Increasing responsibility through transparency?

A study of the consequences of new guidelines for sustainability reporting by Swedish state-owned companies

Tommy Borglund, Magnus Frostenson
and Karolina Windell

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Foreword

Being a responsible and professional owner includes taking responsibility for matters relating to social responsibility and sustainable development, sustainability issues. All companies bear this responsibility but the state-owned companies should set an example, take the initiative and play a leading role. Working with sustainability issues entails long-term, continuous work with the focus on improvement. Expanded and improved reporting is a tool to drive this work forward.

In November 2007, the government decided as the first country in the world that state-owned companies should present a sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The intention then was to raise the level of ambition for the sustainability work of the state-owned companies, to increase transparency and to be better able to monitor the work of these companies. We now see that more countries are following our example and are making similar demands on their state-owned companies.

In principle, all state-owned companies presented a sustainability report for 2009 in accordance with the GRI guidelines. With two years' of experience of sustainability reporting after introduction of this requirement, there is great interest in knowing about the effects that the government's reporting requirements have actually had on the companies' sustainability work and why the demands have led to these particular effects. At the end of 2009, the Ministry of Enterprise, Energy and Communications therefore commissioned Uppsala University, Department of Business Studies, researchers Tommy Borglund, Magnus Frostenson and Karolina Windell to investigate this. This study and its results are presented in this report.

The report shows interesting results such that the report requirement has led to increased commitment and awareness of these issues, more structured work and more structured processes, and that sustainability issues have risen up the agenda and been given higher priority by managements and boards.

The report does not represent any taking of position by the Ministry of Enterprise, Energy and Communications. The researchers are responsible for their results and conclusions.

Stockholm, September 2010

Maud Olofsson
Minister for Enterprise and Energy

Contents

1 Abstract

In 2007, the Swedish government introduced new guidelines requiring state-owned companies to provide sustainability reports in accordance with the Global Reporting Initiative (GRI). The reform was part of an active ownership policy of the Swedish government with an ambition to promote sustainability in state-owned companies. Given the lack of empirical studies on the effects of GRI-reporting this explorative study examines the consequences of new requirements on GRI-reporting on state-owned companies in Sweden. The purpose of the paper is to investigate if and to what extent the government's augmented sustainability information requirements have had effects on the sustainability activities at state-owned companies. The study is based on questionnaires sent to CSR and sustainability managers at state-owned companies and to the chairmen of these companies. The questionnaires were complemented with interviews with the sustainability managers of a selection of these state-owned companies. The results show that the introduction of the new guidelines affected the companies to varying degrees. The companies that lacked previous experience of sustainability reporting have gone through a more extensive process of change than those that were already submitting sustainability reports. The results also show that the guidelines contributed mainly to improved procedures for reporting on sustainability issues rather than bringing about far-reaching changes in sustainability activities in practice. This leads us to the conclusion that the reporting of sustainability issues in the first instance strengthens and improves reporting procedures, whereas the next step – to changes in practice – is a greater one.

2 Introduction

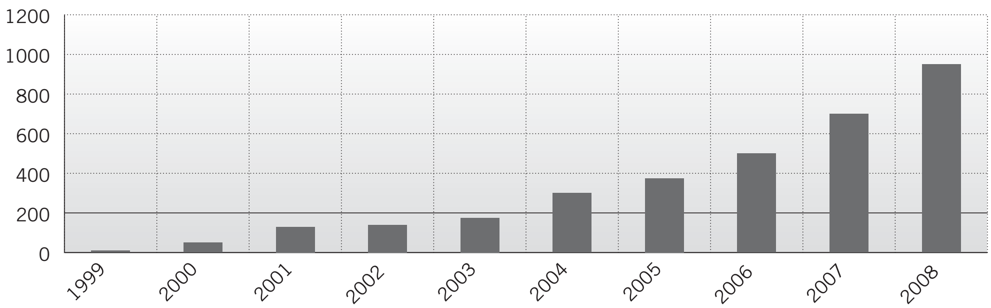
In 2007 the Swedish government introduced new guidelines requiring state-owned companies to provide sustainability reports in accordance with the Global Reporting Initiative (GRI) (see Ministry of Enterprise, Energy and Communication 2007). Sustainability reports are to be published in connection with the regular annual reports and are to be audited by a third party. The guidelines apply from the financial year beginning on 1 January 2008. One object of the new guidelines is to create greater transparency with regard to how state-owned companies handle issues relating to social and environmental responsibility, while a further purpose is to accelerate changes in the companies' sustainability activities. Requiring state-owned companies to report according to the latest GRI standard is part of a strengthened ownership policy of the Swedish government. Sustainability reporting is the responsibility of the boards of the companies. The reports function as a way of controlling if and to what extent they live up to this responsibility. The new guidelines on sustainability reporting also reflect earlier positive experiences of the state with regard to increased demands on financial reporting by state-owned companies. Such demands were imposed in 2002 and led to obvious improved transparency.

