. The researcher is seen as independent of the research and so the values of the researchers do not have an impact on the conduct of the research.

The phenomenological/interpretivist paradigm can be seen as antipostivism which Ackroyd (2004: 143) suggested aims to "reclaim human powers" as within this paradigm knowledge is constructed by humans and so the researcher and the researched (knowledge) are intertwined. There are a variety of theoretical perspectives, such as ethnography, phenomenology, hermeneutics and grounded theory, within this paradigm (Patton, 2002:132) resulting in a variety of research approaches and designs which seek to explore how humans construct meaning of and within the phenomenon. These research approaches are often more qualitative than quantitative. As meaning is constructed by each individual there are multiple views of reality, and as the researcher's own views will influence the research, the research is value laden. The different philosophical paradigms, of positivist and phenomenological/interpretivist, can be considered as opposite ends of a continuum, and therefore there is a space between them, and within which other philosophies have developed.

Within this space, critical realists believe that the social world is an "interpreted world" (Ackroyd, 2004:146) because the relationships between people and institutions are socially constructed. However, critical realists believe that the constructed world has independence from the individuals, and so the knowledge of the constructed world is independent of the researcher. This view has been described as weak social construction (Fleetwood, 2004:43). This view is different from that of researchers in the phenomenological/interpretivist paradigm, who see the world as entirely socially constructed through the meaning that individuals make through discourse, termed strong social construction (Fleetwood, 2004:43).

The critical realist philosophy accepts that an external reality exists, but that there are multiple perceptions of this reality and that knowledge is not wholly discoverable (Bisman, 2010). It is recognised that causal relationships exist, and that these are dependent on underlying causal mechanisms, which may or may not be activated depending on the conditions (Sayer, 2010). However, critical realists recognise that the social world is a complex, open system which is socially constructed, and so the causal relationships are unlikely to be revealed. There will always be competing explanations (Easton, 2010) and so events are explained by exploring the conditions and mechanisms that could have produced them, a concept known as retroduction (Easton, 2010, Hodgkinson and Starkey, 2011).

The subject of this thesis is CR reporting within the foodservice sector. CR reporting is a means by which business seeks to manage its relationship with society (Gray et al., 1996; Owen, 2008; Parker, 2007). As the majority of this type of reporting is not legally required within the UK, it is subjective and complex, reflecting not only the nature of the world in which business operates, but the personal preferences of those involved in the reporting process. Hence, this reporting is considered to be socially constructed. Following the critical realist philosophy, in this study, reality is considered to be weakly socially constructed. There is a range of existing reporting guidance and commentaries on reporting that are independent of the manager, but these form part of the social construction that contains the conditions and mechanisms that inform CR reporting. Previous research has used legitimacy and stakeholder theory, which both recognise a socially constructed world, to explore the motivations for CR reporting. This study seeks to explore whether the mechanisms suggested in legitimacy theory and stakeholder theory are reflected in the reporting guidance and therefore what might motivate managers to produce CR reports.

4.4 Research Approach

The two broad traditions of research philosophy lead to two distinct approaches to research. In the positivist tradition, the more usual research approach is that of deduction. In this approach, the researcher starts with theory and from this deduces hypotheses and then develops a study to test these hypotheses (Robson, 2011). The existing theory is used to develop a framework for the analysis of data (Patton, 2002) and so the deductive approach is associated with quantitative studies.

An alternative approach used in, for example, grounded theory studies, is an inductive approach in which theory is developed or generated from the data collected (Robson, 2011). In an inductive approach, each stage of analysis is informed by the analysis of the data already collected. Inductive research is usually associated with qualitative studies which can involve a range of research methods.

The research philosophy adopted in this study is that of critical realism which has been described as pragmatic (Robson, 2011). Critical realists are seeking to explore the mechanisms which operate within particular contexts. This study is seeking to critically assess the guidance on CR reporting which is considered a mechanism within the context of CR reporting. Within the critical realist tradition, the methodology used in the exploration of mechanisms is known as retroduction. Retroduction seeks to provide plausible theoretical explanations of the mechanisms that produce certain events (Hodgkinson and Starkey, 2011; Reed, 2005).

4.5 Research Strategy

Research involving quantitative, qualitative and mixed method strategies has been conducted in a variety of hospitality and tourism settings. Myung et al. (2012) provided an analysis of the current research on environmental issues published in hospitality and tourism journals. This study found that in the period 2000-2010 some research had been undertaken in the restaurant sector but none specifically relating to the foodservice sector.

- Quantitative studies

Myung et al. (2012) found that quantitative methods of data collection, such as surveys, were the most popular. Quantitative methods have been used in the analysis of CR practices in the lodging industry (Garay and Font, 2012; Levy and Park, 2011; Park and Levy, 2014; Singal, 2014) and in the restaurant sector (Lee et al., 2012). Predominantly quantitative techniques have also been used to assess CR reporting. Font et al. (2012) developed an index to assess the CR disclosures of eight large leisure hotel companies. Combining several sets of reporting guidance, they identified 39 indicators that were associated with 13 criteria which were then used to assess six themes. In order to then assess performance (as opposed to disclosure) the team visited hotels to assess adherence to stated policies. In the UK, the environmental performance of meetings and conference venues was quantitatively analysed through a questionnaire (Whitfield et al., 2014)

- Qualitative studies

There have been several qualitative studies which have considered CR practices in particular settings (Bohdanowicz et al., 2011; Bohdanowicz and Zientara, 2008; Sampaio et al., 2012). Jones et al. (2006a) adopted a qualitative approach in one of the earliest analyses of CR disclosure in the hospitality and tourism sector, a study of the CR reporting of UK pub companies. Whilst Holcomb et al. (2007) considered the CR reporting of global hotel companies. De Grosbois (2012) updating and extending this work considered CR reporting of the largest 150 hotel companies and Jones et al. (2014) addressed the reporting of the ten largest global hotel companies in more detail through an analysis of the disclosed response to key themes. Qualitative research has been conducted in the foodservice sector to explore aspects of operations management. For example, Arendt et al. (2012) studied food safety practices in the US, through observation and interviews. These researchers commented that there were particular difficulties associated with research in the foodservice sector, namely access, recruitment of participants and data collection.

- Mixed methods

In some studies a mixed methods approach has been adopted combining both quantitative and qualitative techniques. For example, Bonilla-Priego (2011) used a quantitative survey and qualitative interviews to explore the use of EMAS by managers for decision-making. This approach was not adopted because the study sought to explore the social construction of CR reporting in the UK foodservice sector which required an exploration of the individuals' understanding of the purpose and content of reporting. This understanding would have been difficult to acquire through the analysis of survey data. There are a limited number of multinational companies in the UK foodservice and so a survey of reporters would have been problematic.

- Case Studies

Within hospitality and tourism research, extensive use has been made of the case study. For example, Jones et al. (2006a) adopted this approach to explore the CR issues addressed by the UK public house sector and Bohdanowicz et al. (2011) considered Hilton's we care programme and Scandic's Omtanke programme (Bohdanowicz and Zientara, 2008).

This study seeks to make a contribution by adopting a qualitative approach to the study of CR reporting in the foodservice sector. This study considers the social construction of CR reporting, and then considers how the CR reporting of this case study company is informed by this social construction.

A case study strategy involves "an empirical investigation of a particular phenomenon within its real life context using multiple sources of evidence"

(Robson, 2011:136). The case study strategy is appropriate where the research question takes the form of how and why (Yin, 2009) and so given the aim of this study is to explore how and why current issues are addressed in CR reporting in the food service sector the case study is a suitable strategy. It is also an appropriate research strategy for those working in a critical realist philosophy (Easton, 2010).

One of the common limitations associated with case studies is the ability to generalise from one case to another (Patton, 2002; Yin, 2009). However, within the qualitative research tradition, the concept of generalisability is contested (Robson, 2011) and those working with qualitative approaches have considered the desirable attributes of quality work. This is discussed further in section 4.12.

4.6 An Overview of the Research Process

This study involved three distinct phases of activity. As outlined in section 4.4 and in keeping with the philosophy of critical realism, the research process was more inductive than deductive with the findings from one stage informing both other stages in that phase, and informing both previous and subsequent phases.

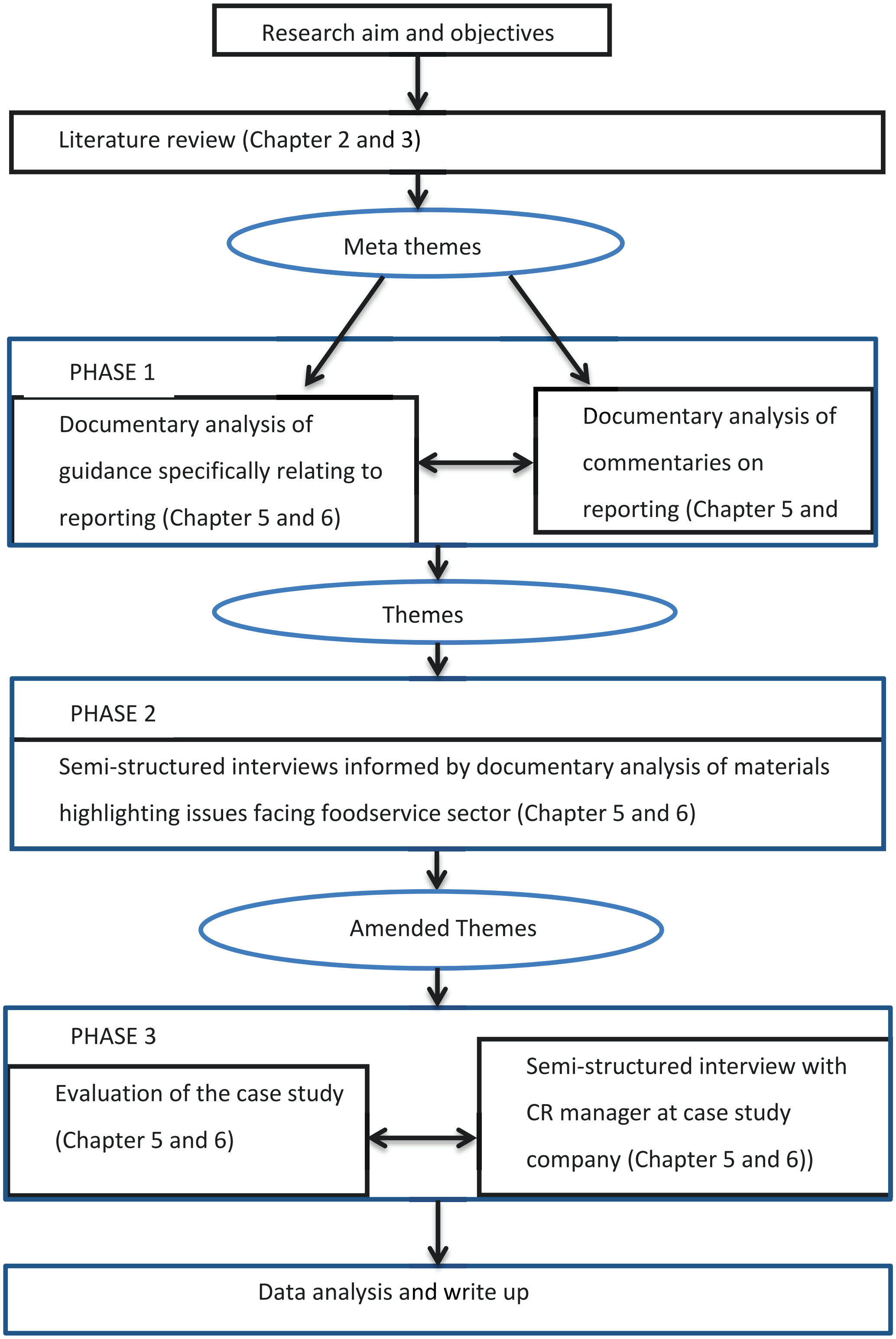
The first phase of the study consisted of an exploration of the social construction of CR reporting through a documentary analysis of the reporting guidance. This documentary analysis was conducted on a thematic basis, the themes having been identified through a review of the literature.

The objective of the second phase of the study was to investigate the social construction of CR reporting in the foodservice sector through semi-structured interviews with individuals associated with the industry. These interviews focused on what foodservice companies, could or should, report. The findings from this phase of the study informed the basis of the evaluation the current reporting the case study company.

In the third phase of the study, the reporting of the selected foodservice company was evaluated. The results of this evaluation were then explored in more detail with the manager responsible for the production of the CR report within the foodservice company. When interviewing the manager responsible for the production of this company's CR report, the researcher committed to de-identifying the data and using a pseudonym for the manager and the company. The company has not therefore been identified in this thesis.

Figure 4.1 provides an overview of the research process.

Figure 4.1 The Research Process



4.7 Research Methods

This section considers the main data collection methods adopted in this study; documentary analysis and semi-structured interviews. The sampling method is also discussed.

4.7.1 Documentary analysis

Content analysis has been used extensively in CR reporting research. For example, legitimacy theory was explored by analysing business responses to societal concerns (Deegan et al., 2002; Gray et al., 1995; Tilling and Tilt, 2010) and environmental disasters (Patten, 1992). The approach adopted in this study is different, in that, the documentary analysis seeks to explore the CR reporting of a foodservice operator in light of a range of existing guidance. It is looking at how the reporting of the case study company fits into the social construction.

CR reporting is a complex area and there are multiple sources of guidance for those responsible for the preparation of this reporting. Documentary analysis of this guidance (e.g. GRI, UNGC, AA1000 series etc.) was used in the first two phases of the study for several reasons. The data is likely to be relevant to the research question, it is naturally occurring data as it is not created as part of the research process, is readily available and there is a potential richness in the data (Silverman, 2006:157). The researcher considers this a rich source of data because much of the existing guidance has been developed through stakeholder dialogue and consensus (Aras and Crowther, 2008b). It is recognised that the development of the guidance is a political process as different stakeholder groups will promote their own interests and the social construction of CR reporting reflects issues prevalent at that time. Given that the different forms of guidance were developed at different times, the review of this guidance provides a comprehensive view of the social construction of CR reporting. A list of the reporting guidance analysed is provided in Table 4.1.

Table 4.1 Reporting Guidance Analysed

Guidance specifically relating to reporting
• AccountAbility1000 Accountability Principles Standard (AA1000APS, 2008). • Sustainability Reporting Guidelines, version 3.1 (GRI, 2011) • UN Global Compact Policy on Communicating Progress (UNGC, 2011b) • The Practical Guide to the UN Global Compact Communication On Progress (UNGC, 2009)
Commentaries on Reporting
• IASB The Conceptual Framework for Financial Reporting, (IFRS Foundation, 2010) • Management Commentary, A Framework for Presentation (IFRS Foundation, 2010 • Effective Company Stewardship Enhancing Corporate Reporting and Audit, (FRC, 2011) • Rising to the Challenge; A review of Narrative Reporting by UK listed Companies (FRC, 2009) • ICGN Statement and Guidance on Non-Financial Business Reporting (ICGN, 2008) • UN Principles for Responsible Investment, (UNPRI, n.d.) • Building the capacity of investment actors to use environmental, social and governance information, (UNPRI, 2013) • UNCTAD Guidance on Corporate Responsibility Indicators in Annual Reports (UNCTAD, 2008) • Climate Change Reporting Framework - Edition 1.1, (CDSB, 2012) • Communicating climate change in mainstream reports (CDSB, 2013a) • ISAE 3000 Assurance Engagements other than audits or review of historical financial information, (International Federation of Accountants, 2005) • AccountAbility1000 Assurance Standard, (AA1000AS, 2008) • BiTC A Director's Guide to Corporate Responsibility Reporting, (BiTC, 2005) • ISO 26000, Schematic overview (ISO, n.d.) • Companies Act 2006, c46

- Public Sector Annual Reports: Sustainability Reporting Guidance for 2012-13 Reporting, (HM Treasury, 2012)
- The Future of Narrative Reporting; A new structure for Narrative reporting in the UK (Department for Business, Innovation and Skills, 2012)
- A renewed EU strategy 2011-14 for Corporate Social Responsibility (EU, 2011)
- A more resource efficient EU economy: the role of company reporting (Friends of the Earth, 2012),
- CORE Coalition Response to BIS Narrative Reporting Consultation
- OECD Guidelines for Multinational Enterprises, (OECD, 2011)

When working with documents, especially within a critical realist study, it is important to consider the ontological status of documents. Atkinson and Coffey (2004:58) suggested that they form a distinct separate reality, documentary reality, which cannot be assumed to be “transparent representations of the social reality” They also suggested that documents should not be considered in isolation. The analysis of documentary reality should consider intertextuality, the relationships between the texts. Within CR reporting guidance intertextuality is likely because the guidance is produced through multi-stakeholder consensus and therefore the producers of reporting guidance, such as the GRI, will also be party to the discussions at other organisations such as the United Nations Global Compact.

Atkinson and Coffey (2004) acknowledged that both written documents and electronic or digital resources are used to create the versions of reality which in turn can be considered documentary realities. The foodservice company provided the CR report in the form of a website and so to ensure that the researcher had a permanent record of the reporting analysed, a print version of the CR report was downloaded from the website.

The disadvantage of using documents as a data source is that, in the process of data analysis, the researcher ascribes meaning to words and phrases within the guidance which may be different from that intended by the original creators of the guidance. However a range of documents was considered and these contained explanations and examples of terms and phrases and so the researcher's understanding was informed by a range of meanings. The researcher is therefore developing their own construction of CR reporting and then, given the critical realist philosophy, the researcher is considering the underlying mechanisms within the process of CR reporting.

One of the challenges of this research was the evolving nature of the reporting guidance as the organisations producing this guidance are committed to regular review processes. For example, during the course of the study, the GRI began a consultation process seeking to produce a revised version of the Sustainability Framework that would be known as G4 Guidelines. This is consistent with the weak social construction in critical realist philosophy which suggested that knowledge is relativistic, exists in time and place. It is therefore necessary to define the time period from which the reporting guidance was taken. This study explores the social construction of CR reporting and so analyses the guidance that was available to preparers in the period to 31 December 2013.

4.7.2 Semi-structured interviews

The semi-structured interview is a popular method of data collection (Robson, 2011). Interviews have been used in CR reporting research (for example, O'Donovan, 2002; O'Dwyer, 2002) and within CR research in the hospitality sector (Font et al., 2012; Sampaio et al., 2012). Elicitation techniques have also been used in CR reporting research, for example, O'Donovan (2002) used vignettes of possible reporting responses to explore whether legitimacy theory offered an explanation for reporting practice.

Within a semi-structured interview the researcher seeks to follow an interview guide to enable them to follow their line of inquiry, but to also maintain a conversational open ended approach (Robson 2011, Yin 2009). This enables the researcher to follow areas of interest with unplanned open ended questions, but with some means of managing the process which is important if the interview is time-bound (Robson, 2011).

4.8 Sample selection

There are a variety of possible sampling methods available to the researcher. In this study extensive use has been made of purposive sampling which is defined as the selection of "information rich cases for in depth study" as these cases are ones "from which one can learn a great deal about issues of central importance to the purpose of the inquiry" (Patton, 1992:230). The purposive sample is not, by its nature, a random sample and so is not representative of the population and so does not lead to statistical generalisations. This was not the aim of the study. Purposive samples are regularly used within hospitality and tourism CR reporting research, for example, the research identifies the top companies in the sector (Jones et al., 2014; de Grosbois et al., 2012; Holcomb et al., 2007) or in a geographical location such as Spain (Bonilla-Priego, et al., 2011; Martinez. and Rodriguez del Bosque, 2013;).

The purposive sample of CR reporting guidance was selected following these criteria:

- International initiatives; in an increasingly complex world, large organisations are multinational operating in a range of jurisdictions. The guidance selected is of an international nature and explicitly seeks application on a global basis. This is consistent with Dumay et al. (2010) who identified that these international guidelines were predominant.
- Recently developed or revised; the reporting landscape is developing rapidly (KPMG, 2010) and most of the guidelines and standards undergo revision and amendment which is consistent with the less mature nature of the discipline. Some initiatives, such as The Sigma Project within the UK, have not been revised within the last 5 years and were not considered sufficiently up to date to be included. The social construction of CR reporting developed over time and so initiatives such as the Sigma Project will have influenced other initiatives at the time. These other initiatives have continued and so some of the features of the earlier initiatives, such as the Sigma Project, are likely to have be absorbed into more recent initiatives.

- Widely used; guidance that is widely used was identified based on the number of companies that claimed to use them.
- Cover a range of issues, rather than focus on a single aspect of CSR/sustainability; the purpose of this thesis is to critically evaluate the totality of CSR/sustainability reporting. It is therefore appropriate to consider guidance that relates to CSR/sustainability reporting generally rather than for a specific area. For this reason Social Accountability 8000, which focuses specifically on labour and employment issues, is not included.

A purposive sample of participants was selected for the semi-structured interviews. The participants were selected on the basis that they had some association with or interest in the foodservice industry; they were either a representative of part of the industry (BHA, Sustainable Restaurant Association, Foodservice Footprint), were part of an organisation that sought to influence foodservice operators (Sustain, WRAP, Soil Association), had an interest in the impact of the industry (Food Ethics Council, Food Climate Research Network) or work with the industry on CR reporting (BiTC). The organisations and job titles of those interviewed are listed in Table 4.2

Table 4.2 Participants in phase 2 semi-structured interviews

Organisation	Job title	Date	Duration
Food Ethics Council	Policy Director	26/07/2012	55 minutes
Food Climate Research Network	Advisory Board Member	06/08/2012	39 minutes
Sustainable Restaurant Association	Senior manager	06/09/2012	59 minutes
Foodservice Footprint	Senior manager	21/09/2012	42 minutes
Sustain	Policy director	09/10/2012	70 minutes
WRAP	Senior consultant	16/10/2012	50 minutes
BHA	Senior adviser	25/10/2012	60 minutes
Soil Association	Manager	6/12/2012	70 minutes
Business in the Community	CR Index Manager	28/11/2013	40 minutes

The analysis of the academic literature revealed that the theories used to explain CR reporting could be placed on a managerial to normative continuum (Figure 2.1) and that the guidance specifically relating to reporting could also be placed on this continuum (Figure 3.1). It is also possible to position those participating in semi-structured interviews on this continuum. Those interviewed will have their own understanding of the purpose of CR reporting. Some organisations, and some of those interviewed, may take a managerial view of CR reporting, whereas others may view CR reporting as a more normative exercise. It is therefore possible to position the organisations interviewed onto the managerial/strategic to normative continuum developed in the literature review. This is shown in Figure 4.2.

When analysing the data derived from these interviews, the researcher should be aware of the respondents approach to CR reporting and the first question asked in the interviews was designed to elicit this information (section 4.2.9).

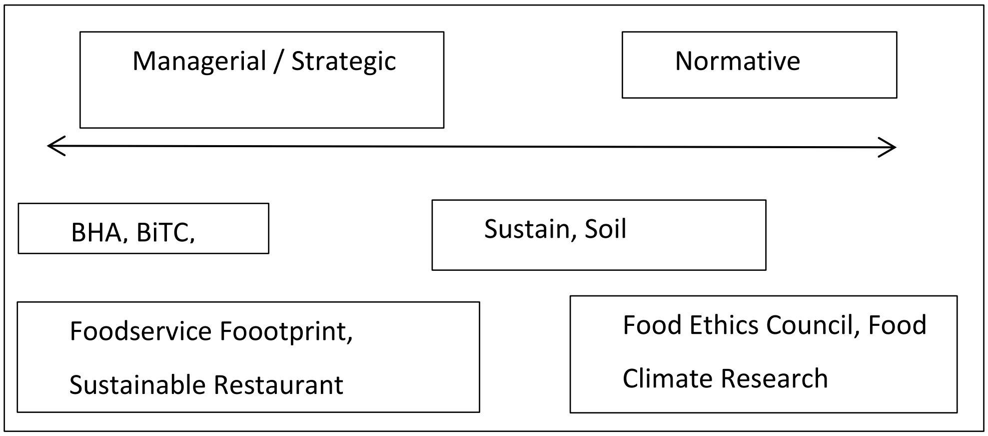


Figure 4.2 Positioning of those organisations participating in interviews on a Managerial/Strategic – Normative Continuum

In order to evaluate the CR reporting in the foodservice sector, a CR Report of a foodservice operator was selected. The use of the CR report is consistent with research in the field, from Gray et al. (1995) to Tilling and Tilt, (2010) and within the hospitality sector from Holcomb et al. (2007) to de Grosbois (2012).

This approach is justified as the aim of this study is to critically assess existing guidance on CR reporting practice and to explore the relevance of this guidance to the UK foodservice sector. The study recognises that CR reporting is socially constructed and as CR reporting is a voluntary exercise managers will select what information is disclosed. The selection of what information is disclosed is therefore a response by the organisation to its perception of the social construction of CR reporting in the foodservice sector. The response of one organisation will differ from that of another organisation because the social construction in which one organisation operates will be different to the social construction of another organisation. The social construction in which the organisation operates will also change over time and therefore the CR reporting of the single organisation is analysed at a single point in time.

The largest foodservice companies operating in the UK are Aramark, Compass, Elior, Sodexo and Westbury Street Holdings (WSH) Limited (Mintel, 2014). Westbury Street Holdings (WSH) Limited is the holding company for the brands BaxterStorey, Benugo and Holroyd Howe it is the only privately owned company. In the initial interviews, ownership was identified as a factor that had a significant influence on CR reporting. As a privately owned company, without external shareholders, the motivations for CR reporting are potentially different and given that the existing reporting guidance and commentaries on reporting which influence the social construction of CR reporting are developed for publically owned companies, WSH was not considered an appropriate choice as case study company. The CR reporting of the remaining four foodservice companies was reviewed and the results of this review are included in Appendix 4.5. From this data, it was clear that company D had the most comprehensive CR reporting. This was therefore selected as the case study company. This case study is considered to be a revelatory case (Yin, 2009), as this company is recognised in the foodservice sector as being a leader in CR reporting.

4.9 Research Process

Having reviewed the main research methods used in this study, this section explains how these research methods were used in each phase of this study.

4.9.1 Phase 1 Social Construction of CR Reporting

The first phase of the study was an exploration of the social construction of CR reporting. Data were collected through a documentary analysis of existing reporting guidance. It was apparent from the review of the academic and professional literature that CR reporting was a complex phenomenon. Therefore, having identified possible meta-themes and themes, two semi-structured interviews were conducted to confirm the relevance of these themes. These data were formative in providing some conceptual clarification and resulted in the refinement of the criteria for selection of the case study. The two companies that participated in the semi-structured interviews were known contacts of the researcher's Director of Studies. These companies, which were smaller foodservice companies, were both recent recipients of sustainability awards and so the interviewees, responsible for the preparation of the CR reporting, were knowledgeable and so likely to offer insights. Given the size of the companies and the nature of the markets in which they operated, they would not form part of the main study.

One semi-structured interview was conducted at the head office of each company with the person responsible for the production of CR reporting. These interviews were conducted in June 2011 and each interview lasted between 60 – 75 minutes. Prior to undertaking the interviews, the researcher reviewed the company's website to familiarise herself with the company, its operations and main products. The company's current CR reports, which in one case was a paper based and in the other was entirely web based, was also reviewed. For the first interview, the researcher was accompanied by her Director of Studies, who also wanted to interview the sustainability manager at this company. This provided the researcher with the opportunity for feedback on her interview technique.

As these were initial discussions, the questions were broad in nature. The areas explored were informed by the initial review of the academic literature and other industry guidance and sought to elicit data regarding; the purpose of reporting, the audience for reporting, the extent of any stakeholder engagement in the reporting process, characteristics that indicate quality reporting, and awareness of existing reporting guidelines. The interview guide used to aid the flow of the interview is included as Appendix 4.2.

The two interviews were recorded, transcribed and a thematic analysis conducted. The analysis of this data showed that these smaller companies did not make extensive use of the existing reporting guidance, that the nature of the report was fluid comprising of either a paper based document and/or information posted on the website and that reporting was influenced by ownership structure. These findings informed the main study design, in that ownership structure was selected as a determinant of sample selection and that the analysis of reporting would encompass both paper and web-based reporting.

The main data collection method used in the first phase of the study was the documentary analysis of CR reporting guidance. As the literature review had highlighted a number of criticisms of the different forms of CR reporting guidance, and the initial interviews revealed that the preparers of reporting did not use a single set of guidance, guidance from a range of sources was analysed. There were 3 data sets of guidance specifically relating to reporting and 20 data sets of commentaries on reporting or guidance on reporting from other perspectives. Table 4.1 contains a list of the documents analysed. A thematic approach was taken to coding the data arising from the documentary analysis of the guidance. The details of this approach are discussed in section 4.10.

4.9.2 Phase 2 Social Construction of CR reporting in the Foodservice Sector

Having explored, in the first phase of the study, the social construction of CR reporting generically, the second phase of the study sought to identify the issues facing the foodservice sector and how these might be reported.

Semi-structured interviews were used to gather data for Phase 2. Initial introductions were facilitated by the researcher's Director of Studies and the interviews were expected to take between 45-60 minutes.

The interview was structured around four broad areas. The purpose of the first group of questions was to elicit the interviewee's perspective on reporting whether they are sceptical of the role of reporting or whether they believe that reporting can make a difference. It is important to understand each interviewee's position on reporting when analysing the responses to the questions. The second group of questions sought to explore the participants understanding of the current issues facing the foodservice sector. The third question group sought to elicit views on what good quality reporting might look like. The fourth group of questions sought to explore the interviewee's views as to the perceived challenges associated with reporting in the foodservice sector. The final group of questions sought to explore the interviewee's awareness, if any, of any existing reporting guidance. If they were aware of existing guidance, their views on that guidance were sought.

In order to encourage deeper reflection in those interviewed, the researcher used elicitation techniques. Possible issues or topics that might inform, or be included in, CR reporting in the foodservice sector were identified through a review of the information sources detailed in Appendix 4.1 in the period March 2012-May 2012. The elicitation materials identified possible issues or topics that might inform, or be included in, CR reporting in the foodservice sector. The pilot testing resulted in some refinement of the materials, and the final elicitation materials took two forms.

Information relating to the possible content of reporting was grouped into tables. These are shown in Figure 4.3. Those interviewed were shown these tables and asked to comment on the possible content.

Figure 4.3 Elicitation materials – tables used in semi structured interviews

Packaging Waste Reduction	
Packaging Waste Recycling	
Supporting biodiversity	
Water use in supply chain	
Water use in operations	

Carbon emission reduction	
Energy in operations	
Energy in supply chain	
Food waste prevention	
Food waste Disposal	
Transportation in supply chain	
Transportation in operations /product choice	

Consumer health education	
Nutritional labelling	
Provenance / Traceability	
Range of products offered	

Animal welfare	
Community involvement – Global	
Community involvement – UK	
Diversity in the workplace	
Poverty alleviation /reducing economic imbalance	

The second set of elicitation materials was a series of cards, shown in Figure 4.4. A phrase relating to reporting was stated on each card and those interviewed were asked to discuss these phrases. They were also had the opportunity to add to the issues listed on the cards.

Figure 4.4 Elicitation materials – cards

Reporting boundary

Identification of relevant

Need for consistent measurement methodology across the sector

Stakeholder engagement

Aggregation of data from multiple sites

Measurement of performance

Role of certification

Use of broader measures

Lifecycle analysis

Product journeys

Disclosure of methodology

Communication of trade-offs

Communication of strategy

Audience – levels of understanding of the issues

Transparency

Face-to-face interviews were conducted at the offices of those participating. The semi-structured interviews were recorded (with participant's permission) using a digital voice recorder. The researcher noted her reflections as soon as possible after each interview. These reflections included initial impressions of the overall perspective of the interviewee and potential relevance of the data collected. Where possible the researcher listened to and transcribed the recording prior to the next interview as this provided the researcher with an opportunity to review the data and to reflect on this data prior to the next interview. The interviews lasted between 45 –65 minutes, took approximately 6-8 hours to transcribe and resulted in transcripts that were usually 6 - 8 pages of text.

An extract of a coded transcript is included in Appendix 4.4. Detail of the process of data analysis is included in section 4.10 and the findings from the analysis of these interviews are included in chapters 5 and 6.

4.9.3 Phase 3 Evaluation of CR Reporting of a Foodservice Operator

The objective of the third phase of the study is to evaluate the mechanisms within the social construction of CR reporting that influence the CR reporting of a foodservice operator. These mechanisms are informed by the CR reporting guidance and the expectations of those associated with the sector.

This study is analysing the CR reporting of a single foodservice operator and this reporting is informed by the social construction at a point in time, the 2013 CR Report was therefore evaluated. In order to further analyse how the foodservice operator responds to the mechanisms in the social construction of CR reporting, the manager responsible for the preparation of the CR report was interviewed. The interview guide for this interview is included in Appendix 4.6. The interview was held at the head office of the foodservice company and lasted 90 minutes and to aid the accuracy of data collection the interview was audio recorded and field notes were made.

The CR report is designed to be accessed on-line as there are several links enabling the user to move from one section of the report to another. It is recognised that web pages can alter over time and so in order to ensure that the CR report analysed did not alter, the web-based report was printed and a hard copy retained. During the analysis the researcher worked from the hard copy and only made reference to the web copy as necessary. .

