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Evolution of decision usefulness of sustainability reports

Abstract

This paper provides a historical context to sustainability reporting practices of listed companies by tracing their origin and developments to determine whether such developments have resulted in decision useful reports. Using a literature review, this paper highlights the developments in the sustainability reporting practices from the 1960s to date. The findings are interpreted using the lens of legitimacy theory.

The findings indicate a dramatic improvement in the decision usefulness of sustainability reports produced by listed companies from the deceptive advertisements by companies in the 1960's to relevant, reliable, timely, comparable, verifiable and understandable reports in year 2012. The findings further suggest a change in legitimizing strategies from manipulation of the public to an attempt to genuinely educate and inform the public, which confirms the explanatory power of legitimacy theory in explaining voluntary sustainability reporting.

This paper makes a number of original contributions to the literature that attempts to explain the motives of sustainability reporting. First, it is one of the few studies that have employed legitimacy theory to explain the evolution of sustainability reports. Second, it is unique in that it uses legitimacy theory to explain the evolution of decision usefulness of sustainability reports.

Keywords: sustainability reporting, decision usefulness, legitimacy theory.

JEL Classification: M.

Introduction

It is well documented that the number and volume of sustainability reports produced by companies have increased dramatically in the last few decades. A significant question is why management of companies has undertaken to increase their voluntary sustainability disclosures, which cost money and time. A related question is whether such an increase in volume has occurred in tandem with an enhancement in the decision usefulness of the sustainability reports.

Using a literature review in the context of legitimacy theory, this article seeks to provide an explanation to the evolutionary developments of sustainability reporting practices globally. In addition, it assesses whether such developments have resulted in decision useful environmental reports. To date very few studies have attempted to explain the evolution of the sustainability reporting practice using the legitimacy theory. Even more scarce are studies that have discussed whether such an evolution has resulted in decision useful sustainability reports.

1. Definition of terms and qualitative characterization of decision useful reports

1.1. Definitions of environmental, sustainability, and social reporting. Sustainability reporting is defined as the “process of communicating social and environmental effects of a company’s activities to particular interest groups within society, and to society at large” (Gray, Owen & Maunders, 1987, p. 9).

Environmental and social reporting are, therefore, components of sustainability reporting. The two issues are inextricably linked, as companies are increasingly expected to demonstrate responsibility for their impact on the environment, and the society at large (D’Amato, Henderson & Florence, 2009, p. 02).

1.2. Qualitative characteristics of decision useful sustainability reports. The primary purpose of corporate reporting, be it financial or non-financial, is to provide information that is useful for decision-making (FASB, 2010, p. 01; GRI, 2013, p. 17). Accounting conceptual frameworks identify the qualitative characteristics that decision useful information should possess (FASB, 2010, p. 16). These include, but are not limited to, relevance, reliability, understandability, comparability, timeliness and verifiability.

The qualitative characteristics of decision useful information are further categorized into two, namely, fundamental qualitative characteristics and enhancing qualitative characteristics (FASB, 2010, p. 16). For information to be useful, it must be both relevant and reliable (FASB, 2010, p. 19). These two are the fundamental characteristics, as neither a reliable representation of an irrelevant phenomenon, nor an unreliable representation of a relevant phenomenon, helps users to make good decisions. Comparability, timeliness, verifiability and understandability enhance the usefulness of information that is relevant and reliable (FASB, 2010, p. 19). These qualitative characteristics only enhance the decision usefulness of environmental reports, as they, either individually or collectively, cannot make information to be decision useful if it is irrelevant or unreliable.

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2. Social contract and legitimacy theory

2.1. Social contract. A social contract refers to an implied or expressed contract between a company and individual members of society (Shocker & Sethi, 1974, p. 67). Under this contract, the society provides the company with its legal standing, attributes and the authority to own and use natural resources and hire employees to produce goods and services (Mathews, 1993, p. 26). A company has no inherent rights to resources, or, in fact, to exist, but relies on the society to confer the rights, as well as the state of legitimacy (Deegan, 2002, p. 292). In other words, a company exists to the extent that a particular society considers its existence to be legitimate.