The idea that companies should disclose their social and environmental impact is, however, not new. In the 1960s and 1970s several attempts were made in Europe to

draw up practices for the reporting of social issues – in Sweden it was known as social reporting, in England and the USA as corporate social accounting, and in Germany as Sozialrechnung (Antal et al. 2008). In recent years sustainability reporting has experienced an upsurge. One of the organisations that have contributed to this is GRI. The organisation was set up in 1997 by the Boston-based Coalition for Environmentally Responsible Economies (CERES) and the UN Environmental Programme. Today the GRI is an independent organisation providing a leading standard with regard to sustainability. The current version of the GRI guidelines for sustainability appeared in 2006.

The use of GRI's guidelines has increased massively since their launch (see figure 1). In 2008 about 1,000 companies and organisations around the world used GRI for their reporting of corporate social responsibility and sustainability activities, which was an increase of 45 per cent compared to 2007 (www.globalreporting.org). In 2007 77 per cent of the 250 largest companies in the world used GRI as guidelines for their sustainability reporting (KPMG 2008), and in 2009 57 per cent of the 150 largest European listed companies used GRI (www.webranking.se). GRI has thus evolved into the dominating standard for the reporting of social and environmental responsibility.

Figure 1
Number of sustainability reports in accordance with GRI between 1999 and 2008



Source: Global Reporting Initiative Year in Review 2008-2009.

According to GRI sustainability reporting provides an opportunity for organisations to measure and present their responsibility and sustainability activities. The GRI guidelines can be used to create comparability between organisations and their responsibility activities over time. The purpose of sustainability reporting is to give organisations' own sustainability activities a boost, but also to improve transparency and the ability to communicate information about sustainability activities to stakeholders.

Despite the recent expansion of social reporting there is only scarce research about how GRI-reporting affects corporate actions and operations. Previous research has primarily paid attention to management's interests in and commitment to sustainability reporting (e.g. Adams & McNicholas 2007), the development of new information and learning (e.g Breitholtz 2009) and the role of actors in the production and provision of sustainability reports (e.g. Walter 2010; Manetti & Becatti 2009). Other studies have primarily focused on how companies develop their reporting in accordance with GRI's guidelines (e.g. Guenther et al. 2007). And yet other studies focus on the difficulties associated with getting sustainability activities to function in practice (e.g. Antoni & Hurt 2006; Antal et al. 2008). Antal et al. (2008) argue, for example, that one of the major challenges facing companies publishing sustainability reports is to determine which issues the organisation should report on and how they should be measured.

Earlier studies provide some insight into the activities associated with sustainability reporting. But general knowledge about how sustainability reporting changes the organisations' internal sustainability activities and about what effects they have on the core operations is insufficient (cf. Adams 2004). Given the lack of empirical studies on the effects of GRI-reporting this explorative study examines the consequences of new requirements on GRI-reporting on state-owned companies in Sweden. The aim of the paper is to explore if and to what extent the government's augmented demands for sustainability information have had any effects on the sustainability activities of state-owned companies.

Increasing demands on transparency

During the past few decades numerous attempts have been made to get companies to take greater social and environmental account within their business. An increasing number of companies have adopted ideas regarding broader responsibility by signing international conventions, developing codes of practice and communicating information about their efforts to stakeholders (cf. Vogel 2005; Windell 2006; Grafström et al. 2008, Borglund et al 2009). This development has, however, been paralleled by critical voices referring to difficulties in investigating whether companies are actually taking the responsibility they claim to be doing and also in making comparisons between corporate performance in respect of social and environmental responsibility. One consequence of this criticism is that a multitude of voluntary guidelines and rules has emerged with the object of making it possible for companies to measure their performance and to report by identical means on what responsibility they take.

Today, there are numerous voluntary standards, rules and guidelines that serve as a kind of non-governmental authority as they are assumed to promote acceptance of responsibility (e.g. Brunsson & Jacobsson 2000; Jutterström 2006; Tamm Hallström & Boström 2010). The UN's Global Compact, which is one of the most influential initiatives, is an example of self-regulation. When the EU prepared its Green book and later its White book for CSR (corporate social responsibility) it actively selected self-regulation as the preferred method for bringing about acceptance of responsibility by companies (Frostenson & Borglund 2006; De Geer et al. 2009). These regulative frameworks lay down how companies should act, how they should take responsibility, and how responsibility should be measured and disclosed. The rules define and allocate responsibility by linking responsible agents with areas of responsibility, thereby clarifying the scope of the company's social and environmental responsibility and making it possible to check whether responsibility has actually been taken (Grafström et al. 2010; Alexius forthcoming).

In his often cited book *The Audit Society* (1997), Michael Power describes a society that is imbued with a constant endeavour to record, evaluate, report and scrutinise. Growing demands are being made on companies and other organisations to be open and transparent in a way that enables responsibility to be called for. This means that more and more organisations in new areas are facing growing demands to make themselves available for external examination and evaluation via reports and audits. This development is based on the idea that reports are an efficient instrument for ensuring that responsibility is taken and can be demanded. In other words, reporting requirement means that an organisation that is aware that it will be scrutinised will therefore of necessity also begin to act in a more responsible way (cf. Dahl 2007).