4.10 Thematic coding

Miles and Huberman (1994) suggested that qualitative data analysis has the following elements; data reduction, data display and conclusion drawing and verification. Data reduction is the process of taking transcripts or other data sets, such as documents, and simplifying and extracting the ideas and concepts. As the data are reduced it is displayed and this organisation of the data supports the drawing of conclusions by the researcher. Miles and Huberman (1994) suggested that these activities are concurrent, rather than a linear process and that the researcher will move between the activities. Having made potential links between data, and so drawn conclusions, the researcher needs to verify these conclusions, which involves considering their plausibility, sturdiness and confirmability.

Thematic coding is a widely used generic approach to data analysis (Robson, 2011:475) that is not aligned to a particular epistemology. It is a flexible technique that does not require a deep understanding of the theoretical and philosophical basis and so it is accessible to relatively inexperienced researcher (Robson, 2011). This accessibility also applies to practitioners and policy makers who may be interested in the methods used in the study and a thematic approach to analysis is easier to communicate. The flexibility and generic nature of the technique can also be perceived as disadvantages as they can lead to a lack of rigour which Patton (2002) suggested can be overcome if the researcher is transparent as to the procedures and process adopted.

For the purpose of the documentary analysis, the guidance on reporting was divided into two types; guidance specifically relating to reporting (3 data sets) and guidance on reporting from other perspectives (20 data sets).

Robson (2011) advised that when using thematic coding it is possible to develop an initial list of codes from the literature or research questions or that thematic coding can be used entirely inductively in that the codes and themes emerge from the data. The initial codes used in this documentary analysis were informed by the literature review and a review of the guidance specifically relating to reporting. There was a significant volume of material to deal with and as the reporting guidance was predominantly in the pdf format the search function was used to locate key words (Appendix 4.7). Having used the search function to locate a block of text, these blocks of text were reviewed and coded as necessary.

The guidance on reporting from the different perspectives was then reviewed in light of the initial list of codes and additional codes were added as necessary. During this process the researcher initially worked in a linear manner. She reviewed one set of guidance after another she and then looked across the data, taking a single code or emerging theme and compared the different sets of guidelines to explore similarities and differences. The results of these analyses were recorded in Excel spreadsheets. The use of Excel spreadsheets in qualitative data analysis has been recognised (Meyer and Avery, 2009). Spreadsheets were maintained for the documentary analysis of the guidance specifically relating to reporting and the documentary analysis of reporting guidance from other perspectives. In each case one worksheet within the file was assigned to a meta-theme. Data relating to the themes were extracted from the relevant guidance and included on the row relating to that theme. An example of a worksheet is included in Appendix 4.8.

Prior to the interview with the manager responsible for the CR reporting at the case study company, an evaluation of the company's CR reporting was undertaken. To conduct this documentary analysis the researcher read, and re-read, each page of the downloaded 2013 CR report. This thematic analysis was recorded in an Excel spreadsheet. Within the Excel file, there was a worksheet for each meta-theme, the themes within the meta-theme were listed in the left-hand column of the worksheet and data relating to the themes was extracted from the CR report. An initial evaluation was made, comments were recorded and then potential interview questions were then developed on the basis of this evaluation. Appendix 4.9 contains an example of this analysis.

The transcripts of these interviews were initially read twice along with the accompanying field notes (Appendix 4.10 contains an example). An initial series of themes had been developed in phase one of the study and these were developed through the phase 2 documentary analysis. The text associated with each theme was transferred from the transcript to an Excel spreadsheet (see Appendix 4.11 for an example). The approach was consistent with that used in the documentary analysis, with a worksheet for each meta-theme, the themes identified in the left-hand column and a column for each interview. Where several elements of text related to the same theme additional rows were inserted. Any themes emerging from the data were added to the spreadsheet and once the coding of all interviews was complete, all the transcripts were reviewed to ensure that all the themes (identified and emerging) had been considered for all data.

The semi-structured interview with the manager responsible for the CR reporting at the case study company was based on the analysis of the themes identified in phases one and two and the evaluation of the company's 2013 CR report. The transcript of this interview is included as Appendix 4.12. The analysis of this interview was added to the spreadsheet developed in the analysis of the other semi-structured interviews. This allowed the researcher to compare and contrast the data from the interview with the manager at the case study company with that obtained from the interviews with those associated with the foodservice sector. Similarities and differences within these data were more easily identifiable.

Particular attention was paid to ideas emerging from the interview data. These, too, were allocated codes which either contributed to the development of one of the existing themes or suggested a new theme emerging from the data. Where a new theme was emerging from the data, previous interviews were reviewed to see if this theme was present in these data sets. Thus the process was iterative, with the researcher moving between data, codes and themes.

Once all the interviews had been coded the list of themes with their associated codes was reviewed. Where there was overlap within the theme, the number of codes were refined and reduced, but as the number of themes increased as themes emerged from the data. Clean copies of the transcripts of all the interviews were then reread and analysed using this final coding list.

4.11 Reflections on the research process

The philosophical stance of this researcher is that reality is socially constructed and so the researcher recognises that research is value laden. It is therefore important that the researcher recognises that her own perspective will inform the social construction. The researcher has had a long standing interest in issues relating to both consumption and production of food. She believes that there is a link between diet and health, and that farming practices have an environmental impact. As a Chartered Accountant who trained initially as an auditor, she is aware of a bias toward codified reporting frameworks.

During phase two of the study, the researcher trialled the use of the computerised qualitative data analysis software, NVivo, to support the analysis of the data collected through the semi-structured interviews. The themes identified during phase one of the study were created as tree nodes with a view to developing and highlighting linkages. The researcher, however, found that she preferred to work predominantly manually, highlighting paper copies of the transcripts, and physically comparing different interviews. The researcher had found it difficult to record the analysis of the documentary data in NVivo as these documents had a variety of formats and styles which made cross comparison of themes identified in the interviews with those in the documents difficult. Given that the analysis must be developed by the researcher, and that any software can only be a tool to assist, the researcher felt that as the tool was not useful, it was appropriate to move to a manual system.

4.12 Quality considerations

Within quantitative studies the concepts of reliability, validity, objectivity and generalisability are often used as criteria to establish research quality and these concepts are relatively easily understood (Teddlie and Tashakkori, 2009). Within qualitative studies defining these terms is more difficult and hence the meaning of quality has been much discussed. Lincoln and Guba (1985:290) approached this issue by suggesting the term “trustworthiness” which encompasses credibility, transferability, dependability and confirmability. This is consistent with Patton (2002) who suggested that indicators of quality are trustworthiness, diversity of perspectives, the clarity of voice, and credibility of the inquiry to the primary user of the findings. Robson (2011) advised researchers to consider the threats to validity and reliability when developing the research approach and to adopt strategies to reduce these threats and so the strategies adopted to that end in this study are now identified.

In the research design, there were several opportunities to incorporate the findings from one are of analysis into another. Thus the findings from the documentary analysis informed, and were informed by, analysis of the semi-structured interviews. This process occurred within a phase, but also across different phases. This approach is consistent with the critical realist philosophy that seeks to explore the weak social construction (Fleetwood, 2004). The social construction is that of the researcher and is dependent on her interpretation of the meaning of the guidance. However her interpretation is informed by a variety of perspectives. The semi-structured interviews were audio taped (with participant permission). This enhanced accuracy and completeness of the data collected.

When analysing the data a constant comparative method (Silverman, 2010) was used. An initial set of themes (level 1) were developed in phase 1 these then refined through analysis in phase 2. These themes were recorded in a coding sheet and this aid was used during all the data analysis. Once all the phase 2 interviews were complete, a final version of the coding sheet was produced and this was used to analyse the data. Whilst, the coding sheet represents the researcher's social construction, it was applied consistently across all data sets. This enhances the reliability of the analysis.

4.13 Ethical considerations

Any research that involves human participants could potentially cause harm and so due consideration was given to the ethical issues associated with this study. Approval for the study was obtained from the University Research Ethics Committee on 3/04/2011 (Appendix 4.13). As this study involved interviewing adults who had given informed consent about work related issues, it was considered low risk. The main areas for research ethics consideration were around participant recruitment, obtaining informed consent, confidentiality and data security. The issue of researcher safety was also considered.

The initial approach to the potential interviewees was made by email so that potential interviewees received a participant information sheet and they had an opportunity to reflect on whether they wished to participate in the study. For each set of interviews a participant information sheet was produced and written consent was obtained prior to the start of each interview. Involvement in this study was entirely voluntary and so participants had a right to withdraw at any time. This was explained on the participant information sheet and the consent form. Where participants agreed, interviews were audio recorded and subsequently transcribed and both the audio recordings and transcripts are stored securely. Within this thesis and in any subsequent publication, participants are referred to by pseudonyms to provide anonymity. However given the relatively small number of participants in the study, anonymity cannot be guaranteed, and so this risk was explained to participants in both the participant information sheet and verbally at the start of each interview.

In consenting to participate in this study, it was agreed that data would be de-identified and that pseudonyms would be used in published work. Therefore, throughout this study the 2013 CR report of the case study company is referred to as FSR, 2013. In presenting the analysis of the CR reporting of the case study company, it would have been beneficial to reproduce extracts of FSR, 2013. However, if extracts of the FSR, 2013 were reproduced the case study company would be identifiable and then the identity of the CR manager would be revealed. Having given an undertaking to de-identify the data, the researcher has decided not to reproduce extracts of FSR, 2013, but use selected quotes. All associated research ethics documentation is included in Appendix 4.13

4.14 Limitations of this Research Methodology

There are limitations to all research methodologies and the limitations within this study are:

- A point in time

The social construction of CR reporting has developed and will continue to develop over time, for example, during the period of this study, the GRI issued a fourth iteration of the SRG. It was therefore important to identify the time period that was relevant for the study and so ensure that the social construction explored through the analysis of the reporting guidance was in fact the social construction in place at the time of the development of the case study company's CR report. The researcher was therefore careful to identify the date of issue of reporting guidance to ensure that it was extant whilst FSR, 2013 was being developed. This pinpointing of time is also a limitation of the study as the conditions and causal mechanisms that have been explored are those present at the time of the development of FSR, 2013, and these may change in the future.

- Single geographical area

As discussed in section 2.4, there are geographical differences in CR reporting and this study evaluates the CR reporting of a foodservice operator in the UK. Therefore the exploration of the social construction of CR reporting and of the causal mechanisms is based in the UK context. Whilst international reporting guidance has been considered, this has been on the basis of the potential influence this has on UK CR reporting practice.

- Researcher's interpretation

This study seeks to explore the social construction of CR reporting. In analysing this social construction the researcher makes her own interpretation of words and meanings which is informed by the researcher's own background, beliefs and understanding. The researcher adopted a systematic approach to the analysis of data, based on the meta-themes and themes identified. She also analysed and interpreted a range of documents providing reporting guidance, and so her understanding was developed through exposure to a variety of different perspectives. As explained in section 4.9.2.1 in preparation for the semi-structured interviews, the researcher undertook a review of relevant materials in order to develop her understanding of the social construction and so the interview guide used in the semi-structured interviews was informed by a deeper understanding of the social construction.

- CR reporting of a single organisation

As explained in section 4.8.2, this study has considered the CR reporting of a single case. This is considered appropriate because CR reporting is a voluntary exercise and a company's CR report will be influenced by their understanding and interpretation of this social construction. This study has explored how the social construction of CR reporting has influenced the CR reporting of the case study company. The case study company is recognised as a leader in CR reporting in the foodservice sector.

- Potential bias in the interviewees

In seeking to explore the social construction of CR reporting, interviews were conducted with those associated with the foodservice industry. It must be recognised that those interviewed will have their own social construction of CR reporting and so will have their own opinions as to the relevance and appropriateness of CR reporting in the sector. This is influence the response to the questions posed in the semi-structured interviews. To mitigate this limitation, the first question asked in the semi structured interviews was designed to elicit the interviewee's opinion of CR reporting and so provide a context for the rest of the interview.

4.15 Conclusions

This chapter has discussed the research methodology adopted. In order to identify an appropriate research methodology the different philosophical traditions were considered and the philosophical stance of the researcher discussed. The researcher has a critical realist philosophy which recognises that the world is socially constructed and that events can be explained through an analysis of the conditions and causal mechanisms.

An understanding of the social construction of CR reporting is, therefore, fundamental to this study and so a qualitative research approach was adopted. Three phases of activity were undertaken;

- Phase 1 - Documentary analysis of reporting guidance
- Phase 2 - Semi-structured interviews with those associated with the foodservice sector informed by documentary analysis of materials highlighting issues facing foodservice
- Phase 3 – Evaluation of the case study company's CR reporting and a semi-structured interview with the manager responsible for this reporting

The strength of this approach is that the social construction of CR reporting is considered in depth and from a variety of perspectives. There have been very few studies which seek to consider the relationship between different sources of reporting guidance, and none which consider the guidance produced by those commentating on CR reporting. The variety of data sources, both documents and semi-structured interviews, provide a richness of data.

A thematic approach to data analysis was adopted. Meta-themes and themes were identified from the literature review and initial interviews, but as the researcher was working in an inductive manner, she was mindful that themes may emerge from the data themselves.

The following two chapters provide the analysis and interpretation of the gathered data. Chapter 5 considers the meta-themes of objectives of reporting and motivations for reporting and Chapter 6 considers the meta-themes of the boundary of the reporting and the content of reporting.

CHAPTER 5 OBJECTIVES AND MOTIVATIONS FOR REPORTING

5.1 Introduction

The aim of this study is to critically assess existing guidance on CR reporting practice and explore the relevance of this guidance to the UK foodservice sector. The previous chapter has presented the justification for the data collected.

The purpose of this chapter is to present the analysis and interpretation of this data. As discussed in section 4.10, this study adopted a thematic approach to analysis of the data. The themes, identified and summarised in Table 5.1, were derived from the review of the academic and professional literature that was presented in Chapters 2 and 3. This Chapter presents the analysis of the meta-themes; objectives of reporting and motivations for reporting. Chapter 6 presents the analysis of the meta-themes; the boundary of the reporting and the content of reporting. The contributions to knowledge made by this study are presented in Chapter 7.

Table 5.1 Summary of meta -themes and associated themes.

Meta-theme	Themes to explore within the meta-theme	Analysis and interpretation
Objectives of reporting	Purpose or uses of CR reporting Definitions or examples of users of CR reporting	Chapter 5
Motivations for reporting	Stakeholder engagement Stakeholder education Innovation and learning with the organisation Reputation management Build trust Demonstration of leadership	Chapter 5
Boundary of reporting	The concepts used to define the boundary of reporting	Chapter 6
Content of reporting	Means used to identify report content Link between content of reporting and strategy adopted The use of forward looking information such as targets Nature of the performance measures used	Chapter 6

5.2 Objectives of reporting

The objective of CR reporting was considered by the CR managers (R1 and R2) at two foodservice businesses that had won awards for their CR practice. R1 focused on the report being an account of past performance and the means by which the company communicated its commitment to sustainability goals. R2, on the other hand, identified several uses of the CR report; a communication with clients, a means of supporting business development, a means of educating customers about the current issues within the sector and the impact these had on the business. These data suggested that there were multiple purposes or uses of CR reporting and that these organisations used CR reporting to further corporate objectives and so had a managerial approach to CR reporting. Neither R1 nor R2 considered shareholders as a user of the CR report. This was unsurprising as both these businesses were private companies, with limited share ownership. Both respondents recognised that the production of a CR report was beneficial from an employee engagement perspective, either as a means of the engaging existing employees or that the evidence of a commitment to CR was seen positively by potential employees.

5.2.1 Purposes of reporting

Through an analysis of the philosophical approaches to CR reporting and an evaluation of the criticisms of the current reporting guidance, it was argued in section 3.5 that the reporting guidance could be placed on a managerial to normative continuum. The documentary analysis of the guidance specifically relating to CR reporting provided evidence of this.

The more managerial approach of the Sustainability Reporting Guidelines (SRG) is evidenced by the focus on "benchmarking" and "comparing performance" (GRI, 2011:3) as this positions CR reporting as being of benefit to business because the comparative data is useful for managerial decision-making. The UNGC Policy on Communicating Progress (UNGC Policy) (2011b) stated that reporting relates to communicating "efforts to implement the principles of the UNGC" in the form of "a description of practical actions.......that the company has taken (or plans to undertake) to implement the Global Compact principles" and "a measurement of outcomes" (UNGC, 2011b:1). It did not therefore emphasise the managerial benefit of CR reporting.

The more normative nature of the AA1000 standard was revealed as AA1000APS (2008) stated that reporting is a means by which an organisation can be accountable. The SRG (GRI, 2011) also aligned CR reporting with accountability, however, there are differences in the nature of that accountability. These differences in the nature of accountability correspond with the debates as to the nature of accountability in the literature. Accountability as defined by AA1000APS (2008:6) is wide ranging "acknowledging, assuming responsibility for and being transparent about the impacts of your policies, decisions, actions, products and associated performance" which is a evidence of a wider accountability that is in part determined by the stakeholders and so is the more normative. The SRG (GRI, 2011:3) claimed "being accountable to internal and external stakeholders for organisational performance towards the goal of sustainable development". This is a more constrained form of accountability. Those taking a critical perspective of CR reporting would argue that this form of accountability is not real accountability as it does not offer significant challenge to business. However, in both these sets of guidance business seeks to be accountable for the existing business model and it can be argued by appropriation of the term accountable are actually seeking to capture the agenda.

The SRG (GRI, 2011:3) also stated that CR reporting is used to demonstrate how the organisation "is influenced by and influences expectations about sustainable development". In this definition, it is not clear whose expectations the organisation is seeking to influence, or be influenced by, however given that stakeholders are recognised as the users of the reporting it will be stakeholders. There are, of course, a wide range of stakeholders and so it is possible that the content of reporting is directed at particular stakeholders for the purpose of educating these stakeholders. The education of audiences is one of the legitimation strategies identified by Lindblom (1994) and Suchman (1995). Therefore there is evidence within the social construction of CR reporting that reporting is used as a means of legitimation.

The emphasis within the SRG (GRI, 2011:3) on "benchmarking" and "comparing" is consistent with the historical development of the guidelines which were envisaged as a global standard for sustainability reporting and was modelled on the US financial reporting (FR) standards (Brown et al., 2009). Within FR there is great emphasis on consistency of treatment, which is either achieved through the application of specific rules, or the adoption of guiding principles (Alexander and Jermakowicz, 2006). Whilst the SRG (GRI, 2011) provide very detailed guidance as to the content of reporting, there is less discussion of the principles underpinning the reporting which Brown et al., (2009) argued was a tactic adopted by the GRI as an institutional entrepreneur.

The objectives of benchmarking and accountability, identified in SRG (GRI, 2011), are conflicting which questions the effectiveness of the reporting guidance. A report that is used for benchmarking and comparison requires the standardisation of information. However, a standardised report is not necessarily one that provides the accountability as an accountable organisation is one that provides stakeholders with the information they require. It is therefore possible managers can adopt objectives that appear to support a normative approach to reporting, but that the practice of reporting is more managerial in style. This is a mechanism by which managers can be seen to offer symbolic conformity (Jamali, 2010). This tension arises because there is no discussion of the underlying principles of CR reporting. This discussion of the underlying principles could be articulated in a conceptual framework for CR reporting.

The UNGC Policy (2011b) argued that to "avoid duplication of efforts, a COP should be fully integrated into the participant's main medium of stakeholder communications, including (but not limited to) a corporate responsibility or sustainability report and/or integrated financial and sustainability report" (UNGC, 2011b:3). The UNGC do not therefore appear to consider the COP, in itself, as a report. This is consistent with the UNGC being a corporate responsibility initiative providing an environment for learning, innovation and sharing of best practice rather than a certification tool (Clapp, 2005). Of the commentaries on reporting, only the International Corporate Governance Network (ICGN) comment on the position of non-financial reporting. They acknowledge the use of sustainability or CR reports as communications with multiple stakeholders, but advocate that material non-financial information that is relevant to investors should be presented in the Annual Review as the preparation of this report is overseen by the directors (ICGN, 2008:5).

The UNGC are transparent as to their own interest in the COP as a reporting tool as the UNGC Policy (2011b:1) recognised that the COP is a "central component of the UNGC integrity measures" as participants are required to submit their COP to the Global Compact website and non-compliance ultimately leads to expulsion from the organisation.

The objectives of reporting advocated by some of the commentaries on reporting are consistent with those identified in the reporting guidance. UNCTAD (2008:7) advocated that non-financial information supported investors in the "evaluation of long term enterprise performance" and the European Commission highlighted the role of reporting in enabling companies to "measure and benchmark environmental performance" (European Commission, 2011:12) which are consistent with GRI (2011). For others the purpose of reporting is to provide users with information to enable them to make informed decisions. This objective resonates with the objective of general purpose financial reporting which is defined as providing "financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity" (IASB, 2010b:A27). Examples of this are "to address information needs of SRI investors and analysts" (BITC, 2005:17); "to enable shareowners and investors to make informed investment decisions" (ICGN, 2008:4) and "enable investors to assess climate changed related strategies" (CDSB, 2012:5). This is evidence that CR reporting is seen as an augmentation of financial reporting (Gray et al., 1995; Parker, 2005).

The interviewees associated with the foodservice sector had a range of opinions as to the purpose of CR reporting. The respondents from the Soil Association and WRAP were of the opinion that CR reporting should provide information regarding past performance. Whereas those respondents from Foodservice Footprint and

BiTC felt that it was the means by which an organisation demonstrated the importance of sustainability to the business. The respondent of the British Hospitality Association claimed it was a means of manipulating perceptions or green washing. The respondent from the Food Ethics Council was clear that the current forms of CR reporting do not provide accountability. In his opinion

"CR is not adequate to provide the level of accountability that you would want. My position would be, irrespective of how good the reporting is, the main issue is not ensuring that companies report adequately, it is that no matter how adequately they report, we don't live in a society [with] the rest of the democratic infrastructure that you need in order for that [reporting] to be translated into accountability" (Food Ethics Council).

This view is consistent with those critical of reporting (Gray, 2006; Owen, 2008) who advocate change at societal level, such as mandatory reporting, as the means by which business is held to account.

Within the professional literature, it is suggested that CR reporting can demonstrate the potential opportunities for making cost savings (KPMG, 2013a:52). The respondent from the British Hospitality Association argued that this is less relevant to the foodservice sector as the foodservice company operating in a client's premises does not necessarily derive a direct benefit from reduced resource (e.g. energy or water) use. In order for the foodservice company to benefit, the foodservice operations would need to be separately metered which is rarely the case. When asked about the purpose of the CR report, the CR manager at the case study company demonstrated some normative motivation as he stated that "as an organisation committed to responsible business practice we think it behoves us to report on our activities". However, the CR manager also identified other objectives of reporting which were more managerial in nature. These were that CR reporting was a means of engaging with employees and that the production of a CR report enabled the benchmarking of performance. At the case study company, performance was benchmarked externally, as the company participates in a sustainability index, BiTC CR Index and benchmarking was used "as a means of driving up performance through the business" (CR manager at case study company). The case study company provided a CR report that can be seen as an augmentation to financial reporting as the CR report was an explanation of past performance in a reporting period consistent with the financial reporting period. Within the case study company CR reporting activities were therefore seen primarily as a managerial tool and as an augmentation to financial reporting.

5.2.2 Users of the reporting

The analysis of the data from the reporting guidance showed that in each set of guidance the term stakeholder is used to describe the users of the reporting. However, the definitions and examples of stakeholders provided within each set of guidance are different which is consistent with the term stakeholder being an essentially contested concept without agreed definition (Miles, 2012).

As discussed in section 2.5.2 stakeholder theory can be used to explain the motivation for reporting and that the motivations identified in stakeholder theory can be placed on a continuum from normative to strategic motivations (section 2.8.1). If an organisation is seeking to use stakeholder theory in a strategic manner, then the definition of stakeholder that is presented will have a narrow focus, whereas those adopting a more normative approach will use a wider definition.

The guidance specifically relating to CR reporting was analysed to identify any definitions of stakeholders provided and examples of groups of stakeholders given. Table 5.2 details the definitions used and examples given in each set of guidance. These data were then analysed to provide evidence of the position of the guidance on the managerial to normative continuum.

Table 5.2 Definition and examples of stakeholders

	Definition	Examples
AccountAbility1000 Accountability Principles Standard (2008)	"stakeholders are those individuals , groups of individuals or organisations that affect and/or could be affected by an organisation's activities, products or services and associated performance" AA1000APS (2008:10)	None provided
Sustainability Reporting Guidelines (2011)	"Stakeholders are defined as broadly those groups or individuals: (a) that can reasonably be expected to be significantly affected by the organization's activities, products, and/or services; or (b) whose actions can reasonably be expected to affect the ability of the organization to successfully implement its strategies and achieve its objectives" (GRI, 2011:43)	"Stakeholders can include those who are invested in the organization (e.g., employees, shareholders, suppliers) as well as those who have other relationships to the organization (e.g., vulnerable groups within local communities, civil society)" (GRI, 2011:10)
UN Global Compact Practical Guide to COP (2009)	None provided	"Consumers, employees, organized labour, shareholders, media, government" (UN Global Compact, 2009:8)

The definition of stakeholder provided by AccountAbility1000 is the broadest definition as there are no qualifying words or phrases restricting the scope of the relationship and the definition is not framed in the context of the business achieving its goals or objectives. This is a more normative application of stakeholder theory (Donaldson and Preston, 1995) which supports the positioning of AA1000APS (2008) at the more normative end of the continuum.

The definition included in the Sustainability Reporting Guidelines included several qualifiers such as "reasonably" and "significantly affected" (GRI, 2011:43) which resulted in a narrowing of the definition of a stakeholder. This definition also refers to the impact the stakeholder has on the ability of the organisation to achieve its traditional corporate objectives which is consistent with stakeholder theory being used in a strategic or instrumental manner (Friedman and Miles, 2006). The examples of stakeholder provided by SRG draw a distinction, between those “invested in the organisation” and those who have “other relationships” to the organisation (GRI, 2011:10), which resonates with the classification of stakeholders as primary or secondary (Clarkson, 1995).

Whilst the UNGC Policy (2011b:3) refers to “stakeholder communications”, no definition of stakeholder is provided. The supporting document The Practical Guide to the United Nations Global Compact Communication on Progress (UNGC Practical Guide) (2009) does not contain a definition of stakeholders either, but this document does provide some examples of stakeholders “consumers, employees, organized labour, shareholders, media, government” (UNGC, 2009:8). This is the only set of guidance that included the media as a stakeholder which is contrary to the view that the media is an intermediary, rather than a stakeholder group per se, as it is not controlled by the organisation or affected by it (Friedman and Miles, 2006). Inclusion of the media as an example of a stakeholder possibly indicates that the UNGC identified ‘stakeholders’ as the potential audience for the reporting, rather than contributors or collaborators in a process. It is also interesting to note that even though the COP is the means by which the integrity of the UNGC initiative is protected (UNGC, 2011b); the UNGC does not see itself as a stakeholder.

Within the guidance on reporting from other perspectives, only UNCTAD (2008) and BiTC (2005) provided a definition of the term stakeholder. UNCTAD (2008:5) stated that stakeholders are “groups of persons that are affected by and/or can influence an enterprise, without necessarily holding an equity share of the enterprise. Their actions can affect an enterprise’s brand and reputation, its financial performance, and even its license to operate”. BiTC defined a stakeholder “as someone with an interest in the business which is strong enough that their actions could conceivably and reasonably affect the business, its environment or ability to operate” (BiTC, 2005:14). Both these definitions make reference to licence or ability to operate which indicated that these organisations are aware that the relationship between business and society has been framed in terms of a social contract (Gray et al., 1998). These definitions are both qualified, in a similar manner to the definition provided by the SRG, and so present a narrower interpretation of the term which is evidence that the guidance is managerial in nature.

Where the users of reporting were identified in the commentaries on reporting those with a financial interest in the organisation were always identified. These organisations perceive the purpose of CR reporting is to augment general purpose financial reporting. Even where the investor or shareholder is identified as the primary user of reporting there was often some recognition that the reporting may be of use to others. These other users included customers (CDSB, 2013; ICGN, 2008; OECD, 2011), employees (ICGN, 2008; OECD 2011), communities (ICGN, 2008; OECD 2011) and NGOs (CDSB, 2013a; UNPRI, 2013). The other users identified in the commentaries on reporting are consistent with those identified in SRG (GRI, 2011) which are classified as primary stakeholders. As the commentaries on reporting seek to address the information needs of these primary stakeholders this guidance is position at the managerial end of the continuum.

The data collected through the semi-structured interviews with those associated with the foodservice sector revealed that some of these people were using CR reporting as a means to hold organisations to account. The respondents from NGOs and civil society organisations explained how they used the information provided in the CR reporting to hold either the foodservice operator, or the client of the foodservice operator, to account as “ the information is useful as I want to make it a risk that they are acting unsustainably” (Sustain). The respondent from the Soil Association explained that CR reporting “provides an opportunity to research what they [the clients of foodservice operators] say they are doing and this informs the conversations which we may have with them”.

Employees are considered a primary stakeholder group and the professional literature suggests employee engagement as a key motivation for CR reporting (Accenture, 2013; KPMG, 2011; PwC, 2011). There was a lack of agreement as to the importance of CR reporting as a means of engaging employees within the foodservice sector. The respondent from the Sustainable Restaurant Association (SRA) suggested that CR reporting was important to employees, stating

> "people who work in our sector in certain businesses really care about this [sustainability issues]" (Sustainable Restaurant Association)

and for the case study company employees were a primary audience for CR reporting as it provided

> "a view as to what happens across the company" (CR manager at case study company)

The analysis the case study company's reporting (FSR, 2013) revealed one of the five priorities within the company's CR strategy is employee engagement. The prominence of this section reflects the importance of the workforce in a foodservice operation and the report is explicit in that it states the purpose of employee engagement is to "attract and retain talented and committed people" (FSR, 2013).

The respondent from the British hospitality Association disagreed suggesting that reporting

> "is a by-product, the driver [of CR reporting] is the external pressures. In businesses where there is a significant element of employee ownership, there might be an increased pressure from employees [acting as shareholders] for some form of CR reporting" (BHA)

As explained in section 1.2.1 within the foodservice environment the client, being the organisation which has a contract with the foodservice operator, is distinct from the consumer of the service. The respondents from BiTC and WRAP both considered the CR reporting of UK retailers to be more advanced than that of foodservice operators. They believed that this was a result of the lack of proximity to the customer.

The CR manager at the case study company also recognised the benefits of reporting for business development and so, for them, some of the key users of CR reporting are current and prospective clients. The respondents from Sustain and BiTC also felt that CR reporting was produced to meet the needs of the current or prospective clients. The complexity of the relationship between the foodservice operator, the client and the consumer was not recognised in the CR reporting guidance. Therefore the CR reporting guidance is less applicable to the foodservice sector.

5.3 Motivations for reporting

Following the review of the literature, the meta-theme of motivation for reporting was further expanded into several themes:

- stakeholder engagement
- stakeholder education and innovation and learning
- reputational considerations
- the development of trust
- demonstration of leadership

The analysis and interpretation of these themes is presented below.

5.3.1 Stakeholder engagement

An evaluation of the guidance specifically relating to reporting revealed that stakeholder engagement is the only theme present in all three sets of guidance specifically relating to reporting. Whilst each set of guidance acknowledges that stakeholder engagement has a role to play in the reporting process, different approaches are adopted.

For AA1000, stakeholder engagement is incorporated in the Principle of Inclusivity as “Inclusivity requires a defined process of engagement and participation that provides comprehensive and balanced involvement and results in strategies, plans, actions and outcomes that address and respond to issues and impacts in an accountable way” (AA1000APS, 2008:10). This is the most far reaching articulated of stakeholder engagement in the guidance specifically relating to reporting as stakeholders participate in business decision making and business strategy is formulated in response to stakeholder engagement. There is no attempt to limit or restrict this involvement of stakeholders which makes this the most normative approach evident within the reporting guidance. Indeed, AccountAbility has produced a separate AA1000 Stakeholder Engagement Standard (2008) which provides principles-based guidance for stakeholder engagement.

The UNGC Policy (2011b) does not mention stakeholder engagement. The UNGC Practical Guide (2009:12) acknowledges that “stakeholder engagement can also be important in understanding the actual and potential impacts on society, both positive and negative, of a company's operations” and that stakeholder engagement is of particular relevance during the formulation of strategy. This is evidence of a more normative approach to stakeholder engagement, however the guidance does not require this involvement is disclosed (UNGC, 2009).

Evaluation of the SRG (GRI, 2011) provided further evidence of the more managerial approach adopted by this guidance. Stakeholder engagement is defined in SRG (GRI, 2011) from the organisation’s perspective as there is a restriction on the nature of the stakeholder engagement in that the business seeks to understand the “reasonable expectations” of stakeholders (GRI, 2011:7). Within the guidelines, the suggestion that stakeholder engagement will “increase in accountability to a range of stakeholders” follows, in the same sentence, the suggestion of on-going learning which is seen as a benefit to the business (GRI, 2011:10). The extent of the accountability of the organisation is more limited as business is asked to disclose “Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting” (GRI, 2011:24). The SRG do not suggest that stakeholders are involved in the development of the responses.