In order for the society to allow for a company's existence, it expects that the benefits produced by the company exceed its costs to the society (Mathews, 1993, p. 26). Therefore, a company's survival and growth depends on its delivery of some desirable ends to the society from which it derives its powers (Shocker & Sethi, 1973, p. 67). In the contemporary dynamic society, a company must constantly meet the twin tests of legitimacy and relevance by demonstrating that the society requires its services and that its benefits exceed its costs to the society (Mathews, 1993, p. 26; Shocker & Sethi, 1973, p. 67). Where a company fails to meet the society's expectations, then, the society will effectively revoke the company's contract (Deegan, 2002, p. 293).

2.2. Legitimacy theory. *2.2.1. Overview of the legitimacy theory.* Legitimacy theory is predicated on the notion of a social contract between a company and the society in which it operates (Mathews, 1993, p. 26). The theory posits that, for a company to continue to exist and thrive, it must act in congruence with the values and norms of the society in which it operates (Shocker & Sethi, 1973, p. 67).

2.2.2. Legitimacy gap. A legitimacy gap arises when the society's expectations are not met, that is, when a company's actual or perceived behavior is not in accordance with social values and norms, which, in itself, is a breach of a social contract (O'Donovan, 2002, p. 347). A legitimacy gap may arise if the societal expectations change or if previously unknown information becomes known, perhaps, through disclosure by the media (Sethi, 1977).

2.2.3. Legitimacy threat. To the extent that companies' aims and operations are perceived to not to be in congruence with societal expectations, then, the legitimacy of such a company will be under a threat, as the society may act to remove the company's right to continued operations (Antonites & De Villiers, 2003, p. 01). A legitimacy threat will lead to actions by management to ameliorate its impact (Islam, 2009, p. 54).

2.2.4. Managing corporate legitimacy gap. If a company's legitimacy is threatened, it will embark on a process of legitimation targeted, primarily, to the most influential stakeholders – “conferring publics” (O'Donovan, 2002, p. 349). To this end, it will adopt strategies articulated by Lindblom (1994, p. 13) which include reporting to:

1. Educate and inform its relevant audience about actual changes in the company's performance and activities.
2. Change perceptions of its audience, but not change its actual behavior.
3. Manipulate perceptions of its audience by deflecting attention from issues of concern to other issues.
4. Change external expectations deemed unrealistic or unfair.

Sustainability reporting can be employed by a company to implement each of the above-cited legitimation strategies (Islam, 2009, p. 55). Equally, the strategies can be used to assess whether the reporting initiatives of such companies are meant to result in decision useful reports or not. Specifically, the first and fourth strategies suggest reporting sustainability information that is relevant, reliable, comparable, understandable, verifiable and timely. By contrast, the second and third strategies suggest reporting of irrelevant, unreliable, incomparable, incomprehensible, unverifiable and untimely information to manipulate the targeted audience.

Given that the society's expectations are dynamic in nature, companies are compelled to be responsive to the changes in the expectations (Lindblom, 1994, p. 03). This means that the extent of legitimacy needed fluctuates over time, which is reflected in the sustainability reporting practices (Islam, 2009, p. 52). The greater the adverse shifts in community expectations on sustainability issues, the greater the need to attempt to influence the society through sustainability disclosure (O'Donovan, 2002, p. 345).

Legitimacy theory also implies that companies will only change their disclosure practices if they experience pressure to do so (Islam, 2009, p. 80). The greater the pressure companies experience, the more the sustainability information they will disclose (De Villiers & Alexander, 2010, p. 02). Therefore, legitimacy theory offers a powerful explanatory tool to analyze the reporting practices of companies across time (Deegan, 2002, p. 288).