The more managerial nature of the commentaries on reporting is evidenced by the link between CR reporting and stakeholder engagement activities (AA1000AS, 2008; BiTC, 2005; CDSB, 2013a; European Commission, 2011; ISO26000, 2010; OECD, 2011; UNCTAD, 2008). The reasons given for engaging with stakeholders included the engagement of current employees and to support of recruitment and retention of staff (European Commission, 2011; ISO 26000, 2010; BiTC, 2005). In the discussion of stakeholder engagement activities presented by OECD Guidelines (2011), there is suggestion of a dialogue that is “characterised by two-way communication and depends on the good faith of the participants on both sides” (OECD, 2011:25). This might suggest that this guidance is more normative as stakeholder engagement activities that involve dialogue are potentially means of developing greater accountability but that the nature of the dialogue is important (Rasche and Esser, 2006; Reynolds and Yuthas, 2008). The OECD guidance suggested that the dialogue be restricted to decisions relating to projects that may “significantly impact local communities” (OECD, 2011:20) and so any accountability achieved through this dialogue is qualified. Whilst this guidance may appear to encourage accountability, it is managerial in focus.

The data derived from the interviews with those involved in the foodservice sector supported the view that stakeholder engagement was a motivation for reporting. The respondent from BHA reflected on the development of stakeholder engagement over time, stating,

> “Stakeholder engagement has increased over the last 10 years and this interaction has driven the reporting agenda (potentially more than the companies want). The companies want to fend off stakeholders rather than identify issues” (BHA).

This is recognition that the foodservice sector has responded to stakeholder pressure but in a limited manner. The suggestion that companies wish “fend off” stakeholders rather than to engage with them to identify issues indicates a managerial, rather than normative approach to reporting by the sector.

The respondent from the Food Climate Research Network (FCRN) recognised that stakeholder engagement can be seen as a means of green washing. To avoid this accusation business needs to be transparent about whom they are engaging with and how this engagement is managed. The evaluation of the reporting by the case study company, (FSR, 2013) revealed that this company did identify the external stakeholders with whom it engaged, namely "clients, customers, suppliers, government and the public sector and NGOs" (FSR, 2013). The case study company was explicit As to the nature of their engagement with the government and the public sector enabled then to understand public policy in order to "help find solutions" (FSR, 2013). As the CR manager at the case study company focused on managing the expectations of those that either had influence over the organisation or that the organisation was dependent on the CR reporting was used strategically. By shaping the response to significant issues, the foodservice reporter might be seen to capture the agenda or as the respondent from the BHA suggested, fend off a regulatory response.

5.3.2 Stakeholder education, innovation and learning

The second theme considered is that of stakeholder education and linked with this innovation and learning. Educating a stakeholder with a view to influencing their expectations of corporate behaviour is a legitimation strategy (Lindblom, 1994; Suchman, 1995) and so the reporting guidance might therefore be expected to emphasise this aspect of stakeholder engagement.

The theme of stakeholder education, innovation and learning was not present in the guidance produced by the UNGC. This guidance emphasised the education of others in the business community, rather than stakeholders, suggesting that practical actions are presented in the COP so that others may learn from them (UNGC Practical Guide, 2009). This is consistent with the positioning of the UNGC as a development tool (Clapp, 2005).

Whilst AA1000APS (2008:11) recognised that a stakeholder engagement process "facilitates understanding, learning and improvement of the organisation", it does not suggest that this is for the benefit of the organisation and so does not promote the business case for stakeholder engagement. Instead, stakeholder education is presented as a more normative exercise, as it is considered to be the means of building the capacity of both internal and external stakeholders to engage with issues and responses. It is recognised that the way in which an organisation engages with stakeholders will depend on "the capacities of both and the maturity of the existing relationship" (AA1000APS, 2008:11). Therefore for AccountAbility stakeholder engagement involves stakeholder education, but the nature of this education differs from the stakeholder education advocated as a legitimation strategy.

When business uses stakeholder engagement and CR reporting to educate stakeholders as to changes in their current activities or attempts to manage societal expectations, CR reporting is part of a legitimation strategy (Lindblom, 1994; Suchman, 1995). Stakeholder education is promoted within the guidance that takes a more managerial approach. For example it was stated that stakeholder engagement can be used to demonstrate "how the organization influences and is influenced by expectations about sustainable development" (GRI, 2011:3) and "to improve public understanding of enterprises and their interaction" (OECD, 2011:28). In these cases, business is using stakeholder education as a legitimation strategy. The use of stakeholder engagement activities as this form of legitimation strategy was revealed through the semi-structured interviews with those associated with the foodservice sector who had participated in some of the stakeholder engagement activities. The respondent from the Food Ethics Council felt he had been educated through participation in such activities.

The more managerial guidance also emphasised the potential commercial benefit to business of innovation and learning. The SRG (GRI, 2011:10) claimed that "stakeholder engagement is likely to result in on-going learning within the organization". This resonated with recognition that stakeholder engagement, and in particular employee engagement, can capture "innovative thinking among employees and business partners on resources and opportunities" (BiTC, 2005:10) or that stakeholder engagement provides "a means of innovation" (European Commission, 2011:3). The suggestion that the business benefits from innovative ideas developed through stakeholder engagement activities is also a means of justifying stakeholder engagement activity to investors.

The respondents from Sustainable Restaurant Association, WRAP and the Soil Association identified that there is a need for foodservice companies to educate their stakeholders because the business model within the foodservice sector is complex.

> “on the issues of waste, energy and water and they are prepared to take their clients on the journey too. For example, if you have a client specifying that 3 options should be available between 12 -2pm then there is always a waste issue and so you need to educate the client”. (WRAP)

The respondent from the Soil Association recognised that the education of clients was sufficiently important to warrant a strategy and that strategy for promotion and communication with clients should be disclosed as part of the reporting. They also acknowledged the difficulties for the sector, stating

> “There is a challenge in the range and diversity of settings that caterers work in but there is a real opportunity to influence and promote change.” (Soil Association)

The extent to which business had a role in consumer education was disputed. The respondent from BHA believed that “consumer education is the role of government not business” but others thought that the foodservice sector was responsible for raising consumer awareness (WRAP) and for supporting behavioural change (BiTC).

The respondent from the Sustainable Restaurant Association disclosed that his views on the extent to which foodservice operators had a responsibility to educate customers had changed in the last 18 months. He was previously of the opinion that the individual had responsibility for educating themselves about the food they consumed, however, recognition of the size of the eating away from the home market, the prevalence of healthy eating messages in advertising and brand positioning, had altered his position. He was now of the opinion that foodservice operators that provide food on a regular basis do have a responsibility for providing consumers with nutritional information.

The CR manager at the case study company was clear that there was a need to educate clients as to what was possible within the foodservice business model. He suggested that in the past the case study company had been under pressure from some clients, following their own business practice, to set targets in the form of a percentage reduction in total carbon emissions, explaining.

> "We have clients and other stakeholders who think that facilities management companies that are diversified, decentralised, operating on other people's premises, not sub-metered, are able to say we are going to reduce our carbon emissions by 20% by 2015. Historically there has been a lot of pressure on us to make that type of commitment. It has only been through a process of stakeholder engagement that you get them to understand that we don't have a vast office portfolio and we don't manufacture widgets" (CR manager at case study company).

The CR manager at the case study company explained that there was some stakeholder education in the form of client education as the case study company provided environmental performance reports (the site surveys). R12 believed that the site managers (employees of the case study company) had the opportunity to educate their clients through the discussion of the site survey. The data collected in this process also provided the foodservice operator with valuable management data. The extent to which this management data informed reporting is explored in Chapter 6.

5.3.3 Reputational considerations

Although production of a CR report is considered a means of managing legitimacy through the disclosure of information (Lindblom, 1994; Suchman, 1995) the UNGC and AA1000 do not acknowledge this as a motivation. The SRG (GRI, 2011) make reference to managing reputation and but this is not discussed in the first section of the guidance, reference is made to the need to manage reputation within the Indicator Protocols located towards the end of the document. The role of CR reporting in the management of reputational risk is emphasised to a greater extent in the guidance from other perspectives (the commentaries on reporting). Several commentaries suggest that reporting is a means of explaining the approach a business has to managing its reputation which was then linked to the commercial or financial performance of the organisation (BiTC, 2005; ICGN, 2008; OECD, 2011; UNCTAD, 2008)..It is noticeable that the constructions of the meaning of reputation that is managed have changed over time as the explanation of reputation risk has changed over time. The European Commission (2011:11) suggested that the disclosure of social and environmental information can lead to the "identification of material sustainability risks" which has also been interpreted as a business continuity risk (Friends of the Earth Europe, 2012). This broadening of the concept from risk to business reputation to that of risk to business continuity is consistent with the managerial approach of protecting the current business model. This emphasis on the management of business continuity risk indicates that some stakeholders (particularly investors) have recognised that there are risks such as significant price increases and security of supply within the supply chain.

The boundary of reporting does not usually extend to issues in the supply chain and so reporting on business continuity risk arising in the supply chain potentially extends the boundary of reporting. This is considered further in section 6.2

Whilst those involved in the foodservice sector recognised that reputation management was potentially a motivation for reporting in other sectors, this was considered less relevant for the foodservice sector. The manager from the Sustainable Restaurant Association explained

> "Foodservice is invisible – in that the brand is not visible and so the risk to brand reputation for the caterer is less relevant" (Sustainable Restaurant Association).

In this complex environment, the potential risk to the foodservice operator is that they are seen to damage the reputation of the client and were such reputational damage to occur, the client may seek recourse under the contractual agreement. Often a foodservice company is selected in order to support client's CR strategy and if a foodservice company does not follow its stated sustainability policies (for example, in the sourcing of fish) there is an impact on the client.

As discussed in section 3.2, for large organisations foodservice operators or their clients, inclusion in a sustainability index such as FTSE4Good or DJSI is considered important (Fowler and Hope, 2007). The respondent from BHA concurred,

> "All large businesses are concerned with their position within the sustainability indices (e.g. Dow Jones Sustainability Index and others) and so recognise that they need to do some form of CR reporting. In essence there is a commercial drive to report" (BHA)

The CR manager at the case study company agreed, explaining that UK clients recognised the BiTC accreditation and therefore maintaining their position (currently gold) in this index was important. For the UK reporting, the case study company does not follow any of the guidance specifically related to reporting, using the BiTC CR Index instead.

5.3.4 Building trust

As discussed in section 2.6, the literature suggested that one reason for reporting is to build or enhance trust in the organisation, however, this theme is not well developed in the reporting guidance. Within the SRG, the link between trust and accountability is articulated as it states "accountability strengthens trust between the reporting organization and its stakeholders". The accountability advocated by the GRI is managerial in nature as the guidance states that "trust, in turn, fortifies report credibility" (GRI, 2011:10). Neither AA1000APS (2008), UNGC Policy (2011b) nor UNGC Practical Guide (2009) mentioned trust.

The social construction of CR reporting suggests that CR guidance setters will respond their environment. The inclusion of trust as a reason for reporting may be a function of the timing of the development of the guidance. Public trust in business appears to have decreased following the financial crisis in 2007/08 (Edelman, 2013). Both AA1000APS (2008) and UNGC (2009) were developed prior to this, which might explain the lack of acknowledgement of the link between trust and reporting in this guidance.

A concept that is closely associated with trust is that of transparency. AA1000APS (2008:6) make the link between transparency and accountability as their definition of accountability includes "being transparent". However, it is not clear what transparency exactly means or how it might be achieved. The GRI (2011:6) define transparency as "the complete disclosure of information on topics and Indicators required to reflect impacts and enable stakeholders to make decisions, and the processes procedures, and assumptions used to prepare those disclosures." Within the SRG it is clear that business determines the issues on which it wishes to report and so transparency in this context relates more to the assumptions and methodology. The need for transparency relating to the assumptions is, in part, due to the lack of an agreed approach. If an agreed approach were to exist, it could be codified through the development of a conceptual framework.

Some of the commentaries on reporting recognise building trust as a motivation (BiTC, 2005; European Commission, 2011; OECD, 2011). The OECD (2011) discussed how business might build trust suggesting business should "develop and apply effective self-regulatory practices and management systems that foster a relationship of confidence and mutual trust between enterprises and the societies in which they operate" (OECD, 2011:19). This resonates with Swift (2001) who argued that business earned trust through demonstrating trustworthy behaviour. The self-regulating practices of management systems, including CR reporting, could be the means by which trustworthy behaviour is demonstrated.

Neither those interviewed nor the CR manager at the case study company mentioned the building or development of trust as a motivation for reporting. It is possible that this is a consequence of the lack of visibility of the foodservice brand at the operational level. Alternatively this might be the result of the issue of trust (or lack of trust) in business being one that is considered at a more macro level, or that is considered in relation to specific sectors, such as financial services.

5.3.5 Leadership

Analysis of the initial interviews suggested that businesses can use CR reporting to evidence their leadership in CR. The respondents from Foodservice Footprint, Sustain and WRAP agreed that CR reporting is a means of demonstrating leadership and it was recognised that some in the retail sector, such as Marks and Spencer, have done this very effectively. There were few references to leadership in the commentaries on reporting with BiTC suggesting that leadership involves "going well beyond what society generally expects" (BiTC, 2005:16). This is consistent with the guidance specifically relating to reporting which did not discuss the role CR reporting might play in the demonstration of leadership as neither AA1000APS (2008), UNGC Policy (2011b) nor UNGC Practical Guide (2009) mentioned demonstrating leadership as a reason for reporting.

Consistent with the strategic or managerial approach, the SRG mention leadership in the context of competitive advantage. The reference to leadership is not, however, prominent. In a similar manner to reputation (section 5.3.3) the reference to leadership is in the detailed guidance contained in the Indicator Protocol. In two of the environmental protocols the relevance of the performance measure is explained in terms of demonstrating "leadership in combating climate change" (GRI, 2011:EN17) and that reducing ozone depleting substances is an indication of "technology leadership" (GRI, 2011:EN19). This does not correspond to the leadership discussed in the initial interviews.

The CR manager at the case study company did not suggest that the production of a CR report was a means by which the organisation demonstrated leadership in this area, yet respondents from Food Ethics Council and Food Climate Research Network both mentioned that the case study company was seen as a leader in the foodservice sector. In their 2013 CR Report, the case study company reported that they had received commendations for their commitment to sustainable food. A quote from the commercial director, included in the report, indicated that the case study company intends to be a world leader in sustainable business practice.

5.4 Continuum of motivations and objectives

The evaluation of the data relating to the objectives and motivations for reporting has demonstrated that a range of objectives and motivations exist. The review of the literature (Section 2.8.1) concluded that the theoretical explanations of motivations for CR reporting could be placed on a continuum with more normative theories at one of the continuum and strategic or managerial at the other. The objectives of reporting reflect the motivations a manager has for reporting and these objectives of reporting are detailed within the reporting guidance.

Evidence of this continuum of objectives or purposes was identified within the guidance reviewed. Whilst the purpose of a report, as articulated by the reporting guidance setters, was primarily to provide information about performance, the different approaches standard setters had to the elements of performance addressed revealed the different approaches. AA1000APS (2008) adopted a more normative approach in which the stakeholder is an integral part of the reporting process as they determine the issues on which the business reports, and are involved in the formulation of the response to these issues. The commentaries on reporting also adopted a strategic approach as, in their view, the purpose of reporting was to support the decision making of the users of reporting, mainly investors, through the provision of comparative information.

The analysis of the SRG (GRI, 2011) revealed that these guidelines contained two conflicting objectives of reporting. The more managerial or strategic approach objective in which management report on specific aspects of their performance to enable the user to benchmark performance is in conflict with reporting that seeks to be accountable. Thus this guidance provides managers with the opportunity of appearing to produce CR reporting taking a normative approach, but that the practice of reporting is more managerial in style. Therefore the SRG (GRI, 2011) provide a mechanism by which managers can be seen to offer symbolic conformity (Jamali, 2010).

Within the current social construction of CR reporting there is the opportunity for this misaligning of reporting objectives and reporting practice which offers the opportunity for symbolic conformity. In the review of the literature relating to international accountability standards (section 3.5.3) the role of a conceptual framework was discussed. The developed of a conceptual framework provides an opportunity for the articulation of the underlying principles. Therefore, this study concludes that if consistency between reporting objectives and practice is required, then more clarity as to the underlying concepts is required. This clarity could be achieved through the development of a conceptual framework.

Evidence of this normative-managerial or strategic continuum was also found in the analysis of the users of reporting. Analysis of the definitions of stakeholders showed that AA1000APS (2008) used the widest definition which is consistent with it being a more normative form of standard. The commentaries on reporting were generally targeted at a narrow audience, usually investors, and this supports the view of CR reporting being an augmentation to financial reporting (Gray et al., 1995). If managers are seeking to report to a narrow audience in order to legitimise the business then they are using CR reporting strategically whereas others might seek to report to a wider range of users in order to account for the impacts of their activities.

The analysis of the data from the semi-structured interviews also revealed that for those associated with the foodservice sector, reporting is considered a managerial exercise, which seeks to maintain and support the current business model. The CR manager at the case study company identified several purposes of this reporting; to engage employees by providing them with information regarding performance, to support recruitment as the CR reporting was thought to help attract and retain talent, and to inform current and prospective clients. These are managerial in nature.

5.5 Evidence of an overlap of legitimacy theory & stakeholder theory

When considering the motivations for reporting, a variety of reasons were identified in both the academic and professional literature. Analysis of the data relating to the foodservice sector has shown both legitimacy theory and stakeholder theory can be used to explore the reasons why managers might produce a CR report. Both legitimacy and stakeholder theories are seen as augmentation theories (Gray et al., 1995) as it has been suggested that managers use CR reporting to augment existing, mainly financial, reporting in order to maintain business practice in its current form (Parker, 2005). Mahadeo et al. (2011) explored the nature of the overlap of stakeholder and legitimacy theory by suggesting the different forms of legitimacy, as identified by Suchman (1995) might be managed using a stakeholder approach. The potential overlap of the legitimation strategies articulated by Suchman (1995) and Lindblom (1994) and the stakeholder management tools identified by Friedman and Miles (2006) was explored in Chapter 2. The data collected through the documentary analysis of reporting guidance and interviews was assessed to establish whether or not there was an overlap and its nature and extent.

The stakeholder engagement tools can be categorised using Friedman and Miles' ladder of stakeholder management and engagement (2006:162), which was developed from Arnstein's (1969) ladder of participation. This ladder of stakeholder management and engagement identified different forms of stakeholder management and engagement which were dependent on management's intention. The top of the ladder represented a higher level of stakeholder power and a proactive or trusting response from management, as exemplified by majority representation of stakeholders in the decision-making process. Whereas the lower end of the ladder is where stakeholder management is characterised by non-participation or degrees of tokenism and the response from management is cynical.

When the legitimation strategies suggested by Lindbolm (1994) and Suchman (1995) were compared to the suggested stakeholder management and engagement tools, it was found that similarities occurred towards the bottom of the ladder. So in seeking to explore the potential mechanisms resulting in an overlap of legitimacy and stakeholder theory the focus was on the lower half of the ladder of stakeholder management and engagement (Friedman and Miles, 2006). As discussed in section 2.8.2 and as illustrated in Table 2.2, it was theorised that the mechanism for the overlap of stakeholder management and the legitimation strategies is through the tools adopted. The data collected through the documentary analysis and the field work was reviewed for evidence of this overlap.

Table 5.3 presents the data obtained from the documentary analysis and interviews that demonstrates the use of stakeholder management and engagement tools in legitimation strategies. A discussion as to the nature of this overlap is presented after Table 5.3

Table 5.3 Evidence of the overlap of legitimacy theory and stakeholder theory from the documentary analysis

Ladder of Stakeholder Engagement(Friedman and Miles, 2006:162)	Legitimation strategies	Examples of the use of this strategy from guidance reviewed
The stakeholder management tools towards the top of the ladder of management and engagement, namely stakeholder control, delegated power, partnership, collaboration and involvement, were not considered to overlap with the legitimation strategies of Lindblom (1994) or Suchman (1995).		
7. Negotiation		“Inclusivity requires a defined process of engagement and participation that provides comprehensive and balanced involvement and results in strategies, plans, actions and outcomes that address and respond to issues and impacts in an accountable way” (AA1000, 2008)
6 .Consultation	Maintain legitimacy by identifying future changes (Suchman, 1995)	“Engage with relevant stakeholders in order to provide meaningful opportunities for their views to be taken into account in relation to planning and decision making for projects or other activities that may significantly impact local communities” (OECD, 2011:20) CSR requires engagement with internal and external stakeholders, it enables enterprises to better anticipate and take advantage of fast changing societal expectations and operating conditions” (European Commission, 2013: 3) Stakeholder engagement processes can serve as tools for understanding the reasonable expectations and interests of stakeholders” (GRI, 2011: 10)

Source: Researcher

Table 5.3 (Continued) Evidence of the overlap of legitimacy theory and stakeholder theory from the documentary analysis

5. Placation	Maintain legitimacy through the protection of accomplishments (Suchman, 1995)	"Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives" (GRI, 2011)
4. Explaining	Repair legitimacy through the provision of a normalising account that provides excuses/justifications (Suchman, 1995)	"explain company's approach to managing risk to reputation" (ICGN, 2008:5) use the information in CR reports, ………as a basis for dialogue with the reporting enterprise (UNCTAD, 2008:10) to disclose credible information about strategy, goals, standards and performance to those who base their actions and decisions on this information (AA1000)
3. Informing	Provide information to evidence the changes made to activities to meet societal expectations (Lindblom, 1994) Gain legitimacy by providing evidence of meeting societal expectations (Suchman, 1995)	manage risks to the business provide investors/ shareholders with information regarding long term prospects (BITC, 2005) Comparing performance within an organization and between different organizations over time. (GRI,2011) providing a repository of data on corporate responsibility practices that can be used for learning and analysis (UNGC, 2009)

Source: Researcher

Table 5.3 (continued) Evidence of the overlap of legitimacy theory and stakeholder theory from the documentary analysis

2. Therapy	Demonstrate that societal expectations regarding behaviour are unreasonable (Lindblom, 1994)	"changing stakeholder and societal expectations and norms "(CDSB, 2013a:2) "to encourage improved understanding of the operations of multinational enterprises" (OECD, 2011: 28) "…provide information about longer term issues that may effect business strategy; with respect to certain sustainability issues" (BITC, 2005:16) Demonstrating how the organization influences and is influenced by expectations about sustainable development (GRI,2011)
1. Manipulation	Seek to change stakeholder perceptions but not behaviour (falsely indicate that performance has changed) Deflect attention from contentious activities (Lindblom, 1994) Gain legitimacy by manipulating the environment by creating new audiences (Suchman, 1995)	

Source: Researcher

At the lowest level of the ladder of stakeholder management and engagement is manipulation which is where managers are seeking to mislead stakeholders. This corresponds to the strategies of gaining legitimacy by manipulating the environment (Suchman, 1995) or providing false information relating to activities (Lindblom, 1994). Unsurprisingly, the reporting guidance did not advocate the manipulation of data, but in the semi-structured interviews, the respondent from BiTC expressed concern "[that] foodservice companies highlight initiatives that are pilots, or that don't have the potential to scale up and that this misrepresents the actual impact of these initiatives". This does suggest that information can be presented in a way that gives a false impression, or is misleading.

One of the strategies identified by Lindblom (1994) was that organisations may seek to change societal expectations by demonstrating that the expectations are unreasonable which is similar to Suchman (1995) who suggested that managers adopting repair strategies may seek to justify their actions by placing their actions in the context of existing attitudes and beliefs. This corresponds to the suggestion that stakeholder engagement can be used to as therapy to "'cure' stakeholders of their ignorance and preconceived beliefs" (Friedman and Miles, 2006:162).

Analysis of the motivations and objectives of reporting concluded that there is evidence that the purpose CR reporting is to maintain the existing business model. For example, OECD (2011:28) identified that through the disclosure of information, business can "improve public understanding of enterprises and their interaction with society and the environment" suggesting stakeholders can be educated as to the nature of the business. The GRI (2011) suggested that CR reporting can "demonstrate how the organisation influences and is influenced by expectations about sustainable development" which suggests that managers are seeking to educate their stakeholders in order to justify their performance in light of existing practice. This approach is adopted by the CR manager at the case study company who explained that a key element of their stakeholder engagement activities is the education of clients in what are possible CR activities within the foodservice environment. When working with the World Wide Fund for Nature (WWF), the CR manager at the case study company explained that “we had to explain what a facilities management business looks like”.

One of the primary objectives of reporting is the provision of information relating to past performance. This corresponds to the informing and explaining rungs on the ladder which correlate to legitimation strategies articulated by both Suchman (1995) and Lindblom (1994). Some of the commentaries on reporting suggest that the organisation also provides forward looking information by explaining the strategic direction adopted in addition to explanations of past performance (CDSB, 2012 ICGN, 2008; UNCTAD, 2008). Within the reporting guidance it is AA1000APS (2008) that emphasises the need for a strategic response to CR and argues that reporting is an explanation of this response whereas the SRG (GRI, 2011) focuses on the explanation of past performance which can take the form of benchmarking performance (European Commission, 2011; GRI, 2011; UNCTAD, 2008).

Benchmarking may also be seen as the means of placating stakeholders. Friedman and Miles (2006) define placation as the appeasement of stakeholders which may be the result of unrest. Within the reporting guidelines CR reporting may be seen as a form of placation, or appeasement, as business is seen to be “assessing sustainable performance with respect to laws, norms, codes, performance standards and voluntary initiatives” (GRI, 2011:3). The respondent from the Sustainable Restaurant Association suggested that as a campaigning organisation they were prepared to highlight where companies did not comply with their own policies which in turn might refer to an external code or voluntary initiative. For them, therefore, the disclosure of performance with respect to both the policy and the norms and codes was important as this was a means by which the organisation might be held to account.

The legitimation strategy that is furthest up the ladder is that of maintaining legitimacy. Suchman (1995) theorised that business will seek to maintain legitimacy by monitoring changes in the external environment. In order to manage pragmatic legitimacy Suchman (1995:595) argued that the organisation “must monitor multiple interests” and that the organisation might “co-opt audiences into organisational decision-making”. This involvement of audiences could therefore be achieved through consultation, a form of stakeholder engagement. This consultation can result from a desire to be inclusive which is emphasised in AA1000APS (2008) which is to be expected as the analysis in section 3.5.3 concluded that this reporting guidance is the more normative. Alternatively, a more strategic approach can be taken, for example, using a consultation process to understand the reasonable expectations of stakeholders (GRI, 2011) or to “anticipate and take advantage of fast changing societal expectations and operating conditions” European Commission (2011:3).

The ‘consultation’ and ‘negotiation’ rungs on the ladder of stakeholder management and engagement are characterised by stakeholders having a level of influence that suggests they are “being heard before a decision is made” (Friedman and Miles, 2006:162). The nature of stakeholder engagement articulated in the majority of the guidance, even when a dialogue or two-way communication is acknowledged is still one in which the organisation is in a position of power. As the organisation is in a position of power, it can strategically manage the dialogue with stakeholders. For example, the guidance from OECD (2011) recognised that stakeholder engagement is characterised by dialogue and that the nature of this dialogue is important, however the suggestion is that this dialogue only relates to projects that may “significantly impact local communities” (OECD, 2011:20).

Having found evidence of the overlap of legitimacy theory and stakeholder theory in the reporting guidance, the data collected through the semi-structured interviews with those involved in the foodservice sector and the CR manager at the case study company was also reviewed. Appendix 5.1 contains the Excel spreadsheet that was used to capture this analysis. This analysis demonstrates that these data also provide evidence that there is an overlap between legitimacy and stakeholder theory. A summary of these data is included in table 5.4 below.

Table 5.4 Evidence of the overlap of Stakeholder theory and Legitimacy theory obtained from the semi-structured interviews conducted with those associated with the foodservice sector

Ladder of Stakeholder Engagement (Friedman and Miles, 2006:162)	Legitimation strategies	Examples of the use of this strategy from semi-structured interviews
The stakeholder management tools towards the top of the ladder of management and engagement were not considered to overlap with the legitimation strategies of Lindblom (1994) or Suchman (1995).		
7. Negotiation		
6 .Consultation	Maintain legitimacy by identifying future changes (Suchman, 1995)	“forward thinking businesses have engaged their stakeholders” (R6) “that we have worked globally in partnership with WWF to identify 5 agricultural commodity hotspots in the supply chain” (CR manager at case study company)
5. Placation	Maintain legitimacy through the protection of accomplishments (Suchman, 1995)	“Carbon accountability is helpful because it exposes poor performance and companies don’t want to be seen as poor performers. It also allows people to make comparisons (Sustain)
4. Explaining	Repair legitimacy through the provision of a normalising account that provides excuses/justifications (Suchman, 1995)	“Why are you choosing a particular certification, what are the downsides of it and what are the upsides” (Food Climate Research Network, Food Ethics Council)
3. Informing	Provide information to evidence the changes made to activities to meet societal expectations (Lindblom, 1994) Gain legitimacy by providing evidence of meeting societal expectations (Suchman, 1995)	An example of activity was “meat free Mondays, which is environmentally motivated” (Food Climate Research Network). Reporting is important because “you can measure and demonstrate change year on year to customers/ stakeholders / shareholders” (WRAP)

Table 5.4 Evidence of the overlap of Stakeholder theory and Legitimacy theory obtained from the semi-structured interviews conducted with those associated with the foodservice sector

2. Therapy	Demonstrate that societal expectations regarding behaviour are unreasonable (Lindblom, 1994)	The CR manager at the case study company explained that stakeholder engagement activities were used to demonstrate that global emission targets were not appropriate in the food service sector
1. Manipulation	Seek to change stakeholder perceptions but not behaviour (falsely indicate that performance has changed) Deflect attention from contentious activities (Lindblom, 1994) Gain legitimacy by manipulating the environment by creating new audiences (Suchman, 1995)	“We have found that some businesses….. are entirely driven by their clients and so will implement a policy at one client but not across the business.” (Sustain) “Reporting without methodologies and metrics is more prone to manipulation. In this particular sector this is the biggest problem” (BHA) “Carbon emissions arising from transportation are small compared to those arising as a result of the means of production. But it is easier to get logistics companies involved and this is easier to do and to communicate”. (Soil Association)

Source: Researcher

These data provided examples, from the foodservice sector, of activities that are both a stakeholder management and engagement activity and a legitimation strategy and so provide evidence of the mechanism through which there is an overlap of legitimacy and stakeholder theory.

The manipulation of information in a CR report was recognised as a legitimation strategy by those associated with the foodservice sector. The respondent from Sustain gave the example of companies adopting CR policies on a site by site basis at the request of the client which could then be portrayed as a company-wide policy. The respondent from BiTC concurred recognising the sector was one in which CR reporting focused on positive case studies which were often pilot schemes with limited potential to be scaled up. The respondents from BHA and the Soil Association explained that careful drawing of the reporting boundary and the lack of standardised reporting methodologies allowed managers to manipulate the information contained in CR reporting.

As discussed in section 5.3.2, the CR manager at the case study company used stakeholder engagement activities as a means of educating stakeholders about the context of the foodservice sector and the implications this has for reporting. Through this process he demonstrated that the expectations regarding a global emissions reduction target were unreasonable.

An example of a foodservice company seeking to evidence the changes to their activities was provided by the respondent from the Food Ethics Council who mentioned the meat-free Monday initiative which was seen as a response to the environmental concerns associated with meat production. It was suggested that a company needed to justify their decisions relating to the certification schemes used.

It is suggested that there is an overlap in legitimacy theory and stakeholder theory as the tools, such as benchmarking, used by businesses to placate stakeholders are the same as those used to maintain legitimacy through the protection of past accomplishments (Suchman, 1995). There was some discussion as to how comparative information is used. The respondent from Sustain suggested that it drives improved performance, but the respondent from WRAP suggested that getting agreement on measures is difficult as

> "business will not choose a measure that makes their performance look poor" (WRAP).

There was agreement amongst the respondents from the Food Ethics Council, the Food Climate Research Network and Foodservice Footprint that consultation with stakeholders, and in particular NGOs, was a means of identifying issues. These respondents felt that there was benefit in the foodservice provider working with stakeholders to formulate strategy. If this consultation involves two-way dialogue, then it suggests a more normative, rather than managerial approach.

There is one final piece of evidence for the mechanism that is the means of the overlap between stakeholder and legitimacy theory and that this is the time period over which management and engagement activities take place. Suchman (1995) suggested that each form of legitimacy (pragmatic, moral and cognitive) can be either episodic or continual and that to develop continual legitimacy required on-going dialogue.

The stakeholder management activities suggested as consultation activities "questionnaires, interviews, focus groups, task force, advisory panels" (Friedman and Miles, 2006:162) are also activities recognised by the guidance setters. UNCTAD (2008:6) make reference to "community panels, staff surveys, industrial relations, consumer surveys, opinion polls, workshops" and SRG (GRI, 2011:10) argued that stakeholder engagement forms "part of their regular activities".

As discussed in section 5.3.1, the case study company was involved in stakeholder engagement activities and these were disclosed in the FSR (2013). The discussion with the CR manager at the case study company revealed that the extent of on-going stakeholder engagement was dependent on the nature of the issue as

> "We had a very strong stakeholder engagement programme at the start of the [strategy development]. It really helped to set the scene, more recently there has been detailed engagement on specific issues. We have been

> working with WRAP on waste, looking at SMEs and social enterprises in the supply chain (working with BiTC and social enterprise UK). That stakeholder engagement is very much feeding into our strategy regarding SMEs and SE in our supply chain" (CR manager at case study company)

The case study company is recognised as having a strong programme of stakeholder engagement and this continual engagement appears to be supplemented by engagement on detailed issues.

The theoretical analysis of the overlap of stakeholder theory and legitimacy theory (section 2.8.2) suggested that CR reporting may be the mechanism by which an organisation demonstrates trustworthy behaviour (Swift, 2001). However the data from the documentary analysis of reporting guidance and from the semi-structured interviews did not suggest that this was the case as those involved in the foodservice sector did not make the connection between CR reporting and developing trust.

5.6 Implications for CR reporting of the complexity of the foodservice sector

The foodservice sector context appears different from that of other sectors and this complexity has implications for reporting practice.

It is clear that for the case study company one of the key user groups of their CR report is their employees and that the CR report is being used for the strategic management of this stakeholder group. Whilst the foodservice operator was considered by some of those interviewed as a leader in the field, the CR manager did not consider the production of a CR report as a means of building trust or demonstrating leadership.

The suggestion that a primary reason for the production of a CR report is the management of reputation is less relevant in this context as the brand of the foodservice operator may not be visible to the customer (those who use the services of foodservice operator). The professional literature also emphasised the potential benefits to business of innovation, both in terms of innovation leading to cost saving in existing business models and also the potential for the development of new markets. In the foodservice sector the operator is unlikely to have complete control over the physical resources used and so cost savings which result from the activities included in a CR reporting (such as the reduction in energy use) may not accrue to the foodservice operator. Therefore the use of the CR report as a means of evidencing cost savings is less relevant to the foodservice sector. This lack of control over the physical resources has implications for the boundary of reporting and the nature of the performance measurement and target setting. Innovation in the form of the development of new markets was not mentioned by those involved in the foodservice sector.

The relationship between the foodservice operator and the client is contractual. The data revealed that it was possible for managers to manipulate the information in their CR reporting by identifying the sites where particular client requested initiatives take place and presenting these as general practice. The NGOs and civil society organisations will therefore seek to influence the policies of clients of foodservice operators. These organisations also use CR reporting as a means to identify the strategies foodservice operators claim to adopt in particular areas. The meta-theme of content of reporting, addressed in Chapter 6, therefore considers the extent to which the CR reporting guidance encourages the disclosure of the strategies adopted.

5.7 Conclusions

Whilst the overlap of stakeholder theory and legitimacy had been acknowledged in the literature (Mahadeo et al., 2011; Chen and Roberts, 2010; van der Laan, 2009), the mechanism for the overlap had not been fully explored. Following Arnstien (1969), Friedman and Miles (2006) classified stakeholder management and engagement tools based on the extent of stakeholder involvement. When these stakeholder management strategies were compared to the strategies reportedly suggested by Lindblom (1994) and by Suchman (1995) the mechanism for the overlap was found. Examples of the overlapping stakeholder management tools and legitimation strategies were then identified in the data derived from the documentary analysis of the reporting guidance and from the semi-structured interviews with those associated with the sector.

From the analysis of the data relating to the objectives and motivations for reporting, this study concludes that a continuum of motivations for reporting exists. This continuum ranges from a normative approach to a managerial or strategic approach. Of the reporting guidance, that provided by AA1000APS (2008) was more normative; suggesting the broadest range of users and reporting that is a response to stakeholders' information needs.

The guidance which adopts a managerial or strategic approach identified a narrower range of users, focusing on the information needs of investors and creditors, emphasised the need for comparative information that enabled benchmarking. The commentaries on reporting, which were managerial in approach, also sought forward looking information that demonstrated that managers had an awareness of, and were managing, the potential risks to the business.

The existence of a continuum of objectives for CR reporting has implications for the form and content of reporting. If a normative approach is applied to the content of the report, the report will recognise, measure and report on issues that are of importance to stakeholders. The content of a CR report that adopts a managerial approach will be driven by the information needs of a narrow range of users, or will present the information that is useful for managerial decision-making. The complexity of the foodservice sector will also inform the form and content of the CR reporting in the sector. Chapter 6 presents the analysis and interpretation of the data relating to the meta-themes of the boundary of reporting and the content of reporting.

CHAPTER 6 BOUNDARY AND CONTENT OF REPORTING

6.1 Introduction

The purpose of this chapter is to present the analysis and interpretation of the data collected relating to two of the meta-themes; the boundary of the reporting and the content of reporting. The meta-theme of the content of reporting was expanded into several themes ;

- the means used to identify report content,
- the links between the content of reporting and the strategy adopted,
- the performance measures used
- the use of targets
- the extent to which the information needed for managerial decision making informs CR reporting

The interpretation of this analysis will inform the responses to the research questions and the contributions made by this study.

6.2 Boundary of reporting

The initial interviews revealed that defining the boundary of CR reporting in the foodservice sector is a contentious issue as careful drawing of the boundary is a means of manipulating the information presented. Both legitimacy theory and stakeholder theory recognise managers may choose to manipulate information and the determination of the boundary of reporting is a means of achieving this. Both managers interviewed initially considered the boundary of the reporting to be problematic. The contractual nature of the foodservice sector presented some potential difficulties as the reporting organisation may have some targets for example relating to sourcing, the wishes of the client took precedence. The respondents from Sustain and BHA agreed as they recognised that the client has a significant influence over the foodservice operator. The respondent from Sustain explained

> "There is a balance with contract terms and the cost pressure the sector works under so there is only so far the caterer can go in being a principled organisation without the client being prepared to buy in" (Sustain).

The data from the initial interviews revealed that for the organisation the reporting boundary was determined by what the organisation could control, for example food sourcing was considered within the boundary of reporting. The respondent from the Soil Association agreed that the boundary of reporting was drawn on the basis of what was possible rather than with reference to any principles. The respondents from the Soil Association and Sustain believed that organisations managed the perceptions of their impacts by reporting 'good' performance through the manipulation of the boundary of reporting. The respondent from BHA felt the boundary of reporting was the most significant challenge in CR reporting in the foodservice sector.

6.2.1 Concepts used to define the boundary of reporting

When defining the boundary of reporting, various concepts might be used. The guidance could adopt the concepts used within Financial Reporting (FR) or might use alternative concepts. The data from the documentary analysis of the reporting guidance were evaluated to identify the concepts used to define the boundary of reporting. This evaluation is presented in Table 6.1 . The symbol X in the table indicates that the boundary of reporting was not discussed.

Table 6.1 Concepts used to define the boundary of reporting

Guidance	Use of concept from financial reporting (FR)	Other concepts or extension of the FR concepts
AA1000APS (2008).	X	Materiality
SRG (GRI, 2011)	Concepts of control and influence	X
UNGC Policy (UNGC, 2011b)	X	X
UNGC Practical Guide (UNGC, 2009)	X	Spheres of influence
IASB Conceptual Framework (IFRS Foundation, 2010)	X	Yet to be addressed
Management Commentary (IFRS Foundation, 2010)	Follows the boundary of Financial Reporting	X
Effective Company Stewardship Enhancing Corporate Reporting and Audit, (FRC, 2011)	X	X
Rising to the Challenge; A review of Narrative Reporting by UK listed Companies (FRC, 2009)	X	X
ICGN Statement and Guidance on Non-Financial Business Reporting (ICGN, 2008)	X	X
UN Principles for Responsible Investment, (UNPRI, n.d.)	X	X
Building the capacity of investment actors to use ESG information, (UNPRI, 2013)	X	X
UNCTAD Guidance on Corporate Responsibility Indicators in Annual Reports (UNCTAD, 2008)	X	“the enterprise as well as key business partners making up the extended value chain of that enterprise” (UNCTAD, 2008:8)

Table 6.1 Concepts used to define the boundary of reporting

Guidance	Use of concept from financial reporting (FR)	Other concepts or extension of the FR concepts
Climate Change Reporting Framework – Ed 1.1, (CDSB, 2012)	Follows the boundary of Financial Reporting	“Where it is not possible to provide information for all entities for which consolidated financial statements are prepared, the parts of the organization that are excluded should be clearly noted in the statement required by paragraph 2.22, together with details of the reason for any exclusions and disclosure of management’s best estimate of how significant the exclusion might be” (CDSB, 2012:9)
ISAE 3000 Assurance Engagements (International Federation of Accountants, 2005)	X	Specified in the definition of the engagement
AccountAbility1000 Assurance Standard, (AA1000AS, 2008)	X	Specified in the definition of the engagement
A Director's Guide to Corporate Responsibility Reporting, (BiTC, 2005)	X	X
ISO 26000, Schematic overview (ISO, n.d.)	X	Makes reference to organisation

Companies Act 2006, c46	Defines the legal entity	
Public Sector Annual Reports: Sustainability Reporting Guidance, (HM Treasury, 2012)	Follows the boundary of Financial Reporting	bodies/areas that are not included in the sustainability report should be clearly distinguished from those not included

Table 6.1 Concepts used to define the boundary of reporting

Guidance	Use of concept from financial reporting (FR)	Other concepts or extension of the FR concepts
The Future of Narrative Reporting; (Department for Business, Innovation and Skills, 2012)	Follows the boundary of Financial Reporting	X
A renewed EU strategy 2011-14 for Corporate Social Responsibility (EU, 2011)	X	X
A more resource efficient EU economy: the role of company reporting (Friends of the Earth, 2012)	X	A distinction is made between direct (operational) and indirect (supply chain)
CORE Coalition Response to BIS Narrative Reporting Consultation	X	X
OECD Guidelines for Multinational Enterprises, (OECD, 2011)	none given The principles refer to parent entity and subsidiary responsibilities are discussed.	May also cover information on activities of subcontractors and suppliers and joint venture partners (OECD, 2011:30)

Source : Researcher

The evaluation of these data demonstrated that a significant number of the commentaries on reporting do not discuss the boundary of reporting. This finding is significant given the complexity of the foodservice sector and the difficulties that this presents to those producing CR reports.

The analysis of the concepts used in the reporting guidance to define the reporting boundary revealed an appropriation of the concept of the boundary of reporting from FR. Within the SRG, the report boundary is defined as including “all entities that generate significant impacts (actual and potential) and or all entities over which the reporting organisation exercises control or significant influence with regard to financial and operating policies and practices” (GRI, 2011:18). The SGR define control “as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities” and an organisation has significant influence if it is has “the power to participate in financial and operating policy decisions” (GRI, 2011:17). These definitions of control and significant influence are very similar to those used in FR, where control is exercised thorough majority voting rights and significant influence exists where an entity participates in operating and financial policy decision making. The commentaries on reporting also evidence of the appropriation of the financial reporting boundary concept. The guidance that seeks to augment financial reporting, such as the Climate Change Reporting Framework (2011) or the proposed Strategic Review outlined in the Future of Narrative Reporting (BIS, 2012), suggests that the boundary of CR reporting is that of the legal entity. The Climate Change Reporting Framework, CDSB (2011:12) stated that “any departures from the boundary used for financial reporting should be made clear and explained”. The language used within the OECD guidance is that of parent entity and subsidiaries which flows from the legal definition of a group of companies. The concepts of control and significant influence have been appropriated from FR into CR reporting.

An analysis of the SRG (GRI, 2011) definition revealed the tension between the normative and managerial approaches. It refers to “all entities that generate significant impacts (actual and potential)” (GRI, 2011:18) which is a more normative approach in that it refers the impact of business activities. However the guidelines then state “and or all entities over which the reporting organisation exercises control or significant influence with regard to financial and operating policies and practices" (GRI, 2011:18) which is a more managerial definition using the concepts appropriated from financial reporting. Therefore this guidance offers a mechanism by which managers can manipulate the boundary of reporting.

The guidance on boundary setting takes an organisation-centric view. This organisation-centric view is determined by whether the organisation exercises control or influence over financial or operating policies, and potentially results in reporting that focuses on what managers determine as achievable, rather than issues that stakeholders may determine are important. If a more normative, stakeholder-centric approach was adopted then the boundary would be governed by the issues that were important to the stakeholders. This would result in a focus on the potential impact of the activity, and might identify issues of significance within the supply and distribution chains.

In some of the guidance, there appears to be an extension to the FR concepts of control and significant influence. The guidance provided by UNGC appeared to have appropriated, and then adapted, the concepts of control and significant influence. The UNGC Practical Guide (2009) highlighted the importance of defining boundaries and suggested companies enact the 10 principles of the Global Compact within their "spheres of influence" (UNGC, 2009:8). These spheres of influence relate to the extent of the organisation's control or influence and it is suggested that a company has the greatest influence over its environmental, social and governance performance in its core business activities in the workplace and marketplace. The next sphere is the supply chain where there is less control but in some cases the influence can be significant. It is suggested that influence diminishes in the third sphere and forth spheres being a company's community interaction, social investment and philanthropy activities and engagement in public policy dialogue and advocacy activities, respectively. If CR reporting were to include all the spheres of influence, then the boundary of reporting would have been significantly extended.

Some of the guidance makes specific reference to the supply chain. For example, businesses are advised to "encourage, where practicable, business partners including suppliers and sub-contractors, to apply principles of responsible business practice" (OECD, 2011:20), and UNCTAD (2008:8) advocate that "information should relate to both the enterprise as well as key business partners making up the extended value chain of that enterprise". The UNGC have sought to encourage the adoption of the UNGC Principles through the value chain. If a company is seeking to declare participation at an advanced level a more detailed COP is required and this includes reporting on the value chain. In their response to the European Commission consultation on non-financial reporting, Friends of the Earth Europe (2012) argued that business has an obligation to report on the use of land, water, materials and carbon and that this should extend to the use of these resources in the supply chain. They argued for the adoption of footprint methodology and the reporting of direct usage (operational usage) and indirect usage (use in the supply chain). The boundary of reporting is a complex issue and there is a lack of internal consistency in some guidance. Whilst both the Climate Change Reporting Framework (CDSB, 2012) and Communicating Climate Change in Mainstream Reports (CDSB, 2013a) draw on the financial reporting boundary, the guidance Communicating Climate Change in Mainstream Reports suggests this boundary should be extended to include "upstream and or downstream operations, joint venture partners, supply chain associates and others" (CDSB, 2013a: 12) whereas the Climate Change Reporting Framework is clear that "any departures from the boundary used for financial reporting should be made clear and explained" (CDSB, 2011:12). This a lack of consistency from a single guidance provider indicates that there is a lack of common understanding as to what the boundary of CR reporting is, or could be. The social construction of CR reporting therefore lacks a common set of underlying principles or a conceptual framework.

By following the concept of the boundary of reporting as derived in financial reporting, there is an assumption that the boundary of reporting remains the same for all issues. In CR reporting, the issue may determine the boundary of reporting. If a company were to report on the actions taken to reduce consumption of particular commodities that have significant greenhouse gas emissions then the boundary of reporting would be extended into the supply chain for this issue.

However, the company may not be in a position to report on other issues, such as water consumption, within the entire supply chain. Accepting that the reporting boundary may differ with different issues makes CR reporting distinct from financial reporting.

The evaluation of the literature relating to reporting guidance presented in Chapter 3, demonstrated that CR reporting guidance lacks a conceptual underpinning. There is evidence of the lack of conceptual underpinning in the discussions as to the nature of the boundary of reporting.

6.2.2 Boundary of reporting in the foodservice sector

The data from these semi-structured interviews were analysed and the results are presented in Appendix 6.1.

As discussed in section 1.2.1 foodservice operations are provided at a client's premises. This lack of control over the facilities and the reporting data available in these premises influenced reporting. The respondent from Foodservice Footprint explained that "Foodservice is very complex because if you are a caterer you're feeding the guys dinner today what happens to the waste –It's down to the building and not your deal". This means

> "We can find out what is coming in and maybe get an understanding of food waste but we may not get a detailed understanding of where the waste is going and how much is going into different waste management streams because the [foodservice] business is not in control of this". (WRAP).

It was recognised that similar issues were associated with energy and water consumption due to the lack of dedicated metering.

> "The boundary of the reporting is the most significant challenge. You are in other people's premises which means there is a challenge in terms of what you can report, what you can control and what you can achieve. Companies have control over sourcing and employment practices. How far does the reporting boundary extend? For sourcing it is currently limited. There is a pressure to understand more about provenance and so this will be reported

> on. Waste energy and water are more difficult because there is an issue over metering. The reporting of consideration of water/ energy in the supply chain is unlikely to happen for some considerable time. For water the pressure will build as water will become the next oil" (BHA).

The boundary of CR reporting within the sector is influenced by the complexity of the foodservice operations. The boundary of reporting was discussed with those associated with the foodservice sector. The respondent from the Sustainable Restaurant Association recognised that within the foodservice sector, the extent of the control exercised by the foodservice operator is determined by the contract and so suggested that the boundary of reporting was determined by the contract specification. Given that contract specifications differ between clients, this perception of the boundary of reporting potentially alters with different clients and so defining the reporting boundary for the foodservice operator as a whole entity is difficult. This potentially provides some foodservice operators with the opportunity to present a misleading impression of performance.

There is one issue facing the foodservice sector that might result in an extension to the boundary of reporting and that is the issue of diet related ill health. As explained in section 3.6, under the Public Health Responsibility Deal (PHRD) businesses may make commitments that require them to work with their supply chains to meet, for example, the commitments to reformulate products to reduce salt or eliminate trans-fats. This is an example of where the response to an issue may result in an extension to the boundary of reporting. However, this extension to the reporting boundary may only relate to the actions taken in respect of the commitments under PHRD and would not include for example action that could be taken to manage the use of water in the supply chain. Therefore, in CR reporting the boundary of reporting is a function of the issue addressed.

The boundary of reporting in CR report of the case study company was evaluated and this evaluation is presented in Appendix 6.2. The case study company uses the concept of materiality to define their sustainability strategy which then determines the content and boundary of CR reporting. FSR, 2013 states "Our sustainability strategy […] focuses on the issues that are material to our business as identified through extensive, continued consultation with stakeholders" and that the purpose of the report is to provide information regarding the implementation of this strategy. The report does not contain a discussion of the reporting boundary but where data are presented the boundary of the data collection is clearly identified. Within FSR (2013) the case study company explains the implications of operating on client's premises. The company makes it clear that there are only a small number of sites where sub-metering exists and where consumption data is available to the foodservice operator. Data relating to energy consumption at these controlled sites is presented.

There was evidence of the social construction of reporting as the case study company used some aspects of the CCRF (CDSB, 2012) in their environmental reporting. They reported on scope 1, 2 and 3 carbon dioxide equivalent emissions. The scope 1 emissions included gas consumption, fuel in commercial vehicles, company cars and the emissions relating to the manufacturing and distribution site. Scope 2 related to electricity consumption, and scope 3 related to air and rail travel and supplier deliveries. The calculation of scope 3 emissions, those associated with supplier delivery miles, was a recent development in reporting as this data was included for the first time in FSR (2013). This is an extension to the boundary of reporting.

One of the strategic motivations suggested for CR reporting is to demonstrate that potential risks to the business are identified and managed. Some of these potential risks may occur in the supply chain, for example, the risk of significant price increases or the risk to the security of supply and so if managers were to report on these issues there would be an extension to the boundary of reporting. In FSR (2013) the case study company disclosed that an evaluation of the environmental impact of the supply chain had taken place. The company did not present any data relating to this evaluation and it was not clear how performance in this area would be managed.

Another area in which CR reporting had developed within the case study company was the area of diversity and inclusion and in particular the number of social enterprises within the supply chain. The CR manager at the case study company felt that interest in this area had influenced the boundary of reporting. He stated

> "That is the driver that has pushed out the boundary of our work on diversity and inclusion" (CR manager at case study company)

The evaluation of CR reporting at the case study company supports the conclusion drawn from the evaluation of the CR reporting guidance that the concept of the boundary of reporting is constrained by the concept of boundary in financial reporting. This is not appropriate for the more complex environment of the foodservice operator.

Having identified the boundary of reporting, managers need to make decisions as to the content of their CR reports. This is now considered.

6.3 Content of reporting

As discussed in section 4.10 a thematic approach to data analysis was adopted. The meta-theme of the content of reporting was expanded into several themes; the use of materiality as an approach to identifying content, the links between the content of reporting and the strategy adopted, the extent to which information is forward looking, and the performance measures used.

The evaluation of the CR reporting guidance relating to the content of a CR report provided further evidence that the reporting guidance could be placed on a normative to strategic continuum. For AA1000APS (2008) the report is a response to its stakeholders and so stakeholders participate in both the development of the strategic response and identify how performance will be measured. Issues are identified with reference to the Principle of Materiality (AA1000APS, 2008:12) but this standard provides little guidance as to how the principle of materiality is applied, and what this actually means in terms of the content of reporting. The standard does not require an organisation to report on particular aspects of performance, or on particular issues and so this standard does not seek to promote the provision of comparable information. It is possible that stakeholders will hold contradictory views as to which are material issues, but there is no guidance as to how these views are reconciled.

The UNGC define the content of reporting in the UNGC Policy (2011b) and as discussed in section 3.3.3.1 these reporting requirements are limited to a statement of continued support by a senior executive, a description of actions taken to implement the Global Compact Principles in each of the four issue areas and measurement of the outcomes which are not considered onerous. It has been argued that this limited level of disclosure is consistent with the UNGC's objectives of promoting the core values through business and of facilitating co-operation (Therien and Pouliot, 2006). The introduction of the differentiation programme (discussed in section 3.3.3) which requires an enhanced level of disclosure may be seen as recognition of the limitations of the initial reporting requirements.

The SRG (GRI, 2011) provides more explicit guidance for the content of reporting. The SRG detail a process for the determination of the content of a report which suggests relevant issues for inclusion are identified by the application of principles of materiality, stakeholder inclusiveness, sustainability context and completeness. Within the areas of economic, environmental and social performance, there are a series of performance indicators (PI) specifying how performance is assessed and reported. Some of the performance indicators are designated as core, some additional. In addition to PI there are standard disclosures that cover the profile of the organisation and the management approach. Whilst the SRG (GRI, 2011) suggested that 'principles' are involved in determining report content, the approach is more prescriptive and so akin to a rules based approach.

Evidence for the social construction of CR reporting was found in the commentaries on reporting as reference was made to one or two of the reporting guidelines. The SRG (GRI, 2011) are referred to most frequently. This is consistent with their positioning as a global reporting standard, however, the commentaries on reporting did not mandate the use of SRG as a framework for reporting. In some instances (UNCTAD, 2008; CDSB, 2012) the influence of the SRG (GRI, 2011) on the development of that reporting guidance was specifically noted. In other cases, where the SRG were identified, they were generally given as an example of a reporting standard. There was limited recognition of the UNGC in commentaries on reporting which is surprising given the UNGC claims to be the "largest voluntary corporate responsibility initiative in the world" (UNGC, 2013). This might be a reflection of the lack of detailed reporting requirements. There was very limited recognition of AA1000APS (2008). The approach adopted by AA1000APS (2008) is more normative seeking to provide reporting that is inclusive which meets the needs of a range of users whereas the commentaries on reporting take a narrower, often investor perspective and so a standard that promotes inclusivity may not be considered appropriate.

The reporting guidance recognised that there may be some constraints over the provision of information. The SRG (GRI, 2011) recognised that there are cost implications associated with the collection of data for reporting purposes and so an organisation can choose not to gather data on an entity if this decision does not "substantively change" the final disclosure. The commentaries on reporting also recognised that there were constraints over the collection of data with the most frequently mentioned being cost and competitive concerns (CDSB, 2012; European Commission, 2011; IASB, 2010; OECD, 2011:27; UNCTAD, 2008). It was recognised that the collection of data may not be straight forward and that there is a "trade-off between complexity of information gathering and specificity of results" (FOE, 2012:2).

Amongst those associated with the foodservice sector, there was limited knowledge of the reporting guidance. Respondents from the Food Ethics Council and the Food Climate Research Network were unaware of any guidance but the respondent from WRAP was aware of some of the environmental management schemes (ISO14001 and EMAS) and of FTSE4Good. The respondent from Sustain recognised SRG (GRI, 2011) and AA1000APS (2008) as reporting standards but suggested that these were too difficult for the foodservice sector to use. The respondent from WRAP echoed this as she felt that the environmental management schemes were not relevant for the foodservice sector as they did not reflect the contractual nature of the relationship with the client.

When discussing the content of their reporting, the CR manager at the case study company explained that the Business in The Community (BiTC) CR Index had a significant influence over the content of the UK CR report as he considered it to be best practice and so a suitable guide to reporting. He also believed that the BiTC CR Index to be widely recognised by clients in the UK. At a global level the group, to which the case study company belonged, adhered to UNGC Advanced criteria and was a member of the Dow Jones Sustainability Index (DJSI). Of these, the CR manager at the case study company felt the DJSI had a greater influence as this accreditation was attractive to international clients.

The relationship between the CR Index and the SRG (GRI, 2011) was discussed with the manager at BiTC, who suggested the SRG had global recognition and focused on social, environmental and economic performance, whereas the CR Index emphasised the link between the CR strategy and the business strategy. She suggested that approximately 60% of the CR index overlapped with the SRG but that the CR index had a greater focus on the higher level strategy and leadership. It was interesting to note that during the interview, this respondent suggested that the CR Index was an integration index because it helped “companies integrate CR into their business DNA”. This appears to be a response by BiTC to the increased interest in integrated reporting and is further evidence of the social construction of CR reporting.

6.3.1 Use of materiality to identify content

The concept of materiality is used within CR reporting to determine content (GRI, 2011; AA1000, 2008). Materiality as a concept exists within financial reporting (FR) and within this construction is defined as “Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about a specific reporting entity” (IASB, 2010b:34). The guidance specifically relating to reporting was analysed and the definitions of materiality extracted and presented Table 6.2

Table 6.2 Definitions of materiality within the guidance specifically relating to reporting

Guidance	Definition of Materiality stated
AA1000APS (2008:12)	Materiality is determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders.
Sustainability Reporting Guidelines (GRI, 2011:8)	The information in a report should cover topics and indicators that reflect the organization's significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders. Materiality is the threshold at which topics or Indicators become sufficiently important that they should be reported.
The Practical Guide to UN Global Compact COP (2009:14)	Relevant topics and indicators are those that may reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders, and, therefore, potentially merit inclusion in the report. Materiality is the threshold at which an issue or indicator becomes sufficiently important that it should be reported.

This data demonstrates that social construction of CR reporting as CR reporting has appropriated the concept of materiality from FR. This appropriation is now analysed to identify how the concept has developed.

Within CR reporting, the concept of materiality has broadened as users in CR reporting are the stakeholders. The evaluation of the CR reporting guidance presented in section 5.2.2 demonstrated that managers could take a wide or narrow view of these users. In addition CR reporting considers more than economic impact as with both the SRG (GRI, 2011) and UNGC (2009) refer to economic, environmental and social impacts in their definitions. The more managerial nature of the SRG (GRI, 2011) is evidenced in that their definition of materiality which is qualified through the use of the terms “significant” and information which would “substantively influence the assessment and decisions of stakeholders”. The definition provided by the UNGC (2009) is also qualified as it suggested relevant information may “reasonably” be considered. Although, the definition provided by AA1000APS (2008) is broader as it does not include such qualifying phrases, it is made clear that the “organisation is ultimately responsible for the determination of its material issues” (AA1000APS, 2008:12).

The definition of materiality presented in AA1000APS (2008) is interesting as it develops the concept of materiality further. It suggested that information used “to determine materiality includes short, medium and long term” (AA1000, 2008:12) and it is clear that the time frame in which decisions are made differs significantly between CR reporting and FR. In FR, the time frame over which economic decisions are considered is relatively short being a year.

The SRG (GRI, 2011) also recognise that the time frame used needs careful consideration as these guidelines make reference to the process for determining materiality which involves consideration of “the economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations” (GRI, 2011:8) but it is not clear how this would be applied in practice. The implications of a different time frame are also recognised by UNPRI (2013) as they suggest that “in conventional investment analysis, the vast majority of environmental and social issues are not considered financially material” (UNPRI, 2013:21) which is why responsible investors are encouraged to assess economic, social and governance (ESG) issues over a “short, medium and long-term” (UNPRI, 2013:4).

The guidance provided by AA1000APS (2008) was distinct as it recognised that the understanding of issues within CR reporting changes over time. AA1000APS (2008) refers to the fact that the “determination of material issues will change over time as issues mature and understanding improves” (AA1000APS, 2008:13). This is consistent with an approach which seeks to educate stakeholders to enable them to be more fully involved in the stakeholder engagement process. Those associated with the foodservice sector also recognised that the understanding of different issues developed over time. In particular, it was highlighted that performance measures for different areas were at different stages of development. The respondent from WRAP identified that the conversion of energy use to carbon emission was well established but that equivalent conversion measures for other areas, such as waste, were still being developed. The CR manager at the case study company also provided an example of an issue which had developed over time. Over the last 3 years, interest in the concept of social enterprise had grown. This was in part as a result of greater understanding in the case study company but also because the development of social enterprises was of interest to the UK Government. The case study company was developing a strategy, and collecting data, relating to diversity in the supply chain.

The concept of materiality was not widely discussed in the commentaries on reporting. The OECD (2011) used a definition which mirrors that in the guidance specifically relating to reporting. The UNCTAD (2008) provided guidance on how materiality might be determined as they suggest “a structured and substantiated process” informed by “internal consultations”, “consultations with important stakeholder groups”, and consideration of issues relating to the enterprises’ activities that are of interest to society, and any specific industry reporting guidance. UNCTAD (2008:12) state that materiality provides a “threshold or cut-off point”. Whilst not including a definition of materiality BiTC (2005:18) do suggest that some businesses are "reporting more deeply on a narrower range of issues” most likely to affect their business performance. It is therefore recognised that issues are selected for inclusion but the process for this is not explored.

By using the concept of materiality to determine what is relevant to a particular business, the CR reporting is more entity specific as a limited range of issues is included in the report. This creates a tension with the desire for comparative information that enables users to benchmark performance as the production of comparative information requires a level of standardisation. However, a standardised set of information will not reflect the material issues for particular businesses. KPMG (2013) recognised that different organisations may apply the concept of materiality in different ways and so for them it is important that the processes used to determine material issues, and the frequency with which this happens, are disclosed.

If the content of reporting is determined using the concept of materiality, there are potentially implications for the boundary of reporting as the boundary of reporting for each issue might be different. If, for example, a foodservice company considers diet related ill-health to be a material issue and therefore wishes to report on its response to this issue, this might include reporting on initiatives to promote healthy eating through customer education. The boundary of reporting might be considered to have extended to the customer. The same company may also choose to report on their suppliers' management of water which extends the boundary of reporting into the supply chain. For these two issues, the boundary of the reporting is different. In the semi-structured interviews with those associated with the foodservice sector only two of the respondents discussed the use of materiality in determining report content. The respondents from Food Climate Research Network and Sustain recognised that it was difficult to address all the issues in their reporting and that businesses needed to be selective. This might suggest that the other respondents either had not considered the process by which issues are identified for inclusion in the CR reporting, or that there was an underlying assumption that materiality was the basis on which issues were identified.

The CR manager at the case study company had used the concept of materiality to identify the issues that were included in their report. The issues that are identified are material either because there is a risk of disruption to the business or the issue represents a commercial opportunity. This view of materiality supports reporting as a managerial exercise undertaken for the benefit of business.

The evaluation of the data from semi-structured interviews revealed one issue that was considered material to the foodservice sector, but that was not recognised within the existing reporting guidance. This is issue was diet related ill-health. All those interviewed, except the respondent from WRAP, identified the issue of diet related ill-health as being of significance to the sector. The respondent from BHA summarised the issue as

> "Health is increasing as an issue and will increase dramatically because the government will intervene due the implications on public spending. It is similar to smoking. Unless the sector is seen to respond (and quickly) then there will be regulation" (BHA)

The issue of diet related ill-health can therefore be considered a material issue for the sector. The data was evaluated to determine how this issue would be dealt with in CR report. However, the issue of diet related ill-health is not identified in either the guidance specifically relating to reporting or the commentaries on reporting.

Within the SRG (GRI, 2011) the issue of diet related ill health would be considered as part of Product Responsibility which is part of the society performance area. The performance indicators relating to Product Responsibility consider "products and services that directly affect customers, namely, health and safety, information and labelling, marketing, and privacy" (GRI, 2011:38). These measures do not fully articulate the type of response that is appropriate given the significance of this issue to the foodservice sector. Managers may, of course, develop their own performance measures in response to this issue but it is not clear how, within the SRG this would be reported. The SRG do not provide the mechanism for the sector to address this significant issue and so for this issue this guidance not applicable to the sector. The more normative approach advocated by AA1000APS (2008) based on the Principles of Responsiveness and Inclusivity would result in identification of diet related ill health as an issue as it would be of importance to the company's stakeholders and stakeholders would have been involved in the development of a strategy and the associated monitoring mechanisms.