3. Sustainability reporting between 1960 and 1989

3.1. Environmental reporting between 1960 and 1969. *3.1.1. Developments.* Modern sustainability reporting emerged from the realm of financial re-

porting in the 1960s (Kok, 2008, p. 05). The mass consumption of the 1960s culminated in a plethora of catastrophic environmental disasters that raised concerns among environmentalists about the environmental costs that were neither reported nor acknowledged in the financial reports (Wyatt & Woodard, 2010, p. 01; KPMG, 2010, p. 06). Resultantly, a need for environmental reporting arose along with the development of most of its key concepts and definitions (Mahmoud, 2009, p. 27; Antal, Dierkes, MacMillan & Marz, 2002, p. 09).

As the disasters continued unabated, the environmentalists orchestrated an environmental movement that undermined the general public's trust in companies culminating in mass demonstrations to pressurize the companies to take responsibility for their environmental impact on the society (Mahmoud, 2009, p. 25). In an attempt to legitimize themselves, companies launched a series of deceptive, self-laudatory and disinformative 'greened' advertisements containing outrageous assertions meant to manipulate the perception of an already hostile audience (Vrubic, 2010, p. 16).

3.1.2. Interpretation of the environmental reporting practices of the 1960s. In terms of legitimacy theory, the plethora of catastrophic environmental disasters can be construed as a legitimacy threat. The environmentalists and general public can be seen as the conferring publics, whereas the loss of the general public's trust in companies can be interpreted as a legitimacy gap. The demonstrations to pressurize the companies to take responsibility for their environmental impact on the society can be seen as an attempt to withdraw the operating license.

The response by companies via an increased series of deceptive and dis-informative 'greened' advertisements containing outrageous self-laudatory assertions could be indicative of tactics deployed to manipulate perceptions of the public. Such a practice is consistent with Lindblom's (1994, p. 13) third strategy, based on which companies report to manipulate perceptions of the audience by deflecting attention from issues of concern to more positive issues. Such a strategy is unlikely to produce information that is decision useful.

3.2. Environmental and social reporting practices between 1970 and 1979. **3.2.1 Developments.** The energy crisis of the 1970s which resulted in gasoline shortages and rising fuel costs further enraged the general public leading to mass demonstration (Kok, 2008, p. 06). In response, there was a dramatic increase in the percentage of multi-national companies (Fortune 500 companies) that reported on their environmental performance in the USA (Kolk, 2005,

p. 35). By contrast, European countries faced an unprecedented labor unrest sparked by a decline in labor's income as a percentage of national income, increase in work intensity and work related stress (Kolk, 2005, p. 35; Silver, 2003, p. 445). In response, the more perceptive companies grasped the public relations benefits of producing at least a rudimentary social report aimed at portraying a favorable image of a company's responsiveness to key employees' concerns (Owen, 2003, p. 02).

In France, social reporting (*Bilan Social*) on employee issues became mandatory by 1977 (Hibbitt, 2004, p. 79). French companies were required to produce social reports (*Bilan Social*) with numerical data needed to assess their performance on employee related issues (Antal & Sobczak, 2004, p. 26).

3.2.2. Shortcomings of the environmental and social reporting practices of the 1970s. In the 1970s, environmental reporting in the USA was still at an experimental phase, as guidelines were yet to be developed. Inevitably, there were many inconsistencies in the reporting practice that rendered most reports incomparable (MPRA, 2007, p. 08). In addition, the amount of environmental information published was rather limited, frequently less than a quarter of a page (Kolk 2005, p. 35). Furthermore, due to a lack of a systematic approach to reporting, most reporting companies lacked a sustainability strategy, organizational structural support, a reliable EMS, a stakeholder engagement mechanism, reliable quantitative performance indicators and an independent assurance process (Epstein & Roy, 2001, p. 17). This resulted in public relations driven reports that were biased, irrelevant, unverifiable, incomparable and unreliable that did not reflect the actual environmental performance (Marlin & Marlin, 2003, p. 01).