The case study company had identified diet related ill-health as a significant issue. The response to this issue was highlighted in two areas, health and well-being of employees and consumers and promotion of healthy eating. The complexity of the foodservice sector is alluded to in the narrative information that highlights some of the issues for the business around the provision of nutritional information and calorie labelling. FSR (2013) CR Report states

> "At sites where calorie labelling is not appropriate – such as specialist corporate catering and hospitality events – we provide factual information about healthier eating to help our customers make informed choices about their food." (FSR, 2013)

When discussing the nature of the commitment, the case study company makes reference to the Public Health Responsibility Deal (PHRD) and lists the pledges they have made under this deal. The respondent from Foodservice Footprint felt that the PHRD with its public commitments would be a means by which foodservice companies would be held to account, but others felt that the response from business to the issue of diet related ill-health needed to go further. The respondent from the Soil Association argued that it should be more than "just information relating to GDA / traffic lights" and the respondent from Food Climate Research Network concurred, arguing that the measures on the "healthfulness of products" were needed.

Given the complex environment of the foodservice sector, the use of materiality to determine report content is appropriate, however, it is essential that there is clear understanding as to what this means. A common understanding of the concept of materiality, as used in CR reporting, could be developed through the development of a conceptual framework for CR reporting.

6.3.2 Links with strategy

The review of the literature concluded that some users, in particular financiers and investors, were interested in forward looking information and the strategic direction of the organisation. This section will therefore present the analysis of the data collected relating to strategic direction of the business. The data itself is presented in Appendix 6.4

The evaluation of the data provided evidence of a difference in emphasis between the guidance specifically relating to reporting and the commentaries on reporting. The commentaries on reporting placed greater emphasis on providing users with an understanding of the organisation's strategy. For example, investors require corporate responsibility information on “the overall strategy of the enterprise” (UNCTAD, 2008:8), non-financial reporting should “describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities” (ICGN, 2008:6) and reporting should explain “the links between the organisations strategy, operations and climate change impacts” (CDSB, 2012:11). The UNPRI highlighted the relationship between environmental, social and governance (ESG) issues and corporate strategy (PRI, 2013:16) and expected reporting to identify which ESG issues are important value drivers for the business (PRI, 2013:6). The commentaries on reporting which represent investors, or other financial capital providers, advocate the inclusion of information relating to the performance of the organisation in the longer term as this will potentially have an impact on the future economic value of the business. They are therefore interested in this analysis of strategy, forward looking information, in addition to the reporting of an historic past performance.

The more normative nature of AA1000APS (2008) was evident as this guidance suggested that the organisation involve stakeholders in the development of a strategic response to material issues. Within the AA1000 standard, there is a clear link between the strategy adopted and the performance measures and that is “aligned with the processes for organizational decision making and strategy development” (AA1000APS, 2008:12).

The SRG require organisations to include disclosure relating to strategy, and specifically a statement from the most senior executive about the relevance of sustainability to the organisation (GRI, 2011:20) and so fulfils the UNGC requirement for the COP to include a statement of support from a senior executive (UNGC, 2011b). The SRG disclosure on strategy meets the needs of the institutional investors as the required organisation is required to present the overall vision, taking a medium to long-term view, and then to address two further areas; key impacts and trends, risks and opportunities. When considering these areas reporting is specifically directed to financial stakeholders.

In describing the key impacts on sustainability and the effects on stakeholders, the scope of reporting is again qualified to the “range of reasonable expectations and interest of the organisation's stakeholders" (GRI, 2011:20). The SRG suggested reporting is in the context of "organisational performance towards the goal of sustainable development" (GRI, 2011:3). However, it is not clear the extent to which this goal is embedded in the strategic direction of the organisation as it is possible for the goal of sustainable development to be peripheral to the core business activities. The SRG do suggest that as part of the standard disclosures a report should include information on strategy, but the performance indicators that form an essential part of the reporting are not explicitly linked to that strategy. Therefore, managers can focus on the performance indicators, the assessment of past performance, rather than the strategic approach adopted. This is evidence of the focus on the technical detail rather than the ideological debate of sustainability as a concept (Brown et al., 2009).

It is possible that the performance indicators specified within the SRG guidance may not be the most effective way of monitoring the strategy adopted by an organisation for a particular issue and that it might be more appropriate for management to identify the performance indicators relevant to a particular strategy. Given that the guidance produced by the SRG is generic, it is also possible that there are sector specific issues that require specific performance measures and that management may prefer to focus on these. However, the requirement for organisations to disclose a specified number of prescribed performance indicators deters this individualisation.

When discussing the strategy, some of the commentaries on reporting (CDSB, 2012; ICGN, 2008; UNCTAD, 2008) made reference to governance of the CR strategy and the importance of appropriate oversight. AA1000APS suggested that the Principle of Inclusivity means stakeholders are "collaborating at all levels, including governance" (AA1000APS, 2008:10) whereas the focus of the disclosure with respect to governance in the SRG is on governance of the organisation generally and then governance of the sustainability strategy. Given the volume of required disclosure, it is possible that the disclosure relating to the governance of sustainability would be less obvious to the reader.

The disclosure of strategic direction in CR reporting was discussed with those associated with the foodservice sector. This data is presented in Appendix 6.5 and analysed below.

Those associated with the foodservice sector were clear that a strategic approach to CR was important and that this should be communicated through the CR reporting. An example of this was provided by the respondent Food Climate Research Network who argued that reporting should "articulate policy direction". Respondents from Sustain, WRAP, BHA, Soil Association and BiTC all suggested that there should be a clear link between the strategies adopted and the performance measures reported to facilitate monitoring of the implementation of strategies, however, the respondent from Food Climate Research Network cautioned that the discussion of strategic intent can appear to some as greenwashing.

The respondent from BiTC recognised the importance of discussing the strategy and performance measures as a means of countering the potential manipulation of information through the selective presentation of case studies. She said

> "I would still like to see more on long term targets. Currently, they are very good at illustrating positive case studies of current practice (e.g. food sourced from developing countries) but don't always discuss long term strategy and long term targets and how they are tackling business issues. I would like to see some discussion of why they are focusing on this rather that something else" (BiTC)

A key feature of the foodservice sector is the contractual nature of the relationship with the client which has an impact on the way in which a strategy is adopted. The respondent from Sustain explained

> "We have found that some businesses (…[2]) are entirely driven by their clients and so will implement a policy at one client but not across the business. Therefore a tactic of the campaigning organisations is to approach the clients.

[2] The names of the businesses were provided but these have been removed.

> Whereas other companies are developing a strategic approach to this area (sustainable fish) and actually prepared to take clients with them" (Sustain).

This respondent suggested that for the foodservice sector, a strategy should encompass an approach or policy that is adopted across the entire group, rather than a policy that is available to those clients that request it as part of their CR practice. The respondent from the Soil Association concurred stating

> "There is evidence that organic farming systems promote biodiversity and so reporting should include a discussion of the farming methods in the supply chain. Caterers will say that this option is available but what we would like to see is the strategy about the extent of promotion/communication of the issues and to what extent the strategy is applied across all outlets /sites. This could be a communication / conversation with clients" (Soil Association).

The case study company made a clear statement that their sustainability strategy was linked to performance measures and targets. FSR (2013) stated that the sustainability strategy

> "focuses on the issues that are material to our business as identified through extensive, continued consultation with stakeholders. It supports our vision of becoming global experts and strategic partners to our clients, and is based on commitments, targets and objectives" (FSR, 2013).

Strategies were also identified within different sections of the report; a learning strategy relating to employees, an environmental strategy relating to controlled (sub-metered sites) and a strategy for an annual environmental site survey. It is clear that this strategy is applied to all sites, rather than as a response to a client request or expectation, and that participation in the scheme is monitored year on year. This is the form of strategy that those associated with the foodservice sector advocated.

The commentaries on reporting and AA1000APS (2008) emphasised the importance of the link between a strategy and the measures used to monitor performance. The importance of this was also highlighted by the respondent from BHA who stated,

"The better reporters identify KPIs that are linked to their strategy. In credible reporting, there should be a coherent link between the performance identified through KPIs and strategy. But there is still some way to go with this. It is clearly possible to identify KPIs that demonstrate an improved performance but that this is not linked to a strategy" (BHA).

The development of performance measures within the foodservice sector is discussed in the next section.

6.3.3 Performance measures in the foodservice sector

The approach to the development of performance measures differs between the different sets of reporting guidance specifically relating to reporting. The principle of responsiveness in AA1000APS (2008) requires an organisation to develop, in conjunction with stakeholders, the performance measures that are appropriate to any given strategy. The UNGC requires "A measurement of outcomes (i.e., degree to which targets/performance indicators were met, or other, qualitative or quantitative, measurements of results)" (UNGC, 2011b). As discussed in the section above, whilst the SRG do require a discussion of strategy, the performance measures, which are known as Performance Indicators, are prescribed. These differences are illustrative of the continuum of objectives; AA1000APS (2008) is a more normative approach than that of the SRG (GRI, 2011) which is more managerial or strategic.

Given the complexity of the foodservice sector and the lack of applicability of the existing reporting guidance, performance measurement in the foodservice sector was discussed with those associated with the foodservice sector. This data is presented in Appendix 6.6 and evaluated below.

When discussing the nature of the performance measures used in the foodservice sector, Food Climate Research Network, Sustainable Restaurant Association, Foodservice Footprint, WRAP and the Soil Association agreed that some standardisation was desirable. The respondent from Food Climate Research Network summed up this sentiment by explaining that

> "You could have some basic standard metrics and then you could have your own company relevant ones. You have a tailored approach – everyone wears a suit but with different buttons" (Food Climate Research Network)

The CR manager at the case study company agreed, recognising that a combination of externally imposed and internally generated measures worked. However, the respondent from Foodservice Footprint recognised that in the highly competitive environment of foodservice, where CR reporting can be seen as a means of gaining competitive advantage, gaining sector wide agreement is difficult. The respondent from BHA agreed, stating "the challenge of getting agreement [on metrics] within the sector is too great". The CR manager at the case study company was, however, involved in the development of sector wide initiatives.

> "We participated in a project involving the Carbon Trust and the association of catering equipment manufacturers which was all about utility consumption in commercial kitchens. The data and analysis that came out of that experiment was the first of its kind. It demonstrated a level of detail that no-one in the industry had had access to. It's only by spreading resources/capabilities and pooling them between competitors and the Carbon Trust, that these things are possible. I'm hopeful that we will see the same sort of thing come out of the Hospitality & Foodservice Agreement" (CR manager at case study company).

The respondents from Sustain and WRAP recognised that, within this complex environment, different issues were at different stages of maturity and that this had an impact on the performance measures. This echoes the position of the guidance produced by AA1000APS in which it was recognised that issues mature over time. The respondent from Sustain suggested that business should start with "simple measures that could be measured and were verifiable" and the respondent from WRAP provided an example of where measures were being developed,

> "The metrics, for energy usage conversion to carbon, are becoming more well-established. For waste, this is still being developed. For the Hospitality and Food Service Agreement (the Agreement), standard conversion factors are being developed so that a tonne of organic food waste (or packaging waste) converts to a given amount of carbon. It must be said that carbon is not well understood currently and so under the Agreement businesses are asked to report tonnages. In terms of the currency needs to be something people understand (which is often the financial cost)".

For Food Climate Research Network, Sustain and Foodservice Footprint it was important that the methodology used in the performance measure was disclosed. The respondent from the Sustainable Restaurant Association raised concerns that the methodology adopted in the HaFS Agreement (which is managed by WRAP) as he stated "I don't know what the methodology is and it's very loose. What are they using as their measures? And there are a lot of different measures that they could use". The respondent from BHA saw a significant risk in reporting that was not based on robust measures as

> "As a result reporting can get ahead of itself. Reporting without methodologies and metrics is more prone to manipulation. In this particular sector this is the biggest problem. FS companies try and report what they are doing well but it is a long way from standardization. The significant pressure to report something results in reporting of limited use" (BHA).

The respondent from the Sustainable Restaurant Association also highlighted the dangers of companies defining their own measures as

> "I would have some nervousness around you [a company] defining your own criteria to match your strategy you [the company] may retro fit your criteria to what you [company] can do (Sustainable Restaurant Association)"

The respondent from Sustain considered the foodservice sector to be less advanced that the food retailers as she believed that "the people working on the embedded water or carbon information are the retailers and food manufacturers (Cadbury, Unilever, Tesco) not the catering sector". This leads to the food retailers and food manufacturers having a more sophisticated approach to reporting and that these sectors are developing new methodologies.

The reporting produced by the case study company used a combination of measures. Some measures were similar to those in the external reporting guidance and others were measures that the business had developed itself. The CR manager at the case study company felt that this was an area in which reporting was continuing to develop and that over time the measures used to report performance will improve.

The extent to which the performance measures improve is, in part, dependent on a common understanding of the underlying principles of CR reporting. Currently performance measures are developed in response to particular reporting requirements or particular initiatives (for example, WRAP are developing conversion rates for waste streams as part of the HaFSA). If these measures are developed without an understanding of the underlying principles, then the measures may not be consistent with the approach used to measure other aspects of CR performance, or may not be consistent with the overall reporting objective. This area would therefore benefit from the development of a conceptual framework for CR reporting.

Having explored the issues associated with the measurement of performance, the next section considers how these measures are used in the setting of targets.

6.3.4 Targets

Having identified a strategy, an organisation may seek to monitor its performance in relation to that strategy by setting targets. All of the guidance specifically relating to reporting makes reference to targets with AA100APS (2008) taking a more normative approach. It stated that an organisation that is applying the Principle of Responsiveness will establish targets as part of the response to stakeholder issues, that stakeholders will participate in the development of these targets and the organisation will communicate its responses (which include targets set) in such a way that meets the needs of stakeholders (AA1000APS, 2008:14).

It was agreed that numerical information is important (Sustain, BHA) as it adds credibility to reporting. The respondent from Food Climate Research Network argued that information should be provided in absolute terms as well as the relative measures of percentage point improvements. It was suggested that the performance measures for the sector are ill defined (BHA) and if businesses are able to define their own performance measurements there is the possibility that the organisation chooses that criteria because it is what can be done rather than a genuine attempt to measure performance, a “retro fit” of the criteria (Sustainable Restaurant Association).

The respondent from WRAP recognised that targets may be set at different levels within the organisation, at a corporate level and at site level. This is the practice at the case study company as the CR manager identified a country level action plan with associated targets and key performance indicators (KPIs), some KPIs are set at organisation level, for example relating to diversity in the workplace, others such as environmental KPIs are set at site level. The Sustainable Restaurant Association were concerned that where targets are agreed internally, they can be manipulated and may not be sufficiently challenging.

The respondent from the Food Ethics Council felt that targets could be a double edged sword in that if the target is achieved then the perception is that the target was not hard enough and if the organisation does not meet the targets set, then it is criticised. This respondent was also concerned that setting targets was seen to oversimplify some of the difficult issues involved in CR. However, the CR manager at the case study company was conscious that site managers, who were not CR experts, were responsible for explaining some of the data collected to clients, who were also not CR experts. In the view of the CR manager at the case study company, targets were a means of enabling this conversation to take place.

The SRG state that “information should be presented for the current reporting period (e.g.one year) and at least two previous periods, as well as future targets, where they have been established, for the short- and medium-term” (GRI, 2011: 25). Thus the emphasis is on historic past performance as targets are only disclosed where they have been established. This suggests less emphasis on forward-looking information whereas the commentaries on reporting link the discussion of past performance with future plans, goals or targets as management are encouraged to explain performance in terms of previously disclosed targets. Some of the guidance suggested that management provide an evaluation of their performance within the accompanying narrative information by explaining whether performance "is improving or worsening" (HM Treasury, 2013) "how and why the performance meets or exceeds" targets (IFRS, 2010). Those producing commentaries on reporting have a greater interest in the managerial capacity of the organisation and so are looking for more emphasis on forward looking information in the form of a discussion of strategy and the related targets.

It is noticeable that this link between strategy, targets and performance is more clearly articulated in more recent guidance which suggests that emphasis on a strategic approach to CR has increased. This is consistent with the view of KPMG (2013a) who suggested that the leaders in CR reporting are identifying and articulating their strategic response to issues such as climate change, resource scarcity, population growth and health. This, however, is framed in a managerial sense in that the strategic response seeks to mitigate the risks or exploit the opportunities rather than a normative response to stakeholder information needs.

Within the foodservice sector there has been an innovative use of targets. The Hospitality and Foodservice Agreement (HaFSA) which is managed by WRAP seeks to reduce food waste, optimise packaging and increase recycling in the foodservice sector. In establishing the HaFSA, sector-wide targets for the reduction of waste have been agreed. WRAP has worked with the sector to develop performance measures relating to waste prevention and waste management that are applied across the sector. Businesses which are signatories to the Agreement report on their performance to WRAP and WRAP is responsible for reporting to Government on the collective progress of the sector. The signatories to the Agreement are not required to publically report on their individual progress against the targets set, but may choose to report that they are signatories to the Agreement

Within FSR, 2013, some targets were identified for each area of performance. However, the process by which the targets were established was not explained in the report. For the targets, a baseline level of performance was identified (2008/9 performance) and the current status of progress (achieved, on track, not achieved) was disclosed. There was also some narrative regarding the current actions taken in order to achieve the target, but where it was reported that the target had not been achieved, there was no explanation as to the reasons for non-achievement or details of any remedial action that was being taken.

6.3.5 Managerial decision making

Within the literature there is much theoretical debate as to the purpose of CR reporting and in section 2.8.1 it was argued that these approaches can be placed on a normative to strategic or managerial continuum. Analysis of the reporting guidance provided evidence of a normative - strategic or managerial continuum with AA1000APS (2008) taking a more normative approach compared with SRG (GRI, 2011) and the commentaries on reporting which adopt a managerial approach.

Burritt and Schaltegger (2010) argued that if the philosophical debates are left to one side, then it is also possible to consider CR reporting in the context of managerial decision-making. In their analysis, Burritt and Schaltegger (2010:836) suggested that these were two possible approaches: the “outside-in approach” in which management collect the data that is necessary to fulfil the needs of external parties and the “inside-out approach” in which management identify, collect and report the data that is necessary for the management of the business. This information enables managers to make decisions. The guidance specifically relating to reporting was analysed to see if either of these approaches was evident.

Whilst the SRG (GRI, 2011) does require some discussion of strategy and approach, there is a significant emphasis placed on Performance Indicators as this standardization of data aids benchmarking which is an objective for the SRG. The guidelines do not require disclosure of all these indicators however businesses seeking to declare a higher application level (level A or B) are required to disclose a greater number of indicators and so managers may therefore use the guidance relating to performance indicators as a checklist (van der Laan Smith, 2009). Likewise, the Climate Change Reporting Framework (2012) provides detailed and specific guidance for the disclosure regarding greenhouse gas emissions. This approach is consistent with the quasi-regulatory nature of this standard which is attractive to national and international regulators, as the regulator themselves are not the required to develop further guidance. These sets of guidance appear to be imposing reporting requirements on the organisation and so would be encouraging the “outside-in” approach to the development of management information.

In an alternative approach, AA1000APS (2008) suggested that, having identified the strategic approach in conjunction with stakeholders, management disclose information about the measurement associated with the strategy. Following the Principles of Responsiveness and Inclusivity, stakeholders are involved in the development of the response to issues and therefore this guidance is not prescriptive as to the disclosure of specific performance measures. Management work with stakeholders to develop the means by which the response is monitored which might include the development of specific performance measures. This provides management with a wide scope for identifying a variety of different measures and so is more likely to support the managerial decision-making of the “inside-out” approach to reporting.

The commentaries on reporting refer to performance information in a variety of ways; as Key Performance Indicators (BIS, 2012; FRC, 2009; HM Treasury, 2013;ICGN, 2008; UNPRI, n.d.;), Performance information (BiTC, 2005; CDSB, 2012), and Critical performance measures (IFRS, 2010) and suggest various levels of detail, ranging from 16 performance indicators (UNCTAD, 2008), or 5 areas (BIS, 2012). In their response to the BIS consultation on Narrative Reporting, the Corporate Responsibility Coalition (CORE) suggested the information disclosed should be the information incorporated into management decision making (CORE, 2011). This too indicates that these commentaries on reporting value the information used by managers for decision-making, the “inside-out” approach. The SRG have a contradictory view as they suggest that the information used by external stakeholders may differ “from the information used internally for day-to-day management purposes” (GRI, 2011:9).

From the discussion with the CR manager at the case study company, it was clear that the organisation collected a significant amount of information relating to their CR practices. The case study company had invested in a global IT platform to enable country level managers, such as Respondent R12, to review and report on performance. This data is collated to produce a global CR report and is also used to benchmark each country's performance. Some of the data collected by the case study company is not used in the CR report but it is used by management to monitor performance. For example, the 2013 CR report includes the details of the environmental site survey programme and reported the percentage of sites that participated but does not provide detailed information relating to performance at each site. The data about performance at individual site level is not included in the report, but this site level data is used to manage performance by comparison to the previous year's performance and by benchmarking against similar sites. The CR Manger at the case study company also provided an example of where information collected at country level, which was not intended for use in reporting, highlighted an issue with the sourcing of paper in the office. He explained

"All the stuff I just showed you and all the stuff on [company CR data platform] doesn't have questions around sustainable paper disposables. It has questions around GHG emissions based on energy, fuel and resource use. We are unlikely to use the information regarding sustainable paper disposables in the CR index, but last year in the [reporting process] at country level, when we asked the questions around sustainably sourced office paper, it transpired that following a change in suppliers we no longer had sustainably sourced paper. That was an alarm bell and we reverted back to sustainably sourced office paper. So that's an example of how collation of indicators at country level highlighted a gap. Even though we don't report that indicator externally, but it exists, and it was useful (CR manager at case study company) .

When asked whether they felt that reporting was derived from a set of externally imposed measures or is a function of what the business wants to measure, the CR manager at the case study company suggested that it was "a bit of both". This suggested that the approach adopted by business is more nuanced than either an inside-out or outside in approach.

The CR manager at the case study company explained that consistent performance measures enabled their business to benchmark performance across different sites and that this informed local decision making. However Respondent R8 felt that the commercial benefits of benchmarking across the industry are not recognised. This indicates that practice across the sector varies as some businesses, such as the case study, have a more integrated approach to their CR practice. This is consistent with the (Kolk, 2010; KPMG, 2013a) findings that CR reporting is at different stages of maturity in different sectors. There was agreement amongst those interviewed that some standardisation of performance measures is important as this aids comparison (R5, R6, R8 and R10) and that there are advantages to having some standard measures that are then supported by company specific measures. Respondent R4 described this approach as "everyone wears a suit but with different buttons". It appears that for those associated with the foodservice sector CR reporting should include standard, externally imposed measures. This is more akin to the "outside-in" approach (Burritt and Schaltagger, 2010).

CR reporting can be complex and ambiguous. In the academic literature there is still much dispute as to the purpose of or the desirability of the CR report itself (Milne and Gray, 2013) and concerns that the current view of CR reporting, as expressed in the SRG, does not acknowledge the ambiguity in the concept of sustainability (Joseph, 2012). Joseph (2012:103) suggested that transparent reporting requires recognition and discussion of "the tensions between societal and organisational goals". There is no mention of the possibility of this ambiguity in the reporting guidance and the commentaries on reporting. It is possible for CR reporting to acknowledge these ambiguities by recognising that there are potential trade-offs in the decisions that are made.

Those associated with the foodservice sector were clear that a discussion of trade-offs added credibility to reporting. The respondent from Sustain stated

> "Reporting cannot move away from the trade-offs and honest reporting has some of these discussions as to the difficulties and priorities chosen" (Sustain)

a view supported by the respondent from the Food Climate Research Network who stated

> "They need to communicate the trade-offs, need to be transparent, they need to say why they are doing what they are doing" (Food Climate Research Network)

An example of such a trade off in the foodservice sector is an evaluation of the merits of a 'buy British' policy against the economic benefit trade brings to local communities overseas. The 2013 CR Report case study company did not include a discussion of this type of trade off.

6.4 Conclusions

In determining the content of the CR report, one of the underlying principles is the definition of the boundary of the reporting. Analysis of the data from the initial interviews revealed that manipulating the boundary of reporting is a means by which a business can present a favourable view of performance. Analysis of the reporting guidance showed that the concept of the boundary of reporting has been appropriated from financial reporting as the concepts of control and influence are used to determine the entities that fall within the reporting boundary. This, in itself, is unsurprising given that the social construction of CR reporting will be informed by financial reporting frameworks.

However, this definition of the reporting boundary is problematic for the foodservice sector as the foodservice operator does not have control over the premises in which they operate. The data revealed that the CR manager at the case study company did not have access to the data relating to environmental performance, such as energy use, at individual sites. For CR reporting, it may be more appropriate to consider the boundary of reporting in the context of the issue considered. AA1000APS (2008), following a more normative approach to reporting, suggested that business report on the significant impacts of their activities and these impacts may occur in the supply chain or through the distribution and use of its products. Thus, the boundary of reporting may depend on the issue considered.

It is recognised that there is a significant volume of information that could be reported within CR reporting and so decisions need to be made as to what information is relevant. There is agreement that the concept of materiality can be used to identify the information that is relevant to the user but there is little guidance for the preparer of the reporting on what materiality means in the CR context. Different users will have different opinions as to what is material to them. As discussed in Chapter 5, the motivation for reporting will inform the definition of the user to whom the reporting is addressed.

The definitions of materiality provided, in the guidance are informed by the approach adopted. The more managerial guidance of the SRG suggested that the economic, environmental and social impact is “significant” or that it “substantively” influences the user (GRI, 2011:8) or that the information might “reasonably be considered important” (UNGC, 2009:14). There was some discussion of the use of materiality to determine report content in the commentaries on reporting, but there was limited discussion as to what this actually means. The CR manager at the case study company was clear that materiality had been used to inform the content of their reporting. At the case study company materiality was determined by reference to the business and so issues that were of significance to the business, rather than those considered the most important to stakeholders were addressed.

Within the reporting guidance there were different emphases on the disclosure of information relating to strategy and the link between strategy, performance measures and targets. The more recent commentaries on reporting which often took an investor perspective advocated the provision of forward looking information as this provided the users of reporting with both an understanding of the business direction and also a means of assessing management response to potential future risks and opportunities. The more normative approach of AA100APS (2008) identified a clear link between strategy, performance measures and reporting, whereas this was less clear in the more managerial SRG (GRI, 2011).

It was recognised that performance measures can be internally generated or existing measures can be adopted. Burritt and Schaltagger (2010) made a distinction between data presented in the CR reporting because it fulfilled the requirements of particular reporting guidance (an “outside-in” approach) or the reporting of data that the business itself used for decision-making (an “inside-out” approach). Those interviewed suggested that a degree of standardisation of information was important as internally generated information was prone to manipulation, however it was recognised that some entity specific measures may be appropriate. The SRG suggest that the information used by external stakeholders may differ “from the information used internally for day-to-day management purposes” (GRI, 2011:9) and so do not see a link between external reporting and internal management information.

Targets are also important as these are a means of demonstrating progress and the CR manager at the case study company stated that the setting of targets ensured that performance in that area was measured. The respondent from the Food Ethics Council felt that targets were difficult to identify as they may result in an over simplification of the issues and if set internally were open to manipulation. The setting of targets in the foodservice environment is influenced by the complexity of this environment. Those interviewed believed that the foodservice sector would benefit from the development of sector-wide measures, but that this might be difficult to achieve. As discussed in Chapter 5, the CR manager at the case study company had to explain the nature of foodservice business model to both clients and other stakeholders when discussing the performance measures and associated targets.

There was limited awareness of the generic reporting guidance amongst those associated with the foodservice sector interviewed for this study. The respondent from WRAP commented that the generic reporting guidance, such as SRG, was too complicated for use by the foodservice sector. The CR manager from the case study company agreed as he used the guidance associated with the Business in the Community CR Index rather than SRG. He considered the Business in the Community CR Index best practice.

Chapters 5 and 6 have presented the analysis and interpretation of the data collected relating to the themes identified through the literature and initial interviews. This evaluation resulted in several contributions to knowledge and these are discussed in the next chapter.

CHAPTER 7 CONCLUSIONS AND CONTRIBUTIONS TO KNOWLEDGE

7.1 Introduction

Within the UK, the foodservice sector is a significant part of the hospitality industry, making a contribution of £4.25 billion in revenue (BHA, 2014). It is also a complex business environment which presents some challenges to those undertaking CR reporting. There has been no academic study of CR reporting in the foodservice sector and so this qualitative study has made a contribution by providing a deeper understanding (Arendt et al., 2012) of how a business in this sector responds to these challenges.

This chapter summarises the conclusions drawn from analysis of the data relating to CR reporting in this sector and presents the contributions to knowledge made as a result of this study. The study makes two theoretical contributions to knowledge and two contributions to knowledge of the foodservice sector. The possible direction of future research is then discussed and the chapter concludes with a personal reflection of the doctoral experience.

7.2 Theoretical contributions to knowledge

The two theoretical contributions to knowledge made by this study are: the identification of the mechanism through which legitimacy theory and stakeholder theory overlap and the identification of a continuum of motivations for reporting.

7.2.1 Overlap of legitimacy theory and stakeholder theory

The overlap between legitimacy theory and stakeholder theory has been recognised (Chen and Roberts, 2010; Mahadeo et al., 2011; van der Laan, 2009), but the mechanisms through which this might be achieved have not been considered. The analysis of the social construction of CR reporting revealed how stakeholder engagement is a mechanism that explains for this overlap.

Friedman and Miles (2006) developed a Ladder of Stakeholder Management and Engagement which was based on the work of Arnstein's (1969) ladder of citizen participation in the planning process in the USA. The Ladder categorises stakeholder management and engagement tools based on levels of stakeholder participation. The legitimation strategies suggested by both Lindblom (1994) and Suchman (1995) were compared to the stakeholder management and engagement tools identified in the ladder and were found to be the same as the tools at the lower end of the ladder and so a theoretical explanation for the overlap of stakeholder and legitimacy theory has been identified. The majority of the legitimation strategies were at the bottom of the ladder of stakeholder management and engagement. There was one legitimation strategy, that of maintaining legitimacy through the identification of future changes (Suchman, 1995), which overlapped with the stakeholder management and engagement tool of consultation. Consultation is higher up the ladder as it involves a two-way dialogue.

The data collected from through the documentary analysis of the reporting guidance and the semi-structured interviews was analysed to identify examples of the use of stakeholder engagement as either a stakeholder management or legitimation strategy. The analysis of stakeholder engagement techniques in these data (Table 5.3) revealed that that the CR reporting guidance identified forms of stakeholder engagement as both a stakeholder management and legitimation strategy. The data collected from the semi-structured interviews with those associated with the foodservice sector (Table 5.4) also supported the analysis that stakeholder engagement could be used as both a stakeholder management and legitimation strategy. The theoretical analysis (section 2.8.2) suggested that trustworthy behaviour (Swift, 2001) might be demonstrated through CR reporting. Swift (2001) considered the stakeholder-organisation relationship as one of interdependence and explored the relationship between trust, reputation and accountability. She argued that business earned trust by demonstrating a pattern of trustworthy behaviour. This might include the production of CR reports and the associated stakeholder engagement processes. However, data derived from the documentary analysis of reporting guidance and the semi-structured interviews did not support the view that CR reporting was a means of developing trust.

When analysing legitimacy, Suchman (1995:583) made a further distinction by categorising legitimation strategies as “continual” or “episodic” reflecting the temporal nature of the strategy. Suchman’s argument continued that a continual strategy that seeks to build cognitive legitimacy is seeking to develop a state of taken-for-grantedness.

Stakeholder engagement is undertaken by a range of businesses including those in the foodservice sector. The analysis of stakeholder engagement using both legitimacy and stakeholder theories demonstrates there are a variety of reasons for undertaking stakeholder engagement and that stakeholder engagement can be used as a legitimation strategy. By considering the analysis of stakeholder engagement, both organisations and those working with organisations will have a deeper understanding of how stakeholder engagement is used.

7.2.2 A continuum of motivations for reporting

The review of the literature of the theoretical explanations for CR reporting suggests that business has a variety of motivations for reporting and that these motivations can be placed on a continuum that ranges from a normative approach to a strategic, or managerial approach. A normative motivation seeks to develop and report on responses that address issues identified by stakeholders whereas a managerial motivation emphasises the benefit to the business of undertaking CR reporting, or at the extreme uses CR reporting as a PR exercise, or legitimating strategy. Having identified that the motivation for reporting can be placed on this continuum from normative to strategic, the analysis of the social construction of CR reporting revealed there is a continuum of motivations within the reporting guidance and the guidance provided by AA1000APS (2008) takes a more normative approach than SRG (GRI, 2011).

The existence of a continuum of objectives has significant implications as managers are able to adopt reporting guidance that is consistent with their motivations for reporting. The form and content of the reporting then flows from the approach adopted. A normative approach to reporting will be more responsive to stakeholder information needs and so will have a less standardised approach to reporting. A managerial or strategic approach will have a standardised approach as the benchmarking of performance is seen to be of benefit to the business.

The evaluation of the data revealed that this continuum of motivations allowed for a misalignment of reporting objectives and practice. Within the existing CR reporting guidance, it is possible for a business to produce a CR report with objectives that appear have a more normative focus, for example, to meet stakeholder expectations, but then to adopt reporting practices that are more managerial in nature by, for example, producing a report focusing on the benchmarking of performance. The analysis of the social construction of CR reporting therefore revealed that the international accountability standards themselves offer a route to symbolic conformity or decoupling. Jamali (2010) identified that decoupling was possible when managers made very little attempt to change internal practices as a result of adopting an international accountability standard, such as GRI or UNGC. CR reporting guidance can take a variety of forms and Behnam and Maclean (2011) found that principles based standards were the most likely to be decoupled.