Likewise, the European social reporting produced public relations driven reports that were mostly irrelevant, unreliable, biased and dis-informative, as they were meant to portray companies' images favorably without regard to their actual social performance (Marlin & Marlin, 2003, p. 01; Owen, 2003, p. 03). In addition, the reports lacked quantitative performance indicators, particularly, on sensitive issues such as child labor (Antal et al., 2002, p. 09; Mahmoud, 2009, p. 25). This resulted in vague incomplete and unreliable social reports that were neither understandable nor comparable. The voluntary nature of the reports had resulted in a lack of standardization of their format, terminology and content which further undermined their comparability (MPRA, 2007, p. 11).

3.2.3. Interpretation of the environmental and social reporting practices of the 1970s. The energy crisis

of the 1970s in the USA can be interpreted as a legitimacy threat, whereas the consumers of gasoline are the conferring public. On the other hand, the gasoline shortages and rising fuel costs can be interpreted as a legitimacy gap. The dramatic increase in the percentage of multi-national companies in the USA that reported on their environmental performance is consistent with legitimacy theory, as most companies in the energy sector are multinationals.

The fact that most reports were biased, irrelevant, unverifiable, incomparable, unreliable, public relations driven and did not reflect the actual environmental performance could be indicative of manipulation tactics deployed, according to Lindblom's (1994, p. 13) third strategy to manipulate perceptions of the audience by deflecting attention from possibly damaging information to more positive issues. Such a strategy is bound to produce reports that are not decision useful.

The labor unrest in Europe can also be construed as a legitimacy threat, whereas the employees can be seen as the conferring public. On the other hand, the decline in labor income as a percentage of national income, increase in work intensity and work related stress can be interpreted as a legitimacy gap. The companies' response by producing a rudimentary social report aimed at portraying a favorable image of its responsiveness to key employees' concerns is consistent with legitimacy theory.

The voluntary public relations driven reports by most European companies that resulted in irrelevant, unreliable, biased, dis-informative and self-laudatory could be indicative of manipulation tactics deployed to mislead the employees. Such reports suggest the deployment of the third strategy articulated by Lindblom (1994, p. 13), based on which, companies report to manipulate the perceptions of the audience by deflecting attention from issues of concern to other more positive issues. Such a strategy is not expected to result in decision useful reports.

The French mandatory reports can be interpreted as an attempt by companies to legitimize themselves by complying with expected legislation, which are a reflection of social values (De Villiers, 1998, p. 21). The French reports which were relevant, accurate, timely, comparable, transparent and complete could be indicative of an attempt to educate and inform the employees about actual changes companies' performance and activities (Antal & Sobczak, 2004, p. 26). This supports the first legitimizing strategy by Lindblom (1994, p. 13) and is likely to produce decision useful reports.

3.3. Environmental reporting between 1980 and 1989. *3.3.1. Developments in environmental reporting.* Following the recession which had ended the wide-

spread experimentation of social and environmental reporting in the western world, environmental reporting re-emerged in the late 1980s as a result of several high profile companies' environmental disasters such as Union Carbide's Bhopal accident; Chernobyl nuclear meltdown; and the Exxon-Valdez oil spill (Hibbit, 2004, p. 34). The disasters damaged companies' reputation, increased their operating costs or destroyed them entirely (CIMA, 2008, p. 05).

In an attempt to win back the lost public trust and regain their legitimacy, companies reported on their environmental performance using stand-alone environmental reports and annual reports (EIRS, 2007, p. 02; Kolk, 2005, p. 35). As the rates of environmental reporting rose in the late 1980s, so did the stakeholders expectations of such reports (Kucbel-Saumier, 2007, p. 01). The increasingly sophisticated stakeholders who consisted of professionals could no longer accept vague statements about a company's environmental performance, but rather expected numeric data to reinforce claims made in the environmental reports, and enable them to compare the numbers against data from past years and data from peer companies (Kucbel-Saumier, 2007, p. 01). In an attempt to meet the stakeholders needs, companies increasingly adopted, then, the newly established guidelines (Kucbel-Saumier, 2007, p. 12).

3.3.2. The shortcomings of the environmental reporting practices in the 1980s. Despite the increase in environmental reporting, most reports were dis-informative with more scenic landscape photographs (green glossies) than the actual information which made them irrelevant and unreliable. Contrastingly, some reports were overloaded with data that rendered them unreadable and incomprehensible (MacLean & Gottfrid, 2000, p. 246). The disparity in the quality of reports from green glossies to overloaded reports rendered them incomparable. In addition, the reports' performance metrics, contents, formats and structures varied widely from one company to another and from one period to another (MacLean & Gottfrid, 2000, p. 247). Furthermore, the environmental reporting practice was unsystematic as it lacked a strategy, an effective EMS and stakeholder engagement mechanism, as well as an assurance statement (MacLean & Gottfrid, 2000, p. 248).

3.3.3. Interpretation of the environmental reporting practices of the 1980s. The recession in the early 1980s can be construed to have created an economic legitimacy threat, which diverted the attention of companies from social or environmental issues. Thus, the widespread experimentation on social and environmental reporting declined. The environmental disasters in the late 1980s can be interpreted as legitimacy

threats, whereas the media and the general public can be construed as the conferring publics. The public distrust may be interpreted as a legitimacy gap, whereas damaged reputation increased operating costs or destruction of companies entirely may be construed as a withdrawal of an operating license by the society. The increase in environmental reporting by companies as a response to the environmental disasters can be seen as an attempt to regain their legitimacy.

The publication of public relations driven environmental reports that were irrelevant, unreliable, biased, dis-informative and self-laudatory could be indicative of manipulation tactics deployed by companies. Such reporting tactics are in line with Lindblom's (1994, p. 13) third strategy, based on which companies attempt to manipulate the perceptions of the audience by deflecting attention from issues of concern to other more positive issues. Such a strategy does not result in decision useful reports.

The fact that most environmental reports were irrelevant, unreliable, unreadable, incomparable, unverifiable, and public relations tool, could be indicative of manipulation tactics deployed as suggested in Lindblom's (1994, p. 13) third strategy to manipulate perceptions of the audience. Such a strategy is bound to produce reports that are not decision useful.

4. Environmental reporting between 1990 and 1999

4.1. General developments. The 1990s were also plagued by a plethora of environmental disasters, mostly in form of oil spills that destroyed ecosystems (Enzler, 2006, p. 01). The disasters received worldwide media publicity which resulted in a public outcry that re-kindled debates on environmental concerns and corporate responsibility (Hibbit, 2004, p. 35). In response, the rates of environmental reporting grew at an unprecedented pace in the (CorporateRegister.com & ACCA, 2004, p. 08). Not only did the number of companies producing environmental reports increase dramatically, but also the depth and breadth of the reports produced increased significantly (Owen, 2003, p. 06).

The rapid uptake of environmental reporting was also partly due to the looming environmental legislation, corporate governance requirements, as well as emerging risk assessment policies by banks and creditors (Skillius & Wennberg, 1998, p. 09). Although the practice of environmental reporting had gradually spread to other sectors with a lesser impact on the environment, it remained more prevalent among the sectors with a higher impact on the environment, and among Western European companies than in developing countries such as South Africa (KPMG, 1999, p. 04).

4.2. Developments with regard to decision - usefulness of the reports. To enhance the clarity

and accuracy of their reports, some companies increasingly quantified their data, presented them in a comparable manner to the past years, provided set targets to enable the readers to independently assess the progress made in relation to the targets and adhered to sector-specific codes of conduct (Tornroos, 2005, p. 16; Saka & Burritt, 2004, p. 06; Owen, 2003, p. 07; KPMG, 1999, p. 04).

In addition, a few but increasing number of companies undertook independent assurance on the reports using major accountancy and environmental consultancy firms to enhance the reliability of their reports (Tornroos, 2005, p. 02; Saka & Burritt, 2004, p. 27). Furthermore, some provided well-documented organization structures of the personnel responsible for managing their environmental affairs, the board involvement in environmental issues, as well as a foreword in the environmental reports from top management to enhance credibility of their reports (KPMG, 1999, p. 18; Hibbit, 2004, p. 35). Similarly, they disclosed their internal environmental audit procedures and had started to obtain international certification such as the ISO 14001 for their EMS (KPMG, 1999, p. 05).