The opportunity for this mismatch between objectives and content of reporting arises, in part, because there are no underlying principles that govern CR reporting. This framework of underlying principles is known, in financial reporting, as a conceptual framework and CR reporting would benefit from the development of such a framework. The development of such a framework would require some consideration of the objectives of CR reporting and the implications this has for the users of that reporting. Having identified objectives, then consideration could be given to the development of a consistent set of principles for recognition and measurement of the issues reported. CR reporting continues to develop with the release of the fourth iteration of the SRG and the Integrated Reporting framework. As this guidance develops practitioners and academics have an opportunity to consider the underlying principles of CR reporting. Whilst recognising the potential difficulties in developing a conceptual framework for CR reporting, if there is no attempt to consider and clarify the underlying principles, the CR reporting will continue to develop in an ad-hoc and contradictory manner.

CR reporting is recognised as a means by which business can seek legitimacy (section 2.5.1) or by which the business can manage its relationship with stakeholders (section 2.5.2). However, CR reporting can also be prepared from information that has been collected for the purposes of managerial decision-making (section 2.7). If an organisation seeks to produce CR reporting as a legitimation exercise, then it will adopt the recognised reporting guidelines as a means of adding credibility to its reporting (section 3.3.2). The standardised measures required, however, may not correspond with those used for managerial decision-making. Where CR reporting is produced as a means of managing the relationship with stakeholders, the nature of the reporting will depend on the nature of the engagement with the stakeholders. If the engagement seeks to be responsive then stakeholders' views will inform the nature of the reporting. The reporting might, therefore, include information that is not specified by the more managerial reporting guidance.

The evaluation of the data revealed that those associated with the foodservice sector expected CR reporting to contain standard data with limited scope for individualisation. There are some issues that have yet to be recognised by the reporting guidance and the sector itself is in the process of developing some performance measures (section 6.3.3). As well as collecting data for the purposes of its CR report, the case study company collected CR data that was used for managerial decision-making. This was not, however, included within the CR reporting (section 6.3.5) and so for this company the current CR reporting construction does not provide a mechanism that is useful for managerial decision-making.

7.3. Industry related contributions to knowledge

The foodservice sector is a complex environment and as Arendt et al. (2012) noted qualitative research studies offer the opportunity to gain a deeper understanding of the sector. This study makes two contributions to knowledge of the foodservice sector.

7.3.1 Applicability of the existing CR reporting guidance to the sector

The foodservice sector is a complex environment and the distinctive characteristics influence CR reporting practice. A foodservice operator is commissioned by a client to provide services, including catering at their premises, often as part of a facilities management package. The foodservice operator, therefore, has limited control over the information and data available to them. For example, it is unlikely that the catering facilities will be sub-metered and so the foodservice operator will not be able to measure the water and energy consumption directly related to their activities. Typically decisions regarding waste management will be made by the client and so the foodservice operator does not have control over this area. This lack of control over and information about resources used is not acknowledged in the reporting guidance as the CR reporting guidance assumes the reporter has direct control over their activities. The foodservice operator has a contractual relationship with the client (a business to business relationship) which will determine elements of the operating practice and this will be influenced by the client's own commitment to CR practice.

The prescriptive nature of the SRG (GRI, 2011) assumes that the business can collect data in the form required by the Performance Indicators. The SRG (GRI, 2011) were considered too complex for the foodservice sector and were not used by the case study company. The content of the case study's CR report is therefore self-determined and was informed by the requirements of the BiTC CR Index. Some CR reporting guidance provides business with the opportunity to misalign their reporting objectives and report content and so show symbolic conformity or decoupling (Jamali, 2010). Within the foodservice sector this decoupling can be achieved by foodservice businesses choosing to highlight (cherry-pick), within their CR reporting, practice at particular sites rather than the aggregated performance across all sites (section 6.3.2).

The foodservice sector is therefore faced with the challenge of an evolving CR reporting landscape in an area which is changing. The development of this CR reporting may be informed other initiatives, such as the PHRD, however, there is a risk that performance measures developed on this basis may not be consistent with the reporting objectives. If there were a conceptual framework for CR reporting (section 7.4.2), this would articulate principles which would encourage consistency in the development of reporting measures.

An area where it was also felt that CR reporting was underdeveloped was in the reporting of social impact. Within the existing social construction of CR reporting, the measures of social impact are less defined than those for environmental reporting. It was suggested that the foodservice sector has the potential to have a significant social impact through its supply chain. For the respondents from the Food Ethics Council and the Food Climate Research

Network, this related to the nature of the food production systems and for others the range of organisations involved in the supply chain. Given the focus within the hospitality sector generally on employment opportunities (BHA, 2013), the sector may seek to develop measures that seek to reflect the social contribution of foodservice businesses.

7.3.2 Boundary of reporting in the foodservice sector

In analysing the social construction of CR reporting, the boundary of the reporting was particularly problematic for the foodservice sector. An analysis of the data revealed that CR reporting has appropriated the terms ‘control’ and ‘significant influence’ from financial reporting (FR) (section 6.2). The concepts of control and significant influence flow from the legal status of the entities and are exercised through a majority shareholding, or other significant financial interest. So in FR which considers the economic performance of the entity, the boundary of reporting is the combined legal entity.

CR reporting differs from FR in that it seeks to address issues that are not exclusively economic as it is suggested that organisations report on their significant impacts. These significant impacts may fall outside the definition of boundary as appropriated from FR. For example, a foodservice operator may report on the use of particular commodities within its supply chain, or on aspects of the behaviour of its consumers. It is, therefore, appropriate for the foodservice operator to consider the boundary that is relevant for particular specific issues.

This guidance with the emphasis on control and significant influence is problematic for the foodservice sector as the foodservice operator works within the client’s premises where the foodservice operator is unlikely to have complete control over the operations. The foodservice operator is also unlikely to have complete control over the information it is able to collect.

In their CR Report, the case study company was explicit as to the boundary of their environmental reporting by explaining the nature of the foodservice operations and that resource usage data was only available for a small number of ‘controlled’ sites (section 6.2.2). Businesses that are less transparent may use this definition of control as a means of manipulating the information provided and so present a favourable view of their CR performance (section 6.2).

Within the context of voluntary CR reporting, any extension of the boundary of reporting is linked to the motivations for reporting. Those adopting a more normative approach to CR reporting will identify a wider boundary of reporting. For the foodservice sector, a more normative approach may involve reporting on issues within the supply chain. This form of reporting would address some of the issues that those interviewed who were associated with the foodservice sector considered important. A more managerial approach would result in a tight drawing of the boundary that enabled managers to present information that was accessible, and served their managerial purposes.

7.4 Implications for CR reporting

This study has demonstrated that the social construction of CR reporting is flawed. The implications of this relate to CR reporting generally and to the foodservice sector specifically.

7.4.1 Implications for CR reporting generally

Whilst the conclusions of this study would suggest that the field of CR reporting would benefit from a discussion regarding the conceptual framework for reporting, the practice is more difficult. In order to develop a conceptual framework, the fundamental question of the purpose of the CR report needs to be addressed and it has been established that there is a continuum of objectives of reporting which suggested that there are multiple objectives. A conceptual framework would therefore need to accommodate these different perspectives. Whilst there is evidence of the foodservice sector working together to develop performance measures (section 6.3.4), the development of a conceptual framework would require greater collaboration. Indeed, the suggestion is that at its inception the GRI shied away from this form of discussion (Brown et al., 2009) in order to establish the initiative. This may, in part, be a consequence of the experience of accounting standard setters who have spent the past 40 years, and significant funds, developing a conceptual framework for financial reporting. When compared to financial reporting the purpose of CR reporting and the users of reports are far more wide ranging, making this process even more complicated.

One of the most problematic areas for reporting is the definition of the reporting boundary. The development of a conceptual framework would potentially provide some clarity as to how the boundary might be defined as the underlying concepts would need to be articulated, but this remains highly theoretical at present. Nevertheless, greater clarity would potentially be of value to the foodservice sector as the nature of the commercial environment and business relationships makes the definition of boundary more complex.

7.4.2 Implications for CR Reporting in the foodservice sector

CR reporting has developed over the last three decades (section 2.2) and is likely to continue to do so. Having considered the social construction of CR reporting in the sector, the implications for the development of CR reporting in the foodservice sector in the future are now considered.

This study has concluded that the existing reporting guidance is not applicable to the foodservice sector and that the case study company has adopted a managerial approach to CR reporting. They produce reporting that serves their business needs of employee engagement and business development and to do this they follow the BiTC CR Index.

There have been some significant recent developments in the possible form of CR reporting, namely Integrated Reporting. As explained in section 2.2 Integrated Reporting seeks to communicate how value is created through the use of different forms of capital. Even if the sector does not adopt this as a form of reporting, it will influence the social construction of CR reporting as it will influence the BiTC CR Index.

Assuming that the foodservice sector continues to adopt a managerial approach to reporting then, as different issues emerge, the boundary of reporting is likely to expand. Within this extended boundary there will be a wider range of issues at different stages of maturity. As issues become more mature, or have been subject to CR reporting over a longer period of time, the means of measuring issues will become more established.

The performance measures for the emerging issues will be developed in a variety of ways. Individual businesses may develop their own measures for reporting and these may or may not be linked to internal decision-making.

Some standardisation may occur as the sector seeks to develop sector-wide measures. These sector-wide measures may be the result of alternative reporting mechanisms (the HaFSA being one such example).

As the boundary of reporting extends, managers will make decisions as to the content of the reporting. The opportunities for symbolic conformity or decoupling (Jamali, 2010) will increase as managers are able to present CR reporting that appears to have some normative objectives but that follows a managerial approach to reporting. This managerial approach to reporting will be apparent in the definition of the boundary of reporting and the use of materiality to determine report content.

It is possible that the sector will face increasing regulatory pressure in the area of CR practice. This regulatory pressure may originate from within the UK, or possibly Europe, and is likely to be a response to an issue that has a significant impact on public spending, such as the issue of diet related ill-health. The regulatory response is likely to require a change in operating practice, rather than increased CR reporting. Foodservice businesses may choose to develop CR reporting in these areas in an attempt to delay regulation.

One of the main audiences of CR reporting is current and prospective clients and this study has shown that campaigning organisations will target the clients of foodservice business as a means of promoting change. These campaigning organisations will look to highlight any difference in actual and reported CR practice. As the range of CR issues facing the sector increases, this practice of campaigning organisations may increase.

The foodservice sector differs from other sectors, such as retail, because the foodservice business is not always visible to the customer. This lack of visibility is possibly one of the reasons why CR reporting, in this sector, is not seen as a means of developing trust. If the customer is not aware of the foodservice brand, then the risk of reputational damage is lower. Whilst the foodservice brand is not very visible to customers, there are still some risks associated with practices in the supply chain. Respondent R9 mentioned that, like the retail sector, the foodservice sector was one in which retrospective discounts and volume rebates were common. The practices of the retailer Tesco in this area have come under scrutiny in 2014-15.

Given these potential developments in the reporting environment, foodservice companies may respond in a number of ways. It is possible that some of the foodservice companies will choose to disclose less information and so produce less extensive CR reports. Others may continue with a managerial approach to reporting, selectively addressing the issues that are of concern to their employees and clients. This change in reporting practice will be gradual and so a possible area of future research is a longitudinal study of reporting practice in the sector over the next 10 years.

7.5 Possible Future Research

There are several other possible avenues for future research. The social construction of CR reporting guidance could be further explored through an analysis of the influence of different constituencies. When developing reporting guidance the guidance setting bodies issue proposed guidance in draft form and seek comment through public consultation. The responses to the public consultation are often published and so contribute to the development of the social construction of the guidelines. The influence of particular parties could be further explored through an analysis of these different responses.

The development of performance measures and their link with internal decision-making could be further explored either quantitatively through a broad based survey, through an action research project or qualitatively through the evaluation of a wider range of case studies in different business sectors. This would contribute to the debate as to whether reporting measures should be externally imposed or derived internally.

The study concluded that CR reporting in the foodservice sector is not a means of developing trust which may be the result of the lack of visibility of the brand in the foodservice sector. This phenomenon warrants further research.

The manner in which performance measures are developed could also be explored. Some of the foodservice operators are currently engaged with WRAP in the development of waste conversion metrics as part of the development of the Hospitality and Foodservice Agreement. Both the process by which the measures are developed and the nature of the measures themselves could be investigated.

Several large businesses are adopting the concept of integrated reporting (IR). Whilst the production of Integrated Reports, which follow the International Integrated Reporting Framework, is limited, this development will inform the social construction of CR reporting. A possible avenue of future research is to explore the influence of IR on CR reporting practice in the sector.

7.6 Personal reflections on the doctoral experience

I have found studying on the doctoral programme an immensely rewarding experience which can be best described as both a personal learning journey and an apprenticeship. An apprenticeship in the sense of the development of key skills needed to become a competent researcher. In looking back over the last 6 years, I recognise that I have developed a new skill set relating to processes. For example, I now have a clearer understanding of how data analysis can be structured around a set of themes and how a critical evaluation of the literature can inform and support this. Towards the end of this journey I have found myself thinking, if I knew then (at the start) what I know now about the process, it would have been easier.

My personal learning has been enhanced through my study of research methods. This is an area where I feel I have benefitted from studying on a part-time basis, as I have had the opportunity to return to the philosophical debates on several occasions. I feel that each time I returned to this area, I developed a greater level of understanding and awareness. My understanding of research philosophy was also enhanced through discussion with fellow students, and so I welcomed the support of the doctoral programme events.

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LIST OF MATERIALS REVIEWED TO DEVELOP ELICITATION MATERIALS

Trade press	Nature of organisation	Nature of materials produced
Caterer & Hotelkeeper	Industry magazine and website offering information, guidance and analysis to industry.	Information provision focusing on waste, energy, recycling, water, community and sourcing.
Foodservice footprint	Membership organisation that is a source of information on Responsible Business and sustainability in the foodservice sector.	Forums/events Awards
Trade associations		
Institute of Hospitality	International professional body for managers within hospitality leisure and tourism sectors that supports member s professional development	Limited information provision focusing on environmental issues.
British Hospitality Association	Representative organisation of hospitality industry (hotels, restaurants and food service providers).	Information provision focusing on carbon emission reduction commitments.
Sustainable Restaurant Association	Promotes sustainability through the provision of a ratings system	Some information about the 14 areas included in the ratings system
Governmental		
UK Government	Government office for science - Foresight Project; The Future of Food and Farming Environmental audit select committee (reviews the extent to which the policies of the current government contribute to the protection of the environment and sustainable development)	Expert opinion from a wide range of sources to inform policy debate 11th Report on Sustainable Food
WRAP	Waste & Resources Action Programme funded by UK, devolved governments and EU. Goals – minimise resources use and maximise recycling	Specific focus on Hospitality and food service sectors
Carbon trust	Government supported independent company promoting a low carbon economy	Provides expert advice on energy efficiency and promotes new low carbon technologies

School Food Trust	Non departmental public body (working for Department for Education to promote the improvement of food in school.	The provision of advice to Government (national and local) and information to those involved in provision of food in schools.
Policy forums/ngos		
Sustain	An alliance of 100 international, national, regional and local organisations advocating policies that meet the goals of sustainability.	Advise and comment on policies relating to food and agriculture
Food Ethics Council	Promotion of a food system that is fair for people, animals and environment.	Promotes advocacy and undertakes research and analysis
Food climate research network	Research network focused on understanding how the food system in its broadest sense contributes to GHG emissions	Promotes knowledge sharing through provision of a research hub
WWF		
Certification		
Marine Stewardship Council	Provide an ecolabel and fishery certification program, consumer education in seafood purchase.	MSC Theory of Change (Harnessing market Forces for Positive Environmental Change)
Fairtrade foundation	Promotes and licenses use of Fairtrade mark.	Reports relating to the impact of Fairtrade initiatives
Red Tractor Assurance	Develops, maintains and promotes assurance standards for farms and elements of the supply chain for different sectors including beef and lamb, dairy, pigs and poultry.	Scheme rules & guidance
Soil Association	Campaigns for sustainable food, farming and land use	Food for Life catering mark – scheme rules

INTERVIEW GUIDE FOR INITIAL INTERVIEWS

What do you consider to be your Corporate Responsibility (CR) report?

Why have you chosen [format*] for your report?

How has the Internet/web changed your reporting?

Are there any difficulties associated with this format?

How does the CR report fit with other communications?

Who do you consider to be the audience for your CR reporting?

Do you consider any specific sub groups within this audience?

Are there any others that have an influence on your reporting?

Have these influences changed over time and if so how?

The style of your report is [narrative/data – based*]. What do you consider the advantages of this approach?

Has the style/format/content of your report changed over time?

Why do you produce CR reports?

For you, how do you assess the quality of a CR report?

When putting your report together, how do you decide what to include or leave out of the reports?

Are you aware of any guidance available for preparers of CR reports?

Do you use any guidance/guidelines?

What do you think of the guidance available?

Do the readers of your reports have any involvement in the production of the reports? For example suggesting areas for inclusion? Providing feedback on the reports?

What do you think of peer reporting?

* the format used (web pages, pdf report, hard copy) will be specific to the organisation

INTERVIEW GUIDE FOR SEMI-STRUCTURED INTERVIEWS WITH THOSE ASSOCIATED WITH THE SECTOR

Introduction

- Me, purpose of study
- Discuss 4 areas - no longer than 45 – 60 minutes
- Ethics – consent form, opportunity to withdraw from study

Q1 I am going to say one phrase –what comes instantly to mind when I say – corporate responsibility reporting

Does your organization consider sustainability/corporate responsibility reporting important?

Why is that?

[Purpose – to elicit the interviewees' perspective on reporting (skeptic or advocate)]

My study is looking at corporate responsibility reporting in the foodservice sector. By corporate responsibility reporting I mean

Reports or other information (paper based or web based) that is produced by companies to provide information about their performance or approach to issues relating to corporate responsibility or sustainability

Q2 I have tried to identify the key issues/challenges facing the sector which I have grouped.

Please could you look at these grids – what would you change/add/move/alter?

Show matrix of key issues

Which do you consider the 5 most important issues?

(If you had to choose at least one from each group – what would that be?)

What would you expect to find out from companies about these issues?

How would you expect to find out about these important issues?

[Purpose – to elicit issues that might be reported on and what form that reporting takes]

Q3 Are there any companies or organizations that you think have moved reporting forward or who are good at reporting? Why is this?

What makes you information/reporting credible ?

- Specific targets set
- Indicators reported on should be consistent across all sectors
- Indicators reported on should be those used internally
- Discussion of the nature of the issue
- Narrative stories /examples/ case studies to illustrate the point
- Discussion of the challenges/trade offs & how resolved
- Standard methodologies/metrics
- Use of external certifications (organic/free range/MSC) or alliances (charity)
- Role of assurance

As ideas are mentioned show interviews examples – and discuss further to elicit the reasons.

Q4 There are several challenges or difficulties associated with reporting for the foodservice sector. Some of the challenges are on these cards – please write on the blank cards if I have missed something? Please can you put the cards in order of difficulty – if you think several areas of equal difficulty put them together?

CARDS

- Reporting boundary
- Identification of relevant issues
- Aggregation of data from multiple sites
- Need for consistent measurement methodology across the sector
- Role of certification
- Lifecycle analysis / product journeys
- Stakeholder engagement

Q5 Are you aware of any existing reporting guidelines? Which of these reporting systems are good? Why is this?

Possible responses –GRI, AA1000 ….. natural resource accounting systems life cycle analysis

Thank you for time

RESPONDENT 4 CODED INTERVIEW TRANSCRIPT

Interview with Respondent 4, 6 August 2012, Oxford

What is your view on Corporate Responsibility reporting and the purpose it serves?

I've worked in the field of food for quite a long time now and I have seen it evolve and seen it move from something that was very much dismissed as a green washing exercise to something that people are still sceptical about in many spheres but which is now seen as absolutely essential and has developed a lot.

Comment [KR1]: OBJECTIVES OF REPORTING – purpose / reasons for reporting

When I first started working in food, my first encounter with responsibility reporting was with Shell when the whole Nigeria thing came up, 1990s, there reporting was seen as a PR exercise. I think there is still a very strong sense of scepticism within the more radical environmental community which essentially believes that large scale companies are not ethically legitimate just by the very nature of their scale and power and, who say, how do you know what to believe but I think that is a little bit naive. I think that there have been huge strides actually.

Given your understanding of all the issues that companies could possibly report on, what do you see as the priorities?

The ones that companies are most happy with at the moment, most familiar with is climate change, greenhouse gases because to a reasonably coherent extent saving carbon equals saving money. They get that. It's easily quantifiable, they sort of know what to do and there is a whole industry that has been set up round it. They are starting to get to grips with water because it directly effects their supply chains in future years in a tangible concrete way.

Comment [KR2]: CONTENT OF REPORTING (SPECIFIC) environmental

Comment [KR3]: CONTENT OF REPORTING (SPECIFIC) environmental BOUNDARY OF REPORTING – supply chain

I think what they are much less familiar with and I think this isn't just them it's everybody is what the hell you do with biodiversity. Because Biodiversity is one of these issues, how do you measure it, how do you value it, what are the effects of different farming practices on biodiversity. So I might have a lovely bio-diverse rich farm full of bugs and bees (really delightful) and yet by using up more land there are negative knock on effects on biodiversity overseas. I think companies haven't get got to grips with this – what is the optimal way of getting our suppliers to manage their farms in such a way that ultimately contributes to human biodiversity. I mean not human but long term biodiversity and I think the other thing companies haven't got to grips with and I think this is a really fundamental challenge to their business operations is the extent of the inherent sustainability of the products they sell and their marketing structures.

Comment [KR4]: CONTENT OF REPORTING (SPECIFIC) Biodiversity Measurement and valuation

Going back a bit they all started off by quantifying emissions from trucks and sheds, retail outlets etc they get that and then you go to, is it scope 3 emissions, which is sort of product carbon footprints and certainly Tesco's have taken a lead on that but in the food service sector it is less developed. I think there is a need for that but there is a deeper need to, so its not just about selling a lower carbon steak or a lower carbon pot noodle, it's what is the stuff you are selling to customers. If you take MacD they have done some useful work in free range eggs, getting better welfare standards, biodiesel in their vehicles but at the end of the day they are selling something that is really unsustainable from an environmental view, leaving aside the health issues. So that is a fundamental challenge and that's where a lot of the environmental organisational kind of challenge CSR.

Comment [KR5]: CONTENT OF REPORTING (SPECIFIC) environmental Foodservice sector less developed

Comment [KR6]: OTHER COMMENTS unsustainable practice offers a fundamental challenge to existing business operations

So, taking environmental as being the most 'sorted', there is a history, relationship with costs and a system of metrics developing. Do you see any metrics or reporting emerging around biodiversity?

No the only people I know of who are doing something on this is BAT who have done some work linked with the WWF – have a look at this. I think biodiversity is something that everyone is trying to get there head around as tomorrow's big issue that we really need to understand and don't know how. I don't think health is sorted out.

Fish – some people are starting to make some progress on fish. Speak to Kath Dalmeny at Sustain.

IF you had to choose a second issue what would that be?

Health, again, going back to MacD you've got your nutritional information now and salad options but it is not a fundamental challenge to the way we eat. You've got Sodexho who do a bit of meat free Mondays, which is environmentally motivated. I think it was doing that in the USA, I don't know if they are doing it in the UK.

There is one other thing about reporting the extent to which it is country specific because they know Brits mind about this sort of thing, but do the Chinese mind, are they reporting in China, its that sort of consistency that I'm not aware is always there.

So consistency of reporting measures across all countries, or would you say there is merit in reporting what is important to a particular location.

Yes, I think so. Its stops the privileging of what the west thinks is important. In many cases local environmental pollution may be more of a concern in some low income countries. Are you looking at school meals?

I am looking at the potential influence of the school meals movement on nutrition and health reporting.

When you look at the reports on the potential impacts of diet related ill health in the general population it is terrifying. Have you talked to GAIN (Global Alliance something [for Improved] Nutrition). They are looking at developing metrics to assess ways of improving healthfulness of products, working with Nestle, Unilever etc. I'm not sure if they are working in the area of food service, just tangentially, consider contacting Mike Rayner (Dept of Public Health, JR) . He knows a bit about this. I think the might be doing some interesting work on metrics.

And in terms of reporting, and your view what companies actually report, do you see reporting of metrics as being the most important factor or do you see a discussion around what the strategic intent is, as important?

I think they are both important. Going back to metrics for a minute, absolute reporting, absolute emissions as well as relative emissions is really important, and progress. I do think the intention is really important. I think they also have to justify how they justify an expansionist agenda which all business will have, with limits to growth which you have in the environmental sphere. I think what they would say is that they are taking over companies that are less sustainable and replacing it with their business model which is more sustainable. That's an empirical question

The thing about overall strategy is that if it can be targeted and doesn't sound like green wash. There are also things like fair-trade and labour standards. There has been some questioning of fair trade in recent years. Is it synonymous with better living standards for its workers? I think

Comment [KR7]: BOUNDARY – global vs local

Comment [KR8]: CODING MEMO : the development of the metrics is outside the scope of the study – but may be a useful future avenue to explore

Comment [KR9]: CONTENT OF REPORTING SECIFIC – nature of the metrics absolute as well as relative MOTIVATIONS FOR REPORTING – report performance (metrics – need to report progress)

Comment [KR10]: CONTENT OF REPORTING SECIFIC – nature of the metrics – need to explain intention / purpose

Comment [KR11]: CONTENT OF REPORTING GENERIC – discussion of strategy they need to, when doing their business reporting they need to show they have engaged with that question, discussion before just saying we are ticking this box.

Comment [KR12]: CONTENT OF REPORTING SPECIFIC – role of certification schemes – understanding of the limitations

What are the challenges that you would see companies face, in terms of reporting?

Gathering data – Sodexho operates in almost every country in the world and their supply chains will be widely different in different countries. I don't know how they do it. It's a huge logistical challenge. The people that are on their case should give them a break because it's very, very hard.

On-going monitoring – once you have the data monitoring progress is a huge tier of work.

I think some of the reporting, things like X% of staff trained in Health & Hygiene (or whatever),. This is double edged on the one hand if you don't train people and don't change mindsets you are not going to change companies, on the other hand, it can seem a bit woolly. So again they need to articulate that a bit more.

Comment [KR13]: CONTENT OF REPORTING GENERIC – link between strategy and measurement

To what extent is there a role for a discussion of trade-offs that are inevitably a part of the process?

That would be really useful. They have made this decision but they have thought through these processes. A different company may adopt a different approach and then you can have an informed discussion about the merits of which one.

Comment [KR14]: CONTENT OF REPORTING SECIFIC – discussion of trade - offs very beneficial

So in terms of reporting issues – biodiversity, health?

Another big issue that needs to be addressed is the pattern of diets. Are they going to offer healthier more sustainable options of the status quo or are they going to really radically transform their menus so that they offer more meat free options, more seasonal options, tap water instead of fizzy bottled.

Comment [KR15]: CONTENT OF REPORTING SPECIFIC – diet related ill health significant issue

In an environment where they have a client relationship to manage…

Who might say, if you don't supply coke then I'm going to go round the corner to the chip shop

Comment [KR16]: CODING MEMO – example - Nature of the contractual agreement

So what would you like to see them reporting in that sphere?

They should be bold, this isn't reporting this is policy direction. They should conduct policy experiments and back it up with strong employee engagement. You are not suddenly going to radically change the menu, give everyone lentils and not tell them why. They can change pricing structures, that's another approach. They can honestly monitor uptake of menu options, tinker, see what's the best approach. Unless they are actually changing the menu, what's on offer, then they are not really getting to grips with the sustainability challenge of aligning health, environment and economic message.

Comment [KR17]: CONTENT OF REPORTING GENERIC – reporting needs to articulate strategic direction

to what extent to you see waste as an issue?

Talk to WRAP and SRA about this – this is something business is very keen on as there is a link between portion size and costs.

KR What about the costs of disposal?

Issues like Anaerobic Digestion and Fair Share. Waste is something is to an extent just good business practice. Its not a thorny issue like biodiversity or changing diets

So in a sense moves into the area of other environmental issues such as carbon where the cost associated makes it an easier issue, biodiversity and health being trickier issues.

One thing that might be interesting is how they use pricing structures to incentivise different choices, whether that's soft drinks meat sustainable fish.

What role do you see for various certification schemes (fish, meat animal welfare)?

Fish – MSC – is about the sustainability of the fish stock itself not the supporting eco system, but does not address carbon emissions of fish miles. So the labels will always be limited. There are some labels being developed. WWF are involved in this.

What's the role of certification?

This goes back to the fair-trade issue. Why are you choosing a particular certification, what are the downsides of it and what are the upsides. These need to be articulated so people say we are going for the MSC label even though it doesn't take account of carbon because we feel that carbon is not such an issue fish as it is for meat but we are also working with WWF in the development of a more comprehensive label. When it comes to meat and dairy, I think organic doesn't necessarily equates with good from a GHG, or land use perspective. With free range, going as an ordinary customer, I buy free-range because I believe it has the potential to be better for animal welfare, although you get poor welfare in free range systems as you do in intensive systems. So to an extent these labels are about consumers salving their own conscience but in the absence, unless I can go to see the farm, it's a proxy. So again I think there's a role, to what extent are they buying an off the shelf certification/accreditation scheme and to what extent are they working to ratchet up the standards of the scheme in question. Where can they show that they are doing this? For example, MacD and Unilever (?) are sponsoring the Farm Animal Initiative which is a demonstration, experimental farm, looks at how you align high welfare, environmental sustainability and profitability. That's an interesting one, how passive is it, give money to salve our conscience or we want to take the findings of your research and apply it. Talk to Roland or Ruth).

25:00 KR From my reading in this area, I have a list of possible issues – which we have covered these

In terms of your understanding of the food service sector, which issues do you see as difficult or tricky for those companies? Show cards

Audience is hard – most people just want lunch not a lecture

KR If reporting at corporate level (yearly /half yearly) who are the audience?

M&S are an interesting one. It is plastered all over the shops. It would be interesting to know whether they have monitored effectiveness. Does it actually make a difference/

KR which of these issues are the difficult ones in terms of reporting?

None are insuperable. They need to communicate the trade-offs, need to be transparent, they need to say why they are doing what they are doing,

KR in terms of how they measure, what's the basics of the metrics?

Not only the metrics but also 'how'. We estimate that our GHG emissions are 600 tonnes CO2e and we did this by getting a guy to go round and ask our farms how much fertiliser they use or whatever it might be, and we did this once a year, twice a year. Did we do everybody or

Comment [KR18]: CONTENT OF REPORTING SPECIFIC – certification schemes – limitations

Comment [KR19]: CONTENT OF REPORTING SPECIFIC – certification schemes – need to review / assess / challenge and improve standards

Comment [KR20]: CONTENT OF REPORTING – SPECIFIC – METRICS – need to disclose methodology and process for data collection a sample? What happens when the guy wasn't in? This needs to be rigorous. This counters the accusation that they would say this wouldn't they. You need to disclose process (different from methodology).

How do you as a company do your identification of relevant issues?

To what extent are they just responsive to media, flavour of the month, we are doing fish now and to what extent is it strategic?

Lifecycle analysis is very important.

Stakeholder engagement is an interesting one as that gets accused of being green washing as well. What do we mean by it? What do we mean when we say we are going to talk to major NGOs ? Does it mean a casual meeting? A bit of articulation of what engagement really means.

Comment [KR21]: MOTIVATIONS FOR REPORTING – stakeholder engagement

KR With a view to understanding whether there is strategic intent behind that?

Is it a conversation to get them off our backs or is it about finding out what is important. What they (NGOs) feel the priorities should be. So does stakeholder engagement lead to identification of relevant issues and to a communication of strategy?

Comment [KR22]: MOTIVATIONS FOR REPORTING – stakeholder engagement CONTENT OF REPORTING GENERIC – role of strategy

what do you see as the Reporting Boundary for a food service company?

I think it needs to go down to the field. Its got to be product lifecycle and that includes the social dimension as well, the farmers who ultimately supply, but that is really difficult. You don't expect them to do it all. Start with a few case study companies, or something like that otherwise

Comment [KR23]: BOUNDARY OF REPORTING

Comment [KR24]: CONTENT OF REPORTING – selective examples

KR But is that also important in terms of disclosure of methodology? And in terms of transparency?

In a way their job is slightly easier than the retailers, as they have a more limited range of products. They do not have 40,000 product lines.

KR what about consistency across the sector - the sector moving forward? WRAP have just launched their voluntary agreement across the sector.

Yes, I think in principle it is really important provided that once they have done it its not set in stone and that it can constantly be negotiated so that with this Stakeholder Engagement it helps identify more of the relevant issues. Otherwise it seems like a stitch up.

Comment [KR25]: CONTENT OF REPORTING SPECIFIC – metrics – agreed across sector and regularly reviewed

Oh and the other thing I think is important is to say where is CSR situated within the company. Is it at Board level and what's the structure within the company?

Comment [KR26]: Additional comment – governance of CSR – where in the company

Governance linked to that? How is the strategy overseen – what is the governance at board level? Would that be important?

For example is it in the PR dept, where someone who is middle management is supervising it or is it Justin King.