The medium of environmental reporting evolved dramatically from print format in the early nineties, to on-line formats such as Portable Document Format (PDF) as in the mid 1990s, and the Hyper Text Markup Language (HTML) format in the late nineties (ACCA & CorporateRegister.com, 2001, p. 02). The HTML format of on-line reporting facilitated the provision of readily accessible, detailed, timely, interactive, user-friendly and relevant information tailored to specific needs of different user groups (Scott & Jackson, 2002, p. 196).

In addition, most companies subscribed to different reporting guidelines developed by high-profile organizations which recommended standardized report structures and required a comprehensive disclosure of information, as well as a logical flow of topics (Owen, 2003, p. 13). These improved the comparability, relevance, reliability and readability of the environmental reports (Tornroos, 2005, p. 35; Brown Jong & Lessidrenska, 2007, p. 12).

4.3. The shortcomings of the environmental reporting practices of the 1990s. Notwithstanding the above developments, environmental reporting practices in the 1990s had numerous shortcomings. Firstly, most companies lacked a meaningful stakeholder engagement mechanism that resulted in generic, overloaded, unreadable, unclear and mostly irrelevant reports (CorporateRegister.com & ACCA, 2004, p. 15; Yosie & Herbst, 1998, p. 01). Secondly, most reports were unreliable, incomplete and inac-

curate reporting due to an extensive use of manual and error-prone methodologies, as well as a tendency to report in a selective, fragmentary, biased, self-laudatory and unverifiable manner (Skillius & Wennberg, 1998, p. 22).

Thirdly, most reports lacked external verification and, for those that did, they employed poor quality verification processes (IRRC, 1996, p. 21; KPMG, 1999, p. 26). Fourthly, the reports were incomparable due to proliferation of non-uniform reporting guidelines (Brown et al., 2007, p. 13). Fourthly, most companies fully exploit their on-line resources, as they mostly used non-interactive PDF formats. For those that used HTML formats, the reports were unstandardized and lacked prior year's information, which impaired their comparability across companies, and over time (Brown et al., 2007, p. 12; United Nations, 1998, p. 18). Lastly, the on-line reports lacked dates, accordingly, their timeliness could not be determined (Scott & Jackson, 2002, p. 201).

4.4. Interpretation of the environmental reporting practices of the 1990s. In terms of legitimacy theory, the oil spills can be construed as a legitimacy threat, whereas the destruction of the ecosystems can be interpreted as a legitimacy gap. The public outcry and debates can be interpreted as attempts to withdraw the operating licence, whereas the general public can be inferred to as the conferring publics. The looming environmental legislation, corporate governance requirements, risk assessment policies by banks and creditors can be interpreted as the societal expectations.

The response by companies by increasing the environmental reporting rates can be seen as an attempt to regain their legitimacy. The fact that environmental reporting was more prevalent among the sectors with a higher impact on the environment than those with a lower impact is in line with the notion that companies with higher impact have a greater need to legitimize their operations via environmental disclosure than those with a lower impact. This is because the companies with a higher impact have a visible and obvious impact on the environment, hence, are susceptible to higher public scrutiny and more pressure.

The disparity in levels of disclosure between the Western European companies and their counterparts in developing countries can be explained by the notion that there are differences in societal pressures, therefore, differences in legitimacy threats between the developed and developing countries (De Villiers & Alexander, 2010, p. 02). Simply put, perhaps, due to a higher level of awareness and militancy of the general public in the developed countries, the companies in those countries tend to dis-

close more environmental information than their counterparts in developing countries.

Companies may attempt to legitimize operations by associating themselves with organizations perceived to be legitimate (Van der Laan, 2009, p. 20). This could explain why an increasing number of companies that undertook independent assurance on their reports chose major accountancy advisory firms as their assurance provider. It could also explain an increasing certification of EMS using ISO14001 and the adoption of guidelines developed by high profile organizations.