KR and how is the internal reporting linked? One of the interesting things coming out of the guidance for me is the predefined performance indicators (such as GRI) companies disclose. I'm interested in whether this curtails innovation that might come from the use of internal management measures linked to strategy. There is a trade off in terms of benchmarking but it's the business measure that's more effective. Why have a separate reporting measure.

It's the eternal top down/bottom up conundrum which I don't really have an answer for

Comment [KR27]: No view as to inside –out or outside in view of reporting

KR In terms of your expectations of reporting? What would you prefer to see in terms of reporting?

You could have some basic standard metrics and then you could have your own company relevant ones. You have a tailored approach – everyone wears a suit but with different buttons.

Comment [KR28]: METRICS – combination of standard and tailored

Comment [KR29]: CODING MEMO – good quote

The other thing is how you get the company employees buy in – how you use their ideas. That can sound awfully PR ish (we had a fun day where everyone ….) but I think that is also important. How are you learning from your employees about ways of doing things better. From my general knowledge this is the approach adopted by the Japanese automotive companies. Can TQM ideas be applied in this area? Cardiff Business School has been looking at lean green management.

Comment [KR30]: MOTIVATIONS FOR REPORTING – stakeholder engagement leading to innovation

Thinking about the food service sector, the bit about aggregation across multiple sites? If you are operating in other premises

You use their electricity/gas – I have no idea.

KR in terms of reporting in that case would you expect a disclosure of methodology. How are they tackling this issue?

Yes – we asked our sites annual bill attributed X carbon emissions to a proportion of the bill.

Comment [KR31]: CONTENT OF REPORTING – SPECIFIC – METRICS – need to disclose

KR are you aware of any existing reporting guidelines? Different standards?

No strong views on this as it is not an area I know enough about. Talk to WWF about this.

KR what make reporting credible for you?

A clear/transparent view of what progress was monitored, by whom, how frequently and with what caveats.

How they are planning on improving in the future. Absolute as well as relative measures; Honesty about the difficult issues of biodiversity and diet

Thank you for your time

The next page shows part of the excel worksheet for the content of reporting- specific. The data from the above interview was included in the column Respondent 4

Appendix 4.4

OVERVIEW OF CR REPORTING OF FOODSERVICE COMPANIES

	A	B	C	D
Format of the report	Paper based	Paper based	Web based	Paper based
Geographical scope	Global	Global	UK	UK and Ireland
Areas included	Employees	Innovation	Market place	As an employer
-	- Diversity and Inclusion	- Wellness and nutrition	- Supplier relationships and sustainable procurement	- developing our employees
-	- Training and development of employees	Source	Healthy Living	- Diversity and inclusion
	Environmental	- Supply chain assurance and ethical sourcing	- Cut out salt and fish consumption is highlighted	- Human rights
-	- Supply chain	Prepare	Workplace	- Health and safety
-	- Animal welfare	- Energy efficiency	- Opportunities for all	Nutrition, health and wellbeing
-	- Sustainable seafood	- Vehicle efficiency	- engagement and recognition	- health and wellbeing
-	- Energy and water	- Water consumption	- Learning and development	- Nutrition
-	- Waste management	- General waste	Environment	Local communities
-	- Vehicle emissions	- Food waste	- Energy management	- Tackling hunger and malnutrition
	Health & wellness	Provide	- Reducing food waste mentioned	- Local community development
-	- Healthy choices	- Food safety	Health and safety and food safety	- Fairly traded products
-	- Consumer education	- Occupational health and safety	Community	Sustainable supplies
	Community	- Employee retention	- MoD careers for service personnel	- Supply chain code of conduct
-	- volunteering	- diversity	- help challenged people find sustainable jobs	- local, seasonal or sustainably grown or raised

Appendix 4.5

				products
-	- disaster response	- business ethics	- Starlight is mentioned as Charity of the year	- Sustainable fish and seafood
-	- philanthropy	- employee survey		- Sustainable equipment
		- employment opportunities		Environment management
				- energy and emissions
				- water and effluents
				- materials and waste
Style of reporting	Narrative with very few numbers or graphics	Narrative	Narrative	Combination of data and narrative reporting
case studies – highlighting aspects pf performance	Individual projects in individual countries	Used to highlight individual projects	Individual examples of performance highlighted	Case studies clearly identified
Governance	Not mentioned	Details of CR Committee provided	Not mentioned	Details of governance included
Length of report	70 pages	48 pages	28 pages	110 pages
Performance measures	None included	Numerical data included	Reduction on food miles Carbon footprint of offices	Numerical data included for 6 areas
Targets	None included	13 Numerical targets	Narrative commitments	Numerical targets set in 17 areas
Awards / accreditations	Partners with whom the organisation engages are listed	Partners with whom the organisation engages are listed UNGC mentioned BiTC RSPO	UNGC BiTC WRAP mentioned as a partner	Partners with whom the organisation engages are listed UNGC mentioned DJSI BiTC RSPO

INTERVIEW GUIDE – SEMI-STRUCTURED INTERVIEW WITH MANAGER RESPONSIBLE FOR CR REPORTING AT CASE STUDY COMPANY

(RESPONDANT 12)

Introduction to me and the research: -

The aim of this research is to explore CR reporting in the food service sector. My interest in this area stems from my background in financial reporting (I am an accountant) and my interest in sustainability and responsible business practice.

So far, in my research, I have looked at the general guidance on CR reporting (Global Reporting Initiative, UN Global Compact, AA1000) and some of the guidance issued by other international and UK bodies such as ISO, UK government). I have also spoken to a range of people connected with the foodservice and hospitality sectors to discuss reporting in the sector.

You are involved in CR reporting at [company] and so I would now like to discuss CR reporting with you. I would like to cover 4 broad areas;

- the reasons for reporting
- the reporting process and the involvement of stakeholders in the reporting process
- how the report is developed and which parts of the business are included within the reporting
- the links between the CR related strategies, targets and data presented

Ethics

Before we start, do you have any questions regarding the information sheet that I sent to you?

I would like to confirm that you understand the basis on which I am conducting this research and how I will use the information. I am conducting this research for the purposes of my PhD studies and so I will be writing up the interviews as part of that process. I will not identify the company or you (as an individual) as I will use pseudonyms.

If appropriate, I would like to be able to use quotes in my thesis and any future academic publications, but again I will use pseudonyms. I would also like to audio record the interview.
If you are happy with this, please could you sign this consent form.

So to start, please could you outline how the CR report is developed, who is involved and what they do?
Who initiatives the process (seek to establish the extent of senior management involvement)

Who decides on the content?
How is the data collected (specifically for the purposes of the report or used generally)

Objectives of reporting
The organisation obviously takes CR reporting seriously and devotes a significant resource to producing the report. What do you (as an individual) see as the purpose of the report?

Possible prompts
To explain past performance
To communicate with stakeholders about specific issues
To demonstrate the importance of sustainability
To give to clients (as part of the marketing / sales effort)

Do you think that the data/information generated through the reporting process is useful to the business because it helps improve the performance of the business?
Why is it useful / not useful?
If not already covered – do you (the individual) believe there are other benefits to the business as a result of undertaking CR reporting?
Possible prompts
Manage reputation
Explain the risks and opportunities to investors
Build trust
Demonstrate leadership
Engage employees

Stakeholder engagement
You mentioned that the business is committed to stakeholder engagement and the report outlines the engagement strategy (page S39).
Please could you explain a little more about this (elicit purpose/objective).
How do you decide who to consult? Does this depend on the issue? (the report mentions key stakeholder groups and the key issues – but do you select particular stakeholders for particular issues)
How do you decide what form the consultation takes? and is this dependent on who you are consulting?
The engagement strategy suggests that the business undertakes a perception audit to identify perceived strengths and weaknesses and measure our progress. Please could you explain a little bit more about this?
Are you seeking advice from the stakeholders as to emerging issues?
Do stakeholders shape the businesses response to these issues?
Do stakeholders suggest or influence the way in which you measure performance in these areas?
When stakeholders are discussing the Better Plan Tomorrow themes and how they might be addressed, do you find that you have to explain the how Sodexo

operates and the implications of this to stakeholders? For example, operating in the client's premises means that you may not have the ability to measure energy or water usage, the constraints associated with the foodservice supply chain which uses distribution companies (Brakes etc).
Do you find that you can learn from stakeholders - for example, if you are looking to develop a means of measuring performance in a particular area, do you ask stakeholders?
Do the senior management team discuss the results of stakeholder engagement? How is it used - to inform strategy?
Stakeholders are classified as external or internal. In terms of the internal stakeholders (the staff) some of the report appears to be directed at them. Why this emphasis?
Possible prompts

Regulatory environment around diversity & inclusion
Business imperative to attract and retain staff – do you (personally) think that the CR report (and the actions it represents) are important to staff? Which ones?

Content
In the "We Do" section of the report, there are 5 pillars and 16 associated commitments. How are these priorities identified?
Possible prompts

Stakeholder engagement
What other companies do – if so which companies and why?
Required by awards/ schemes (BiTC)
Client expectation (or tender requirements)
Because they are important issues (some sense of materiality) – important to whom?

The report highlights several of the awards that Sodexo UK has won (eg Green Apple, BiTC) and initiatives that Sodexo belongs to (eg Sedex, BS8901, WRAP FS and Hospitality Deal). What value do you see in using these external accreditations and schemes?
Possible prompts

Clients / employees recognise them
Provide a set of standards to work to
Provide a "short-hand" means of evidencing good practice

I noticed that in 2013 Sodexo was in the silver category of the Business in the Community awards. To what extent do the criteria for awards such as BiTC influence the reporting?
Sodexo Group has also achieved the UN GC Advanced Level. How has this influenced reporting in the UK?
Of the 5 pillars do you (personally) think one is more important than the others?
Are there any areas that you (personally) would like to see included? Why is this?

Are you aware of any information/data that is collected about performance around the 5 pillars that isn't included in the report? Why is this?

Strategy, targets and performance indicators

In terms of the information included in the report – I was a little confused between the data summary and the targets. The data summary has more historic information (4 years data) but doesn't cover all the commitments. Why is this?
I am right in thinking there is a target for each of the 16 commitments? (pages S 48a-s53).
Could you explain how these targets are set and the ways of measuring performance are chosen?
Possible prompts

Based on advice received from stakeholders

What we know is possible to measure – its data that we know exists in the business

Based on what other companies have measured

Look to go and ask experts in the area

Are the targets and performance measures considered as the strategy is formulated or does the strategy come first and then someone has to work out how it can be measured?
Is the data that is collected to assess whether the target is on track, falling behind or achieved, used for other things rather than just this reporting?
Possible prompt

Are these measures used in the assessment of individuals performance?

In the rewards and benefits scheme?

Is it used at site level, or business unit level, to help unit managers make decisions?
Is it used to compare the performance of different sites? Or the same site over time?

If yes, how important is it that the information is comparable?

Do you (personally) think there is a benefit, if the sector were able to agree some standard methodologies? Is this likely to happen?

I think that WRAP is attempting to develop some common methodologies around the measurement of waste.

I note that Sodexo is a founding signatory to the FS and Hospitability Agreement (WRAP) and I am interested in this model as it also involves an intermediary form of reporting in that Sodexo reports that it is a signatory (and so is reporting to WRAP). Do you see advantages to this type of system?

Boundary (it is possible that some of these issues will have already arisen in the conversation)

When of the issues that has been highlighted to me as being difficult for reporting, is identifying parts of the operations are included in the report. For example environmental data is reported for "controlled sites" (where utilities are sub metered S49a) but for nutritional targets such as varied and balanced food is based on % of client sites (which suggests all sites). Another example - there is a commitment to the use of local, seasonal or sustainably grown or raised products which involves an assessment of Sodexo's performance in the supply chain, but for the environmental targets (energy waste water), the reporting considers the impact of the operations but does not consider (energy, waste, water) used in the supply chain.

How do decide on the extent of the reporting for each issue?

Possible prompts

The aspects of performance we can measure or control

Guided by stakeholder views

Limited by what is commercially possible (the cost of potential changes)

Do you think that your approach to reporting changes as your understanding of a particular issue changes over time?

(thinking here about the maturity of the issue within the FS sector or possible over related sectors)

Appendix 4.7

KEY WORDS FOR INITIAL DATA ANALYSIS

The initial data analysis was undertaken by searching an electronic version of the reporting guidance using the following key words.

Meta-theme	Themes to explore within the meta-theme	Key words used
Purposes of reporting	Purpose or uses of CR reporting Definitions or examples of users of CR reporting	Purpose, use, reason, objective, aim Users, readers, eg, e.g., example,
Motivations for reporting	Stakeholder engagement Stakeholder education Innovation and learning with the organisation Reputation management Building trust Demonstration of leadership	Stakeholder, engagement, involve, include, communic Stakeholder, learn, develop, train, understand, understood Innovate, learn, develop, ideas, creat, Reput, view, brand, communic Trust, belief, Lead,
Boundary of reporting	The concepts used to define the boundary of reporting Use of materiality in boundary setting	Boundary, scope, limit Material, boundary, decision, decide
Content of reporting	Use of materiality in identifying content Link between content of reporting and strategy adopted The use of forward looking information such as targets Nature of the performance measures used	Scope, material, include, inclusion, Strategy, measure, KPI, metric, monitor, Target, goal, aim, commitment, Measure, metric,

Partial words were used to capture a range of variants.

EXTRACT OF THE EXCEL WORKSHEET FOR DOCUMENTARY DATA ANALYSIS (REPORTING GUIDANCE)

Reasons to report					**UN Global Compact**		**UN Global Compact**	
	AA1000series	**ref**	**GRI Sustainability Reporting Guidelines v3.1**	**ref**	**Policy on Communicating Progress 2011**		**Practical Guide to COP**	**Ref**
Uses of a sustainability report	to disclose credible information about strategy, goals, standards and performance to those who base their actions and decisions on this information	APS p6	Benchmarking and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives;	RG p3	Effective tool for stakeholder dialogue		helping ensuring the credibility of corporate engagement in the GC	p8
			Demonstrating how the organization influences and is influenced by expectations about sustainable development	RG p3	sharing of best and emerging practice		providing a repository of data on corporate responsibility practices that can be used for learning and anlysis	p8
			Comparing performance within an organization and between different organizations over time.	RG p3			protecting the integrity of the GC initiative	p8
reputation management			discussion of the risk to the organisations reputation is included in the Indicator Protocol section. The relevance of the Indicator is explained in terms of the benefit or risk to reputation	egs in each of the IP areas				
stakeholder engagement	Inclusivity is much more than a SE process	APS p10	Stakeholder engagement processes can serve as tools for understanding the reasonable expectations and interests of stakeholders.	RG p10			stakeholder engagement can also be important in understanding the actual and potential impacts on society, both positive and negative, of a company's operations.	p12
			The stakeholder engagement should be two-way in nature, systematic and objective.	TP p8			instrumental in helping determine what issues are material	p12
	Inclusivity requires a defined process of engagement and participation that provides comprehensive and balanced involvement and results in strategies, plans, actions and outcomes that address and respond to issues and impacts in an accountable way.	APS p10						
stakeholder education	supports building capacity for external stakeholders to engage	APS p11	Executed properly, it (SE) is likely to result in ongoing learning within the organization and by external par ties, as well as increase accountability to a range of stakeholders.	RG p10				
Innovation and learning	facilitates understanding, learning and improvement of the organisation	APS p11	(SE) is likely to result in ongoing learning within the organization	RG p10				
develop trust	*No result on document search - trust*		Accountability strengthens trust between the reporting organization and its stakeholders.	RG p10				
			Trust, in turn, fortifies report credibility.	RG p10				
demonstrate leadership			Measuring and demonstrating efforts to reduce indirect emissions can demonstrate leadership in combating climate change and can enhance the organization's reputation.	IP p24				

Appendix 4.8

EXTRACT FROM THE ANALYSIS OF THE CASE STUDY COMPANY CR REPORT

Motivations for reporting				
Theme	**data from sodexo report**	page ref	**Evaluation of data from Sodexo report**	**Interview question**
Reputation Considerations				To what extent does CR report enhance Sodexo's reputation and with whom?
Decision making	A data summary is provided. Data provided for the last 4 years. Data provided in the areas of diversity and inclusion, learning and development, employee engagement, local communities, supply chain and environment.	S48 - S50		Is data collected that is not used for reporting purposes?
Stakeholder engagement				
Strategy	Stakeholder engagement strategy outlined. It follows the Better Tomorrow Plan (5 themes), types of engagement (staekholder map, perception audit disclsoed) and nature of engagement (plenary consultations, business breakfasts)	S39	the role of stakeholders (if any) in defining strategy and setting targets is not explained	Do stakeholders have any role in defining strategy and setting targets?
why - to support commercial activity	Purpose of engagement - to support corporate strategy	S39		Is stakeholder education a purpose? Education in what sense - the constraints on Sedexo performance or about sustainability
why - to monitor external environment	stakeholder engagement strategy	S39	strategy doesn't appear to seek to illicit stakeholder concerns	Is this a two way discussion - to what extent do you learn from/respond to the issues raised by stakeholders
who	clients, customers,suppliers, government and the public sector, and NGOs	S39		How are stakeholders selected and details of who has been consulted.

Appendix 4.9

Employee engagement	specific content relating to the engagement of employees - now included in managers objectives. Volunteering supported	S8 - S14, S40 - S41	As an employer - significant proportion of time & space. Listed first	why this emphasis?
Clients	clients offered support for awareness raising initiatives (mainly public sector), clients offered a site survey	S41a		is client engagement seen as a means of stakeholder education ?
Clients	annual environmental site survey - covers water and effluents, energy and emissions, materials and waste and includes questions on communication and awareness, equipment and processes, metrics and client engagement.	S42		do clients see this as a commitment to sustainability or part of the commercial service?
customers	By holding surveys, raising awareness and providing appropriate information, we strive to understand our customers' outlook, explain our approach to sustainability and help them in theirs.	s42a	Support the commercial strategy (market intelligence). Nutrition and health information is last	To what extent do you consider you have a responsibility to educate customers ? Balance between health and environmental ?
Suppliers	share best practice and support each other's sustainability objectives. Policy - supply chain code of conduct - commitments to ethical standards, environmental management and healthy eating	S44		who decides/approves policy?
Government and public sector, Associations and NGOs	Report includes a list of the associations and organisations with which they engage BHA, BiTC, Carbon Trust, Food Ethics Council, NFU, NUS, People 1st, Reform, Springboard, WRAP and fish screening (MSC)	S46	details of the nature of the engagement are also included	why these ones? Who decides? Is there an education agenda?
Stakeholder education				

innovation and learning (in org)	"We aim to increase engagement, productivity and innovation through an inclusive and supportive workplace where each employee's contribution is valued"	S8		
	example of capturing innovation green spark initiative	S40a	This is focussed on environmental performance - improvements here would potentially result in financial savings	how important is this to the business?
Development of trust	Within the ethical principles - loyalty: earning the trust of clients employees stakeholders and suppliers by establishing loyal and enduring relationships	S6		to what part does the CR report play in the development of trust?
demonstrate leadership	Hosted a Business in the Community 'Seeing is Believing' visit for senior business leaders focusing on ex-offender employment. Thomas Jelley received BiTC award	S3 & S4	there is industry recognition of the approach to CR	how does a business demonstrate leadership in this area?
	The group was recognised 'Global Sustainability Industry Leader' for the eighth year in a row in the Dow Jones Sustainability Index (DJSI), for its industry sector 'Restaurants, Hotels, Bars and Recreational Services'.	S3a	At a global level, the company adheres to the requirements of this sustainability index and so this may influence the nature of the data collected	To what extent does the DJSI influence reporting in the UK ?

EXTRACT FROM RESEARCHER'S FIELD NOTES

Interview with Respondent 9 London 25/10/2012
Technical Director, BHA

This interview was difficult to manage. The Respondent had spent the previous 2 days in round table discussions, which included academics, with the EU considering nutritional aspects food labelling.

The Respondent, as title, was clearly representing the views of the industry and so whilst appearing quite candid was very careful in what they said. It appeared that their personal view of CSR was sceptical and in their opinion CSR had little place in business.

For this interview, I was very pleased that I had decided to use elicitation materials. As I presented Respondent x with these materials (the tables and the cards) it was clear I had interrupted the usual flow of his answers as he was less fluent. He took time to think through his answers.

I found that I had to really concentrate in this interview as I tried to challenge the views presented through supplementary questions.

When I transcribed the interview I realised that this interview had provided some very valuable insights. The perspective of the Respondent who was sceptical of CSR, and who clearly wanted to protect the industry, was revealing.

Appendix 4.11

EXTRACT FROM EXCEL SPREADSHEET OF THE ANALYSIS OF SEMI STRUCTURED INTERVIEWS

content of reporting										
	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9	Respondent 10	Respondent 11	Respondent 12
past performance		through reporting metrics - both relative and absolute measures	there should be a predefined list of criteria so that it is clear where effort is directed		cost control is important for energy waste & water	comparison s can be made across sites and across subsectors	numerical evidence (actual data) adds credibility	actual steps taken , what has actualy changed		
		improvements in the future			numercial data is important		commercial benefits of having benchmarking data across the industry are not recognised			
							performance measurement is difficult because metrics are ill-defined			
measures used for managerial decision making			defining your own criteris provides business with the opportunity to retro fit the criteria to what you can do			a FS co could choose to identify priorities based on metrics (such as embedded water) and then try to convince the client	reporting without methodologies and metrics is more prone to manipulation		CR Index is a management tool and so the KPIs idenitified should be used to manage the business	benchmarking through site surveys are an incentive to improve performance and so inform local decision making
							reporting risks - food security and food price inflation			
link between strategy and performance measures	extent to which strategy as disclosed in the reporting matches that discussed with government	discussion of strategic intention can appear as greenwashing just PR			policy included in CR reporting is evidence of strategy	discussion of startegies relaing to specific areas (determine where the business has the biggest impact) and how these are measured and monitored	credible reporting should identify the KPIs that are liked to their strategy	details about strategy adopted, action taken and how performance might be measured and time scales.	there should be more discussion of the long term strategy and targets	stakeholders involved in developing initial startegy. Subsequently detailed engagement on sprcific issues
		different issues are at different stages of maturity			policy adoption across the group (applied to all clients) as opposed to those clients requesting policy	metrics / measures are at different stages of maturity	still some way to go with this	difference between a response to a client need and a strategy to engage with clients on issues	discussion of the reasons for the focus that they have	
		strategy should be formulated through stakeholder engagement			a transparent link between strategy and performance measurement (what and how) adds credibility		it is possible to identify KPIs thatdemonstrate an improved performance but these aren't linked to a strategy		there should be a link between strategy development, implementation, monitoring and reporting. CR Index is designed to encourage this conversation	
		governance of CR strategy at board level			governance adds credibility					

Appendix 4.12

CODED TRANSCRIPT OF THE INTERVIEW WITH RESPONDENT 12

CR Manager at case study company 8 October 2013, Head Office, London

What are the objectives of reporting ?

A number of different objectives, as a large organisation in UK & Ireland, there are a large number of employees (35,000 people), we serve a large number of customers and as an organisation committed to responsible business practice we think it behoves us to report on our activities.

This provides our employees with a view as to what happens across the company which is important where there are diverse business divisions. There it is useful as a piece of internal information for our own people.

It is also very useful in terms of new business development. Our clients, and prospective clients, are similarly committed to (RB) and expect us, their partners, and further down the supply chain to uphold what they want to achieve.

We also use reporting for the purposes of benchmarking – it's invaluable for the CR index. This external benchmarking is an essential aspect of the index. It is also used internally as a means of driving up performance through the business - the element of competition associated with benchmarking keeps people on their toes. Benchmarking is also a key aspect of the Better Tomorrow Plan (BTP - the sustainability strategy to 2020) as it keeps people who aren't directly linked to corporate responsibility informed and wanting to make their contribution.

Q do you see that the information that is collected as part of the reporting process changing performance at unit level?

Yes it does but in an indirect way as we carry out an annual environmental survey of all sites worldwide (about 1,000 in the UK). The data that is captured is used in the annual report but is also reported in a site specific report which managers are asked to share with their on site team and with the client. This is now in its fourth year and so we are being to identify trends and predict forward. There is a competitive element to the site survey as each managers report benchmarks them against their performance in the previous year and against the performance of the rest of their division or segment (as a competitor set) so the site manager can see where they are at on their own historical performance and as compared to the rest of their group. The data is generated to give results at segment and division level across the UK (so defence can see how well it compares to education).

That level of detail (by division/segment) doesn't appear in the external reporting. Does it?

It is not set out exhaustively because there are hundreds of data points involved.

Is this one of the challenges of reporting?

There are details of the site survey and data as to participation. For each of the different impact areas there is a little piece of commentary on the site survey. The information is presented by division as this information is not shared publicly. In the targets (referring to the actual report) this section refers back to the site survey (in that this is where the data is from it doesn't actually refer to the site survey itself). The site survey than enables managers at site level to reflect on the environmental performance.

Is the reporting derived from a set of externally imposed measures or is a function of what the business wants to measure?

Comment [KR1]: Stakeholder

Comment [KR2]: MOTIVATIONS FOR REPORTING – stakeholder education – provides employees with a view across the business

Comment [KR3]: Stakeholders

Comment [KR4]: OBJECTIVES OF REPORTING – new business development

Comment [KR5]: OBJECTIVES OF REPORTING – benchmarking

Comment [KR6]: MOTIVATIONS FOR REPORTING – improve business performance

Comment [KR7]: MOTIVATIONS FOR REPORTING – stakeholder engagement and education

Comment [KR8]: OBJECTIVES OF REPORTING – report on past performance

Comment [KR9]: CODING MEMO – example of managerial use of benchmarking to enhance performance of the business

Comment [KR10]: CODING MEMO – this suggests data captured is used exclusively for the purposes of reporting

It's a bit of both, I reckon.

If you take the GRI as a guideline which says report these measures these may or may not be helpful.

The group report is GRI. We don't follow GRI slavishly and because we are a wholly owned subsidiary that isn't listed, we do what we think we need to do rather than follow slavishly somebody else stuff.

When you say do what you need to do – is that to manage the business ?

To manage the business and to manage our stakeholders expectations

R12 demonstrates the report that is sent to the site managers which includes an introduction to the BTP, an explanation of the indicators, the data from their own site and a list of actions undertaken at the site. The site survey focuses on environmental performance as this is managed at site level. The performance in the area of diversity & HR and purchasing is managed at a country level. The actions that were not deployed at site level are included as recommendations. The data provided is current year, previous years data, % of sites with the division that have undertaken given actions.

This level of detail is not included in the external reporting - why ?

There is only so much you want to put in the public domain. Reports with loads of detail are unattractive to the audience (as few people read the detailed reports). It is about audience expectations, client? sensitivity, costs and time involved. The production of a report is very resource intense. We report that the site survey happens and in the print report ask people to make contact if they have further questions. The covering letter to site managers and clients says if you have any questions contact us and so if people do want more detail we are happy to discuss it but we don't think there is a particular need to put absolutely everything in the public domain.

These are the key drivers for managing the business and people are happy to accept that we are doing this as we participate in external benchmarking which validates what we are doing. Clients get a copy of the report at site level (evidence this is what we are doing).

The site managers are provided with notes to help them.

Do you see that the role of reporting is in part to educate ?

Guiding our site managers to explain the things that they are doing and to see opportunities in the things that they are doing

In terms of the stakeholder engagement, do you feel that you need to educate your stakeholders in terms of what is possible within your business model?

We have clients and other stakeholders who think that facilities management companies that are diversified, decentralised, operating on other people's premises, not sub metered, are able to say we are going to reduce our carbon emissions by 20% by 2015. Historically there has been a lot of pressure on us to make that type of commitment. It has only been through a process of stakeholder engagement that you get them to understand that we don't have a vast office portfolio and we don't manufacture widgets. In FM it is very, very difficult to measure environmental impacts because of the sub metering issue, the fact that our waste is combined with the clients and customers waste, we may not be responsible for waste management because the waste management system doesn't produce any data. I have just been involved in a project at a client where we manage the airport lounges in different continents and we asked each of the lounge managers what data (electricity, gas, water, refrigerant waste management data) they received. The overwhelming majority said

Comment [KR11]: CONTENT OF REPORTING GENERIC – use of information for the purposes of managerial decision-making – inside out / outside in

Comment [KR12]: OBJECTIVES OF REPORTING – dual objectives manage stakeholders and business

Comment [KR13]: MOTIVATIONS FOR REPORTING – stakeholder education – both internal (employee) and external (client)

Comment [KR14]: CONTENT OF REPORTING – nature of metrics for FS sector

Comment [KR15]: MOTIVATIONS FOR REPORTING Stakeholder education is client education

Comment [KR16]: MOTIVATIONS FOR REPORTING – stakeholder education – nature of the FS sector that not only did the y not get the data, but that they could not get it. In the UK, we are lucky to have either the sub metering, or waste data, or separated waste streams, or control of the waste management. Because we have that difficulty we focus on the areas we can make a difference – that is how we train our employees and the operational aspects of their jobs. So the site survey is split into 3 sections, communications and awareness, that we can do for teams (through training and team meetings), there is a section on equipment and processes as we have some leverage on equipment and kit, (often it is not ours but we can influence) and metrics and client engagement. We therefore concentrate on these areas rather than set targets for things we can't measure (eg reduce carbon footprint by 15%).

The supply chain is so horrendously complicated that we have worked globally in partnership with WWF to identify 5 agricultural commodity hotspots in the supply chain (beef, soya, palm oil, +2). These have been chosen because by addressing these areas it is possible to drive down emissions.

In this case, were you using the engagement with WWF to help you identify what the issues are?

We have had to explain to WWF what FM business looks like and then they have helped identify the hotspots, we determined what is material to our business and the we determined what good could look like and what we would need to do to get there.

How do you determine materiality ?

WWF use environmental impact. There is also a trade-off between long term and short term. There is confusion between cost and price – the price of MSC certified fish might be x today but the cost in the long term might be much much higher (because the cost of doing nothing now will push up the price in the long term as a result of diminishing stocks).

Do you see one of the objectives of reporting as being to communicate risks in the business?

The BTP is constructed around the issues that are material to our business - material in the sense of risk (business disruption) and commercial opportunity. This is why BTP is split into the pillars. These are the potential risks and opportunities within our business which is then picked up in the BiTC index.

Who decides which stakeholders?

In UK & Ireland we have good and longstanding relationships with the likes of BiTC, WRAP, The Carbon Trust, a number of different charities, Dept. of health, &Defra. No single person owns the agenda, there are a number of different board members whose functions have significant influence on who our stakeholders are, but it depends on materiality so a combination of the influence stakeholders wield and our dependence on them.

Is importance related to the possibility of negative publicity?

No, with our major stakeholders, eg WRAP & Carbon Trust, it is about partnership and fact that we can achieve more through working together. WRAP & Carbon Trust have phenomenal expertise but they don't have the playground for experimentation, but we do.

Do you see benefit in the sector working together (measures across the sector)?

Definitely

Do you think it is likely?

Comment [KR17]: BOUNDARY OF REPORTING – looking at the commodities in the supply chain – extension of the boundary of reporting

Comment [KR18]: OTHER COMMENTS – working with NGOs to identify supply chain issues

Comment [KR19]: MOTIVATIONS FOR REPORTING – stakeholder education – nature of the FS sector

Comment [KR20]: CODING MEMO R12 understood the concept of materiality

Comment [KR21]: CONTENT OF REPORTING – use of materiality, use of experts (NGOs) to identify material issues

Comment [KR22]: CONTENT OF REPRTING – materiality defined in a managerial sense

Comment [KR23]: MOTIVATIONS FOR REPORTING stakeholder engagement identification of stakeholders

Comment [KR24]: MOTIVATIONS FOR REPORTING – working with partners to identify innovation and learning and partnership –

We have hopes, which is why we joined the Hospitality & Foodservice agreement (WRAP/DEFRA). We have seen these things work out in the past. We participated in a project involving the carbon trust and the association of catering equipment manufacturers which was all about utility consumption in commercial kitchens. The data and analysis that came out of that experiment was the first of its kind. It demonstrated a level of detail that no-one in the industry had had access to. It's only by spreading resources/capabilities and pooling them between competitors and the carbon trust, that these things are possible. I'm hopeful that we will see the same sort of thing come out of the Hospitality & Foodservice agreement.

These things are important and it's definitely not all about backside covering. When things back fire and you have got friends it's helpful, inevitably in a large organisation things do go wrong but the approach to it is about progress, collaboration and partnership and being able to derive more from a complex and mature eco-system than we could just on our own.

Does this link to the reporting guidelines?

There are advantages to the sector, itself, developing its own measures rather than looking to external guidelines. These partnerships are invaluable.

Do you use your stakeholders as a sounding board in the development of strategy?

It varies. We had a very strong stakeholder engagement programme at the start of the BTP (2010-2012). It really helped to set the scene, more recently there has been detailed engagement on specific issues. We have been working with WRAP on waste, looking at SMEs and social enterprises in the supply chain (working with BiTC and social enterprise UK). That stakeholder engagement is very much feeding into our strategy regarding SMEs and SE in our supply chain.

Do you envisage going back to stakeholders on the broad strategy development?