The fact that most companies produced reports that were self-laudatory, irrelevant, unreliable, untimely, incomparable, unverifiable and incomprehensible, their reporting practice could be indicative of tactics deployed to manipulate perceptions of the audience. Accordingly, most companies appear to have deployed the third strategy as articulated by Lindblom's (1994, p. 13) in which the reports are used to manipulate perceptions of the audience, a strategy that is unlikely to produce decision useful reports.

5. The sustainability reporting developments between 2000 and 2015.

5.1. General developments of sustainability reporting in the period between 2000 and 2015. The globally publicized financial scandals, corporate collapses and environmental disasters led to mass demonstrations against companies in the period between 2000 and 2015 (KPMG, 2010, p. 06). In response, companies increasingly reported on sustainability issues (EIU, 2010, p. 03). Although the reporting practices were no longer restricted to sensitive sectors in Western countries, it was more predominant in the sectors and countries than in the lesser developed or sensitive sectors (KPMG, 2008, p. 16; Spada, 2008, p. 03).

The growth in the reporting practice during the period was also partly driven by smart legislation, securities exchanges, reporting awards and ranking schemes and accountancy professional bodies (OECD, 2009, p. 239; KPMG, 2008, p. 16).

5.2. Developments in decision usefulness of sustainability reports during the period between 2000 and 2015. The years between 2000 and 2015 witnessed a significant improvement in the usefulness of sustainability reports, as an increasing number of companies quantified their data, contextualized them in a comparable manner to the past years and provided metric performance indicators against targets (Ernst & Young, 2007, p. 02). In addition, companies increasingly bench-marked their performance against that of their competitors, industry averages and the best practice, and provided trends of their performance (Ernst & Young, 2007, p. 16).

The adoption of the GRI sector and country-specific indicators also enhanced the relevance of the reports and made the reports more concise, effective and readable (Ernst & Young, 2010, p. 11; GRI, 2008, p. 08). An increasing number of companies also reported on a comprehensive list of indicators and provided an elaborate description of reporting systems meant to enhance completeness and verifiability of the resulting reports (GRI, 2008, p. 08; Ernst & Young, 2010, p. 11). Accordingly, there was a dramatic increase in number of companies which undertook external verification, mostly done by major accounting firms, to enhance the credibility of their reports (KPMG, 2008, p. 67).

To further enhance the credibility of their reports, some companies included third-party commentary, mostly experts or stakeholder representatives, in the reports (CBFSR & Craib, 2008, p. 34). In addition, many companies adhered to internationally recognized codes of conduct and had an effective and internationally accredited EMS (CBFSR & Craib, 2008, p. 20; EIU, 2010, p. 18). To further demonstrate their commitment to sustainability reporting and enhance the credibility of their reports, an increasing number of companies included a foreword from top management in their sustainability reports (FSC, Sustainability & KPMG, 2010, p. 03).

To enhance timeliness of their sustainability reports, many companies aligned their sustainability reporting cycle to their financial reporting cycle (FSC et al., 2010, p. 03). With the aid of the Internet, some reported on a quarterly basis, as opposed to an annual basis (CSR Europe, 2010, p. 12). The Internet also enhanced the relevance of the reports as it availed new stakeholder engagement tools like interactive surveys, discussion forums, webchats, wikis, blogs and social media such as Twitter and Facebook (Radley Yeldar & GRI, 2011, p. 03). Some companies also employed advanced software to improve the accuracy, consistency, and credibility of their data, as well as enrich their on-line content in a manner that enhanced the understandability of their reports (Mlarvizhi & Yadav, 2008, p. 03). In addition, the Internet enabled users to tailor the content of the online report to their specific information needs and preferences (CERES & ACCA, 2010, p. 16).

To further enhance the relevance of their reports, companies increasingly started to meaningfully engage their stakeholders, when selecting the content and KPIs to report on (KPMG, 2008, p. 40). Using stakeholders' feedback, companies increasingly adjusted their subsequent reports to stakeholders' preferences (Scott & Jackson, 2002, p. 197).

5.3. Shortcomings of sustainability reporting in the period between 2000 and 2015. Notwithstanding the

above developments, the reporting shortcomings of the 1990s continued in the period between 2000 and 2015. Firstly, the stakeholder engagement initiatives were mostly superficial which ultimately resulted to irrelevant reports (Business & Society, Morris & Chapman, 2010, p. 06). Secondly, most reports were unreliable due to the use of inaccurate and questionable KPIs, biased reporting and poor quality of external verification of the reports (Fonseca, 2010, p. 19; ACCA, 2009, p. 10). Thirdly, most reports were incomparable due to a lack of standardized, specific and measurable KPIs and benchmarks (ACCA, 2009, p. 10). Fourthly, most reports were incomprehensible due to either information-overload or over-aggregation of data (Kolk, 2005, p. 41).

Finally, most companies used their web-sites to simply upload a duplicate of their annual printed report in form of a PDF file, thus, they missed an opportunity to provide more interactive and timely information (Radley Yeldar & GRI, 2011, p. 02). Where the HTML format was used, the reports varied significantly, which rendered them in comparable manner (Tornroos, 2005, p. 115).

5.4. Interpretation of sustainability reporting practices of the period between 2000 and 2012. The financial scandals, corporate collapses and environmental disasters can be interpreted as legitimacy threats, whereas the media, members of the public, supra-national bodies, business and industry associations can be construed as the conferring publics. The mass demonstrations can be seen as an attempt to withdraw the legitimacy of companies. The questioning of the transparency of companies is an indication of a legitimacy gap, whereas the smart legislation, securities exchanges, reporting awards and ranking schemes and accountancy professional bodies, may be interpreted as the societies' expectations.

The response by companies by increasing the sustainability reporting rates can be seen as an attempt to regain their legitimacy. The variations in reporting rates between different sectors and countries are also consistent with legitimacy theory, as explained earlier (see Section 5.4). As mentioned earlier, companies may also attempt to legitimize themselves by associating with organizations that are perceived to be legitimate (Van der Laan, 2009, p. 20). In this context, most companies that undertook independent assurance on their reports chose major accountancy advisory firms as their assurance provider. In addition, most obtained certification of their EMS using the internationally recognized ISO14001, and adopted the GRI guidelines. Furthermore, some included commentary from conferring publics such as stakeholder panels and experts.

The fact that most companies' reports were relevant, reliable, timely, comparable, verifiable and understandable suggests an attempt to educate and inform the relevant public about actual changes in companies' performance and activities. This is in line with the first legitimizing strategy by Lindblom (1994, p. 13) that is likely to produce decision useful reports. However, some companies produced reports that were self-laudatory, irrelevant, unreliable, untimely, incomparable, unverifiable and incomprehensible, which could be indicative of tactics deployed to manipulate perceptions of the audience. This is consistent with the third legitimizing strategy by Lindblom's (1994, p. 13) that is unlikely to produce reports that are not decision useful.

Conclusion

This paper examined the changes in sustainability reporting practices from the 1960s to 2012 to determine whether such enhanced the decision usefulness

of the reports. Findings suggest that the sustainability reporting practices undoubtedly changed in reaction to various high profile negative incidents. The above interpretations suggest that a majority of companies' strategy was gradually evolving from the legitimizing strategy of manipulating the audience to the strategy of educating and informing the relevant public about actual changes. Accordingly, the reports of most companies were becoming gradually more decision useful.

The view adopted in the paper is that companies will only provide decision useful sustainability disclosures when their legitimacy is threatened. This has implications for regulators to introduce regulations that will compel companies to produce decision-useful information. Similarly, the paper supports a proactive approach by the members of the public to compel companies to produce decision useful sustainability reports. The main limitation of this study is its theoretical nature.

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