The BTP has milestones in 2012, 2015 and 2020. We report our progress against those. Last year the 2012 commitments for salts, fats & sugars and healthy diets came to fruition which is reflected in the data summary.

On reading the targets section, I was unsure as to what the future targets are.

This wording has been tweaked and in the 2013 report, the wording will reflect the 2015 commitments. This is a dynamic area and things do change. The reports microsite doesn't change and is a snapshot in time. When the new report is released, the old report is removed and available through the archive.

Content

The 5 pillars of BTP were identified through a process of internal stakeholder consultation and external stakeholder consultation (last q 2008 – q1&2 2009).

Of the accreditations is there one that has had more influence?

In the UK for domestic clients or clients involved in BiTC, it is BiTC's CR index, but for international clients it is the Dow Jones Sustainability Index. Dow Jones SI is done at a group level (covers global operations) whereas the CR index (BiTC) is at country level. It's attractive to the UK market and is the leading benchmark in the UK and if we want it to have an influence on the UK operations, the DJSI won't work because it won't give you the level of detail needed in the UK for the UK.

Is the BiTC index a better fit for a FM business?

Comment [KR25]: CONTENT OF REPORTING – measures – developed in conjunction with the sector

Comment [KR26]: CONTENT OF REPORTING – measures – externally imposed measures potentially not as suitable ?

Comment [KR27]: CONTENT OF REPORTING – strategy development – in conjunction with stakeholders
CONTENT OF REPORTING stakeholder expertise

Comment [KR28]: CONTENT OF REPORTING – past performance , achievement of targets

Comment [KR29]: CONTENT OF REPORTING – future looking information doesn't seem to be of as much interest as past performance

Comment [KR30]: CONTENT OF REPORTING– difference between UK and global
CONTENT OF REPORTING – influence of client expectations

The CR index covers a range of activities and I am not as familiar with the DJSI as I am not responsible for it. I just feed in certain bits of information. The BiTC is a one size fits all, regardless of industry. One of the reasons BiTC works for us is that we know it well and so there are certain things we do because we participate in the CR index so we know that there is no point in focusing on XYZ in a particular way we should do it in a different way, because of the CR Index and that is perceived as best practice. It helps us to participate and track progress year on year. We only use one index for the UK & I. The CR index and DJSI fulfil slightly different purposes. One is domestic, one is global.

At a global level, you have got UNGC Advanced Level, has this informed reporting?

Not at UK level, perhaps at global level.

Is there any area of reporting you would like to include but don't at the moment?

Best practice would dictate that we should report known breaches of our policies and procedures. At the moment, for some, we just don't have a system to do it and for others we haven't had the discussion internally yet. Eg we have sophisticated reporting on H&S incidents, we report on the number of days sickness absence, number of fines and prosecutions annually, but we don't report the number of H&S incidents by type, we could but we don't. We haven't had the discussion internally. Best practice would suggest that we do that. Similarly, we don't report on known internal breaches of our business integrity policy. I don't know what systems we have internally, it's not a conversation we have had. There are some areas where we have further to go.

Comment [KR31]: BOUNDARY OF REPORTING – potential changes

What do you see your reporting looking like in 5 years time?

It will continue to be against BPT and I expect it to be in more details with better metrics because we are continuing to invest in systems that allow us to get to the data. This in itself is a huge challenge.

How do you develop the measures?

We use our internal and external expertise depending on the area. So we use our external stakeholders. Internally we have a UK&I environmental committee that meets quarterly has representatives from across the business - a lot is run past them. There is also a family of global working groups for each of the subject matters in the BTP. I am chair of the materials and waste working group which has representatives from US, UK, France, India and Belgium. Similar working groups exist for energy and emissions, water and effluents, health, nutrition and wellbeing and so on. They help inform the BPT. There is also the equivalent of the environmental committee – Food technical, Health and Safety, Foundation and risk committees.

Comment [KR32]: CONTENT OF REPORTING – development of measures – this suggests that measures are developed internally which might support managerial decision making motivation

R12 demonstrates "Citizen" the global BPT reporting platform (on-line) that is used to collect country level data that is then used for the country survey as it hoovers up data, under the different pillars. This will be audited by KPMG. This is the UK&I dashboard. These numbers show me the extent to which I have completed each section. If I click to this you see the headings that reflect the priorities in the BTP pillar. If I look up environmental, then there is a full list of the indicators that are tracked country by country, worldwide eg volume of organic fruit and vegetables purchased, volume of palm oil purchased, volume of sustainably sourced palm oil purchased. There are indicators for all areas. This is populated with data annually that is pulled all the way round the organisation. This data ends up in the global reporting and also in a country (UK&I) level survey report. This allows the UK&I to be benchmarked against other countries. At country level, a road map (action plan) is produced that documents the country's targets.

Are stakeholders interested in this level of detail?

For benchmarking – yes and it is important for the CR index. So when we look at the current year road map (FY13) it includes actual results for this year and forecasts for future years and then the action plan in terms of how to achieve the targets. We do not have action plans for all the targets as we are asked to prioritise some

Example provided - diversity and inclusion – do you have an action plan to integrate people from diverse ethnic origins and all cultures into the workplace. The target is all countries for 2020. It was no for us in FY 2012, forecast is yes for FY2013. The action plan details – planning network launch FY2014, in FY 2013 launch of skills booster, e learning for managers and cascade materials for all teams. The target around diversity and inclusion for all countries by 2020 is included within the data/targets section of the reporting.

KPMG are undertaking an audit of this area for global reporting purposes. Under French law, there is an obligation for all French listed companies to report on their ESG performance worldwide. That catches us as a wholly owned subsidiary and quite an important company in this area and so we have been chosen as an audit target this year.

Do you consider the monitoring of environmental performance to be a given?

An awful lot of it is just expected of good business – as a larger company you are expected to be managing environmental performance.

The areas that the audit will cover are the KPIs on paper disposables, suppliers code of conduct and how that is used, sustainable palm oil, fairtrade coffee. What the auditors are auditing is the BTP reporting because that is how we report on these areas. They will be checking that the processes and evidence are there (as per a financial audit). They will check the systems are in place, check that they work and that the data produced is reliable.

It has moved on hugely in the last 5 years because the BTP which has brought global consistency to the way we do things and on top of that the French law that applies to French listed companies.

Comment [KR33]: MOTIVATIONS FOR REPORTING – legal requirement

Does the French law influence what you report in the UK?

No it doesn't. It influences what we report at group level but not at UK level. There is obviously a very close dialogue between myself and my colleagues in Paris around the indicators in BTP.

There is a huge amount of data you collect, why do certain bits end up in the reporting?

We get a view for what is considered important from the BiTC CR index. There is no point in spending loads of time on reporting data that is not considered to be best practice and not considered to be best practice and not considered interesting to our external stakeholders.

Is the data that is collected but not reported collected because it is also operationally useful?

All the stuff I just showed you and all the stuff on CR index doesn't have questions around sustainable paper disposables. It has questions around GHG emissions based on energy, fuel and resource use. We are unlikely to use the information regarding sustainable paper disposables in the CR index, but last year in the BTP process at country level, when we asked the questions around sustainably sourced office paper, it transpired that following a change in suppliers we no longer had sustainably sourced paper. That was an alarm bell and we reverted back to sustainably sourced office paper. So that's an example of how collation of indicators at country level highlighted a gap. Even though we don't report that indicator externally, but it exists, and it was useful. So there are KPIs at site level for environmental information because that is managed at site level, country level which includes all purchasing, HR, business integrity diversity and inclusion, and KPIs at the global level are checking that countries do activities XYZ. The group level indicators are influenced by DJSI

Comment [KR34]: CONTENT OF REPORTING GENERIC – this is an example of the inside out approach.

and UNGC Advanced Level. Whereas the KPIs for country level in UK&I are influenced by BiTC CR Index because that is what works for us. Ultimately the major driver for the KPIs is the BTP which is based on issues that are material to our organisation and identified through stakeholder engagement. The BTP informs everything from site to group.

How did the BTP evolve?

BTP was designed by a team of people including me from around the world. The strategic steering committee for BTP meets monthly and has done so since it was developed 5 years ago and I am the BTP champion for UK&I. The content of our reporting is driven by the BTP.

Is GRI useful?

Yes it is useful because it provides stakeholders with a road map that is well known. We don't expect everybody to get to know the BTP, so having something like the CR Index, DJSI, Global Compact or GRI for many people, important people, it's short hand. They don't need to read and understand the BTP, they take it from which ever organisation they have confidence in.

Comment [KR35]: CONTENT OF REPORTING – role of GRI

In terms of indicators do you look at the GRI to see if there is anything useful there?

I personally don't for UK and Ireland but we do report against GRI at group level.

Why not

Because we do it at group level and I don't think that our UK&I stakeholders are interested. Our UK&I stakeholders are our employees, our clients, and our prospects, its not institutional investors or the stock market because we are a subsidiary and not listed. We don't use the CR Index on a global basis because we use DJ out of Paris and I'm not going to start relating our global reporting to the CR index. It is very important to the group that we in the UK use the CR index.

Comment [KR36]: MOTIVATIONS FOR REPORTING – stakeholders

Comment [KR37]: CONTENT OF REPORTING – importance of client expectations

Do you have any ambitions to reach platinum standard?

This would be very difficult. In part due to the nature of the business. Gold standard is difficult to maintain, it is not a given. It is never taken as red and we have to squeeze every last piece of performance out of the business to maintain that. The difficulties in reaching platinum are due to a lack of operational control and that the shape of the business changes all the time. Win a few contracts here, lose a few there and your business has changed significantly. You only need to win or lose a few hospitals or universities where you are responsible for waste management and the figures change significantly. Or you change suppliers, or existing suppliers change the scope of the data they provide to you and your historical data goes to pot. You have a wider scope which is great but it does mean comparing year on year goes out of the window.

To what extent to you think the purpose of reporting is to provide a comparison of year on year performance or is it about communicating strategic direction?

It's both.

Comment [KR38]: CONTENT OF REPORTING – balance between forward looking information and past performance

Even though comparisons might change?

Yes, and we should restate comparisons if necessary. We have done this in the past. If you look at our reporting on supply chain emissions, you can see that there is a significant change between 2012 and 2013 which is disclosed in a footnote. In every report I've worked on there has been a change in the scope and you have to note it. It's messy and to some extent it means that you are comparing apples and pears, but we would be crazy to say actually we're not going to report the enhanced scope because it messes up the figures.

Do you see the extent of your reporting changing? Where you draw the boundary?

That tends to be relatively stable. The scope might grow.

In terms of nutrition targets, you look to report at consumer level, but in environmental performance its controlled operations. How do you decide?

Look to see where the major impact lies, so with health and nutrition, the major impact is with the consumer. So when we look at the supply chain we can identify the major impacts around the hot spots. Performance (in the supply chain) is outside our control. This year we founded a social enterprise that sells into Sodexo which is interesting.

For diversity and inclusion there is a primary sphere based on employees, but that also has an immediate impact on our clients and customers and our ability to serve them. It doesn't go significantly beyond there at the moment, but a work in progress includes a supply chain diversity programme which will look at SME, social enterprises within the supply chain. So diversity and inclusion is going beyond us, our employees, our clients and customers and we are putting together a strategy for diversity in the supply chain at the moment.

In a financial reporting sense the entity is easily defined (the consolidated group) and that stays static for the financial statements. What about CR ?

In CR reporting the entity can change, as in this field this is all soft law and that in some respects has the advantage of flexibility in other respects it makes life much more difficult. The scope of the reporting changes depending on the maturity of the issue both internally and externally.

Can you give me an example of an issue where the external maturity has increased?

The UK government appears to have, on the back of the likes of the big society, developed a keen interest in social enterprise and so over the last couple of years, both public and private sector clients have started talking about social enterprise in the supply chain. There has been an increasing level of dialogue around social enterprise and so the maturity of this as an issue has evolved significantly over the last 2 ½- 3 years. This is informing the need to have a position and a strategy to deliver the objectives borne out of this position. For example, Sodexo is committed to a diverse supply chain – that position requires objectives and a strategy to deliver them which is being worked on at the moment at group and UK level. That is the driver that has pushed out the boundary of our work on diversity and inclusion.

What will reporting look like in 5 years time?

More detail and broader. The goal posts are always moving and not getting closer together. It is starting to attract similar levels of scrutiny as mainstream accounting but with different levels of enforcement and risk when things go wrong.

When you say different levels of scrutiny is that less verifiable?

There is a lot more of it – we are not obliged to have an external statement attached to our UK report. Our report is not audited. We participate in external benchmarking and the BiTC CR index is verified externally by one of the big 4 accountants. The report itself isn't audited.

What do you think of mandatory reporting?

There was a point, with the introduction of the operating and financial review where it was close to mandatory reporting.

Comment [KR39]: CONTENT OF REPORTING – boundary

Comment [KR40]: CPNTENT OF REPORTING – use of materiality to define content

Comment [KR41]: BOUNDARY – use of the FS term to define what is in and out of the report

Comment [KR42]: BOUNDARY OF REPORTING – possible extension to the boundary of reporting

Comment [KR43]: Coding memo – links with the AA1000 concept of materiality

Comment [KR44]: BOUNDARY of REPORTING - Extending

Comment [KR45]: CODING MEMO – confirms the view of the literature as the growing importance of CR reporting

Appendix 4.12

What about the management commentary?

It only applies to listed companies and we do this through French law which requires the reporting of data.

Any advantages to narrative reporting?

We have to satisfy a range of audiences, some people want stories and pictures, some people want graphs and figures. This is used for new business development where we are asked for our performance and targets. It is also sent to all site managers who look at the narrative and the case studies. It's quite a balancing act.

Comment [KR46]: OBJECTIVES OF REPORTING – multiple audiences

Appendix 4.13

OXFORD BROOKES UNIVERSITY

CONSENT FORM

Full title of Project: **Full title of Project**: **An exploratory study of factors that influence Corporate Responsibility reporting within the Foodservice Sector**

Name, position and contact address of Researcher: Kate Ringham, Senior Lecturer in Financial Management, Department of Hospitality, Leisure and Tourism Management, Oxford Brookes University, Business School.
kringham@brookes.ac.uk

		Please initial box
1.	I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions.	☐
2.	I understand that my participation is voluntary and that I am free to withdraw at any time, without giving reason.	☐
3.	I agree to take part in the above study.	☐

Please tick box

		Yes	No
4.	I agree to the interview being audio recorded	☐	☐
5.	I agree to the use of anonymised quotes in publications	☐	☐

Name of Participant	Date	Signature
Name of Researcher	Date	Signature

Overlap of legitimacy theory and stakeholder theory

Stakeholder management (Friedman and Miles, 2006)	Suchman (1995)	Lindblom (1994)	R3	R4	R5	R6	R7	R8	R9	R10	R11	R12
negotiation												
Consultation	**maintain legitimacy by identifying future changes**		respondent was involved in discussion of strategy, targets through a stakeholder roundtable	conversation with NGOs does this identify issues & inform strategy		forward thinking businesses have engaged their stakeholders						work with NGOs to develop strategy & to draw on thei expertise (argicultural hotspots)
placation	**Maintain legitimacy through the protect of accomplishments**						Carbon accountability is helpful because it exposes poor performance and companies don't want to be seen as poor performers. It also allows people to make comparisons	Benchmarking is possible within subsectors across subsectors is difficult (eg high end restaurant against a school).				
explaining (two-way dialogue)	**Repair cognitive legitimacy through the provision of a normalising account that provides excuses/justifications**		Explain of choices made - why choose one certification over another	Explain of choices made - why choose one certification over another		reporting on cutural changes				the explaining might be to the client		reporting of past performance (against targets)
informing (one-way dialogue)	**gain legitimacy by providing evidence of meeting societal expectations**	**provide information to evidence the changes made to activities to meet societal expectations**		An example of a change in activities is an initiaitive such as meat free Mondays				reporting is evidence of past actions demonstrates change in activities "you can measure and demonstrate change year on year to customers/ stakeholders / shareholders"	the changes in behaviour are as a result of regulatory pressure	evidence of current strategy		reporting does communicate strategy (eg site surveys)
therapy		**demonstrate that societal expectations regarding behaviour are unreasonable**			CR reporting seen as greenwash				Nature of operations Boundary is the most significant challenge		CR reporting is a response to societal ills	providing an explanation of the business model for FS to show that global emissions targets are not feasible
manipualtion	**gain legitimacy by manipulating the environment**	**stakeholder perceptions but not behaviour (falsely indicate that performance has changed) Deflect attention from contentious activities**		data can be presented in different ways and so influence the impression of performance	ability to manipulate targets so that performance appears better		adopt a policy at one client but not another and highlight this policy		narrative reporting (without numerical evidence) is a means of manipulating the information presented. Companies do not engage in honest debate with respect to procurement	achieved through careful defining of the boundary eg Carbon emissions arising from transportation are small compared to those arising as a result of the means of production. But it is easier to get logistics companies involved and this is easier to do and to communicate	focus on positive case studies (sometines pilots) rather than discuss long term strategy or long term targets	

Appendix 5.1

Appendix 6.1

Boundary of reporting

	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9	Respondent 10	Respondent 11	Respondent 12
concepts used to set boundary		consistency across global operations vs reporting of local issues	anything you have influence over	depends on issue	policies adopted on client by client basis as opposed to adopted across the whole business	depends on issue - for waste caterer's site & consumer whilst on site	this is the most significant challenge	lack of understanding acknowledgement of where the issues arise - incorrect focus		report is constructed around the issues that are material to our business. Material in the sense of risk (business disruption) and commercial opportunity
		disclosure of method is important	the overlap between the client and the caterer also has an impact on boundary		means of manipulating perceptions of performance		control is the determinent of what you can report	boundary is drawn as a consequence of what is possible regardless of impact		
			what is in the contract specification					eg focus on carbon emissions from trnsportation rather than food production		
Materiality used in boundary setting		difficult to address all the issues therefore need to be selective			verification of an approach to an issue			boundary shoud be farm through to consumer		in conjunction with NGO look to identify agriculture hotspots that have a material impact on the business
			some reports cherry pick issues		boundary can change depending on the issue	By offering the client data, the boundary of the client's reporting can be extended				
specific topics										
climate change, GHG emmissions		more well established than for waste								
Biodiversity		biodiversity is linked with farming practices. Responsibility is extending into the supply chain								
Suppliers	the impact of social responsibility in the domestic and global supply chain						companies can control sourcing but the reporting boundary for sourcing is currently limited			
Health					difficulties include lack of control in the supply chain (eg transfats, staff behaviour)		growing pressure to report on provenance			
water				in the supply chain the amount of water absorbed in the production of products						

Boundary of reporting

Theme	data from case study report	page ref	Evaluation of data from case study report	Interview question
how defined	boundary identified through extensive continued consultation with stakeholders	p2	some explanation - but not explained in detail	how are the conflicting demands of different stakeholder groups managed? Are employees involved in this process?
	materiality used to determine commitments –[…]	p2		how do you define materiality - with respect to what?
boundary of performance data	clear that performance was defined for sites "in scope"	p8	scope was briefly defined in footnote - but implications not discussed. The scope is defined for controlled sites. Controlled not stated as a % of all sites or a number	How is the scope/boundary or reporting decided? Is it dependent on issue? Is there a guiding principle/policy for applying boundary - agreed by who?
	"scope" does appear to change depending on issue - environmental - where it is a [case study company] controlled site	p31a	difficulty of operating as a guest on client site (and not having sub-meters) recognised but impact not explained	The boundary of reporting appears to be different for different issues. And how is this communicated ?
	healthy eating - all sites, nutritional information including calorie labelling - in scope	p16	scope for the calorie labelling is not quite so clear as scope is to defined	
disclosure of method	some areas explained - in environmental eg electricity consumption reported where there are sub meters and [case study company] has control	p33	use of Carbon Disclosure Project	Is there a policy of seeking to implement sub-metering in new sites?

page ref - this refers to the page numbering applied to the hard copy of the CR report by the researcher

REFERENCES TO GUIDANCE ON REPORTING WITHIN THE COMMENTARIES ON REPORTING

	AA1000APS (2008)	SRG (GRI, 2011)	UNGC (2013)
Guidance on Corporate Responsibility Indicators in Annual Reports		Informed the indicators identified	
OECD Guidelines for Multinational Enterprises		Referred to as an example	
ICGN Statement and Guidance on Non-financial Business Reporting	Referred to in the resource list	Referred to in the resource list	
United Nations Principles for Responsible Investment		Referred to as an example of standardised reporting	Referred to as an example of a code of conduct
Building the capacity of investment actors to use environmental, social and governance (ESG) information		Referred to the drawbacks of a standardised reporting framework	
ISAE 3000 Assurance engagements other than audits or reviews of historical financial information			
A renewed EU Strategy 2011-2014 for Corporate Social Responsibility		Referred to as a framework for disclosure	Referred to as internationally recognised principles
Public Sector Annual Reports: Sustainability reporting		Referred to as a reporting standard	
Communicating climate change in mainstream reports (a Guide to using CDSB's reporting framework)	An example of a company using AA1000APS was provided		
Climate Change reporting Framework – edition 1.1	AA1000AS recognised	Recognised as an influence on disclosure requirements	

A new Structure for Narrative Reporting in the UK			
A Director's Guide to Corporate Responsibility Reporting	Referred to as a global guideline	Referred to as a global guideline	
Effective Company Stewardship Enhancing corporate reporting and audit			
Management Commentary: A framework for presentation			
Conceptual Framework for Financial Reporting			
A more resource efficient EU economy: the role of company reporting		Given as an example of a reporting initiative	
Discovering ISO 26000			

DISCLOSURE OF STRATEGIC DIRECTION – REPORTING GUIDANCE DATA

Guidance	Reference made to strategy
AA1000APS (2008).	"aligned with the processes for organizational decision making and strategy development"
SRG (GRI, 2011)	the overall vision, taking a medium to long-term view, and then to address two further areas; key impacts and trends, risks and opportunities.
UNGC Policy (UNGC, 2011b)	organisations align their business strategies with the ten principles,
UNGC Practical Guide (UNGC, 2009)	Strategy in relation to greenhouse gas reduction
IASB Conceptual Framework (IFRS Foundation, 2010)	Not discussed
Management Commentary (IFRS Foundation, 2010)	(a) the entity's risk exposures, its strategies for managing risks and the effectiveness of those strategies; (b) how resources that are not presented in the financial statements could affect the entity's operations; and (c) how non-financial factors have influenced the information presented in the financial statements.
Effective Company Stewardship Enhancing Corporate Reporting and Audit, (FRC, 2011)	Not discussed
Rising to the Challenge; A review of Narrative Reporting by UK listed Companies (FRC, 2009)	discussion of strategy is an important part of providing a "fair review" of the business (p5)
ICGN Statement and Guidance on Non-Financial Business Reporting (ICGN, 2008)	describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities (p6)
UN Principles for Responsible Investment, (UNPRI, n.d.)	Not discussed
Building the capacity of investment actors to use ESG information, (UNPRI, 2013)	reporting should explain the relationship between ESG issues and corporate strategy (p16) which ESG issues are important value drivers for the business (p6) or financial

	relevance of these issues (p6)
UNCTAD Guidance on Corporate Responsibility Indicators in Annual Reports (UNCTAD, 2008)	investors require information on long term implications of strategy potential consequences of CR performance.
Climate Change Reporting Framework – Ed 1.1, (CDSB, 2012)	to explain the links between the organisations strategy, operations and climate change impacts (p11 para 2.32)
Communicating climate change in mainstream reports (CDSB, 2013a)	appraisal of current business model, its drivers and strategy (p9)
ISAE 3000 Assurance Engagements (International Federation of Accountants, 2005)	X
AccountAbility1000 Assurance Standard, (AA1000AS, 2008)	X
A Director's Guide to Corporate Responsibility Reporting, (BiTC, 2005)	integrate your reporting into systems, policy making and operations (p25)
ISO 26000, Schematic overview (ISO, n.d.)	Not discussed
Companies Act 2006, c46	Description of the Companies strategy and a description of the company business model (not specifically related to sustainability strategy)
Public Sector Annual Reports: Sustainability Reporting Guidance, (HM Treasury, 2012)	Not discussed
The Future of Narrative Reporting; (Department for Business, Innovation and Skills, 2012)	description of company's strategy and business model
A renewed EU strategy 2011-14 for Corporate Social Responsibility (EU, 2011)	whilst the EU encourages a strategic approach to CSR - it does not suggest this is included in reporting
A more resource efficient EU economy: the role of company reporting (Friends of the Earth, 2012)	Not discussed
CORE Coalition Response to BIS Narrative Reporting	drive better internal awareness so that management and shareholders have a clearer

Consultation	understanding of the impacts that the core business has on people and the environment (p2)
OECD Guidelines for Multinational Enterprises, (OECD, 2011)	Not discussed

DISCLOSURE OF STRATEGIC DIRECTION – SEMI-STRUCTURED INTERVIEW DATA

Strategy, Performance measures, Targets and Metrics

	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9	Respondent 10	Respondent 11	Respondent 12
link between strategy and performance measures	extent to which strategy as disclosed in the reporting matches that discussed with government	discussion of strategic intention can appear as greenwashing just PR			policy included in CR reporting is evidence of strategy	discussion of startegies relaing to specific areas (determine where the business has the biggest impact) and how these are measured and monitored	credible reporting should identify the KPIs that are liked to their strategy	details about strategy adopted, action taken and how performance might be measured and time scales.	there should be more discussion of the long term strategy and targets	stakeholders involved in developing initial startegy. Subsequently detailed engagement on sprcific issues
		different issues are at different stages of maturity			policy adoption across the group (applied to all clients) as opposed to those clients requesting policy	metrics / measures are at different stages of maturity	still some way to go with this	difference between a response to a client need and a strategy to engage with clients on issues	discussion of the reasons for the focus that they have	
		strategy should be formulated through stakeholder engagement			a transparent link between strategy and performance measurement (what and how) adds credibility		it is possible to identify KPIs thatdemonstrate an improved performance but these aren't linked to a strategy		there should be a link between strategy development, implementation, monitoring and reporting. CR Index is designed to encourage this conversation	
		governance of CR strategy at board level			governance adds credibility					
past performance		through reporting metrics - both relative and absolute measures	there should be a predefined list of criteria so that it is clear where effort is directed		cost control is important for energy waste & water	comparison s can be made across sites and across subsectors	numerical evidence (actual data) adds credibility	actual steps taken , what has actualy changed		
		improvements in the future			numercial data is important		commercial benefits of having benchmarking data across the industry are not recognised			
							performance measurement is difficult because metrics are ill-defined			
measures used for managerial decision making			defining your own criteris provides business with the opportunity to retro fit the criteria to what			a FS co could choose to identify priorities based on metrics (such as embedded water) and then try to	reporting without methodologies and metrics is more prone to manipulation		CR Index is a management tool and so the KPIs idenitified should be used to manage the business	benchmarking through site surveys are an incentive to improve performance and so inform local decision making
							reporting risks - food security and food price inflation			

Appendix 6.5

PERFORMANCE MEASUREMENT – SEMI-STRUCTURED INTERVIEW DATA

	Respondent 3	Respondent 4	Respondent 5	Respondent 6	Respondent 7	Respondent 8	Respondent 9	Respondent 10	Respondent 11	Respondent 12
Nature of metrics	metric for social impacts - comparison of wage rate paid to living wage	explanations are important to explain purpose	methodology needs to be clear	importance of being able to identify a means of measuring the issue (eg waste) so as to identify the standard	simplier issues include animal welfare, ethical trading and payment terms	for health - calorie intake, salt, fats balanced meal	nutritional information	an agreed methodology across the sector would be helpful	impact (in particular social impact) needs to be measured so that companies present an honest picture of performance	very difficult in FM as the FM company has little control over the premises (sub metering and waste management in particular)
		need to disclose how issues are measured	who and how is a methodology agreed	need to consider metrics for the industry	setting targets depends on the issue - commodities are more straight forward	for energy usage conversion to carbon is well established, but for waste this is still being established	to get agreement on consistency of metrics and methodologies is too difficult	consistency improves the clarity of information	collecting data is a challenge especially for global reporitng	combination of externally imposed and business generated
		agreed across sector and regularly reviewed	in absolute terms how understandable are the measures, this is where benchmarking and industry averages are important	difficult in a highly competitive environment - especially if sustainability reporting is seen as a competitive advantage	Start with simple measures that are achievable and verifiable	the currency of the metrics need to be understood - this might be carbon of a financial cost				there are definite advantages to the sector developing their own measures rather than looking to external guidelines
		basic standard metrics which are supported by company specific ones - everyone wears a suit but with different buttons	there should be a predefined list of criteria so that it is clear where effort is directed			some standardisation is important to aid comparison				Participate in sector wide initatives (often coordinated by an non-commercial organisation) as this provides data and analysis for the whole industry
										metrics are continually developing and in 5 years time reporting will have improved because the metrics will have improved
										metrics are developed using internal and external (stakeholder) expertise
Targets	difficult as if they are achieved they weren't hard enough, but criticised for not achieving your targets		who sets targets and how are they defined Internally generated targets are easily manipulatable		will be dependent on the extent of client buy in (due to contract terms and cost pressures)	FS cos can set targets for the organisation (or part of an organisation) and then at site level	future SMART objectives which will be targeted at what the client wants	Are useful to enable NGOs to open a discussion		need to set targets for areas that can be measured
Targets	who decides		methodology needs to be clear							identified at country level with an action plan associated with the priority targets
Targets	over simplifies some of the difficult issues		benchmark needs to be clear							
Targets						consistent methodology				

Appendix 6.6

FOODSERVICE SECTOR SPECIFIC CONTENT OF REPORTING – SEMI-STRUCTURED INTERVIEW DATA

content of reporting - food service specific										
	Respondent 3	**Respondent 4**	**Respondent 5**	**Respondent 6**	**Respondent 7**	**Respondent 8**	**Respondent 9**	**Respondent 10**	**Respondent 11**	**Respondent 12**
specific topics										
ENVIRONMENTAL climate change, GHG emmissions	more resources are devoted to environmental reporting than other issues	business case can be made as saving carbon equates to saving money		water is one of the important issues		1. energy, water and waste 2. food procurement 3. social impacts (donations through volunteering, charities or work with local communities)	energy usage due to the potential for statutory statutory regulation	animal welfare / sustainability / climate impact / food waste	food waste	manageing environmental performance is expected
ENVIRONMENTAL climate change, GHG emmissions							water reporting - to the extent it is used in operations	Carbon emisison reduction & animal welfare are linked (and important)		
Biodiversity		measurement and valuation difficult					not the responsibility of the caterer	biodiversity is linked to farming practice therefore reporting should include a discussion of farming methods in the supply chain		
SOCIAL suppliers	the social impact of sustainable food systems		sourcing and provenance, seasonality and farming practice	this is an area where understanding needs t be devloped especially around the balance between Buy British & support for developing economies			very limited and used selectively to support business strategy	possibly ethical trading	supply chain is a big issue - where they source their product from and the power dynamic in the supply chain	complexity of the supply chain means that we have worked globally in partnership with WWF to identify 5 agricultural commodity hotspots with a view to addressing emissions in these areas
social - employees				FS sector employees young people - engage and develop these people						
Health	more difficult as this is not about resource efficiency	Some actions eg nutritional information , salad options. Metrics on the healthfulness of products are needed	Health is a social responsibility issue. It is dependent on the nature of the provision. Food service with a ongoing provision has more responsibility to its customers	one of the biggest issues because of the influence of the sector	more recent issue and will become more prominent		increasingly important issue to government (due to public sector spending implications)	key area - but confusing for caterers	this will require business to think about their business practice (multi buy, advertising targetted at children)	
Health		Reporting needs to articulate policy direction	Responsibility of provider and responsibility of customer are blurred	companies will be held to account on the Responsibility Deal			high regulatory threat	should be more tham just information relating to GDA / traffic lights		
Health			There is an educational component	will require work in the supply chain as products are reformulated to reduce fat/salt/sugar						
Health				currently viewed as a cost - but is on a similar path to environmental impact.			community & diversity in the workplace			
Challenges		quantity of data		aggregation of dtat is difficult		data aggregated across sites	nature of the sector and the franchised offering	lack of understanding on the part of consumers		issue of availability of data- for energy need sub metering, for waste need separate waste collection and control over waste management systems.
Certification		each of these schemes have limitations. Organisations need to understand what the scheme does (any potential trade offs)	lots of confusion as different schemes emphasise different aspects		useful as it provides a standard for buyers		relatively easy way of adding credibility to the reporting	FS sector lacks understanding and so relies on marks/certification		the most important accreditation in the UK is CR Index, for international clients it is Dow Jones Sustainability Index
Certification		How are the standards improved	very important (recognition of own interest)				use schemes with high public awareness (ef Red Tractor)			CR Index perceived as best practice and it guides us as to which way to do certain things
Certification							organic or fair trade at the behestof the client			
Verification					verification of reporting				AA1000 ans ISO8000 are recognised as verification standards	externally verified by company's auditors through the audit of the global reporting platform that collects country data
other guidelines						too complicated for FS			seen are complimentary to CRIndex	UNGC advanced - has this not informed reporting in the UK - perhaps on a global basis
procurement							rebates, retrospective discounts, volume discounts all exist in the sector but are not discussed in CR reporting			
gaps										one area that we currently don't report on is breaches in policies and procedures - this requires a discussion internally

Appendix 6.7