However, research shows that it is not inevitably the case that greater transparency leads to greater acceptance of responsibility and a clearer division of responsibility (e.g. Dahl 2007, Boström & Garsten 2008). Guidelines for what is to be reported often influence the organisation's business by indicating which areas the organisation has to take responsibility for. Reporting can consequently come to serve as a model for acceptance of responsibility itself and not merely for the reporting of the responsibility. Research demonstrates that there are risks associated with demands for transparency and reporting – often organisations adapt fully into line with the auditor's guidelines without reflecting on whether it is right and proper for the specific organisation (cf. Powell 2008). Attempts to achieve transparency and comparability can thus have unintended consequences. Assessment and control systems such as audits tend to take over and thereby influence what the business takes responsibility for, which is not necessarily in line with the organisation's original goals or with what is regarded as being most relevant for the organisation (Grafström et al. 2010).

There is also a risk that the demands for transparency result in organisations seizing the opportunity to present themselves as being responsible – even though in practice they do not always deliver what they promise (cf. Adams & Frost 2008). A phenomenon known as de-coupling which means that the organisation, consciously or unconsciously, builds up an outer façade that reflects the way the organisation wishes to be perceived but not the way it actually does things (Meyer & Rowan 1977). In other words, there is a risk that reports do not reflect the whole truth, rather they provide an edited version of the responsibility taken by the business that is in line with external expectations.

Nonetheless, it should be emphasised that the demand for reporting has its strengths. Research shows that demands for transparency and disclosure can serve as a trigger for sustainability activities. It is made clear which areas the company has to report on at the end of the year and it is also made clear what is to be achieved during the coming year (Grafström et al. 2010). Disclosure requirements can thus also mean that an organisation will change the way it does things to enable it to present results in accordance with external requirements.

Previous studies have demonstrated that sustainability reporting is influencing organizational practices, however, to varying degrees (cf. Adams & Frost 2008). The results are similar to findings with research on organisational change, which indicates that ideas and practice tend to be translated in widely different ways in different organisations (e.g. Czarniawska & Sevón 1996; 2005). In their two volumes on translation, Czarniawska and Sevón (1996, 2005), together with their contributors, have demonstrated that the spread of management ideas and general ideas is an active process of translation, in which actors are translating these ideas to local contexts. This research shows that instruments and models, such as sustainability reporting, for instance, are implemented in different ways and have different effects depending on the organisational context. It is therefore apt to assume that the sustainability activities of organisations will be changed to varying degrees and in different ways, depending on which organisation we are studying.

3 Method

Research concerning how sustainability reporting influences corporate practices is scarce. Therefore, this study aims to develop new insights that can contribute as a point of departure for future research within this field. The paper builds on questionnaires sent to 49 Swedish state-owned companies in the end of March 2010 and interviews with a sample of these companies. (See appendix for the companies receiving the questionnaires). In 2010, there are 57 fully or partly state-owned companies. A number of these companies were excluded for because they were either to small or they were in the process of closing down business.

In the spring of 2010 a survey was sent to CSR and sustainability[1] managers (or the equivalent) at the 49 abovementioned state-owned companies as well as to the chairmen of each company. The purpose of the survey was to obtain a broad picture of how the companies had been influenced by the requirements on sustainability reporting. The questionnaires were answered anonymously via a web link. Both questionnaires had a response rate of 76 per cent. The surveys were elaborated in a dialogue between the three researchers and validated with a further external research associate. The Ministry of Enterprise, Energy and Communications was also given an opportunity to comment and express views on the surveys.

Parallel to the surveys, interviews were carried out with CSR and sustainability managers in nine state-owned companies. A selection was made of nine state-owned companies, which were interviewed in the spring of 2010; namely Bilprovningen (The Swedish Motor Vehicle Inspection Company), Green Cargo, LKAB, Operan, Rymdbolaget (The Swedish Space Corporation), SBAB, Sveaskog, Svensk Exportkredit (Swedish Export Credit Corporation) and Systembolaget. When selecting companies to interview our aim was to have a wide range of companies with regard to industry, size and previous experience of sustainability reporting. The companies that took part in the survey have varying experience of sustainability reporting. 65 per cent of the companies had no experience of working with sustainability reporting prior to the introduction of the new guidelines. Moreover, 50 per cent of the companies claimed to have had poor or very poor experience of sustainability reporting before the requirements on social reporting were introduced.

The interviews complement the questionnaires by enabling the respondents to explain their experiences in detail. The interviews thus create a valuable understanding how the state-owned companies perceive the new requirements on social reporting.

1 There is a plethora of labels for different positions with responsibility for CSR or sustainability in the examined companies and in business in general. Commonly, sustainability is a much broader concept than CSR, often referred to as sustainable development where focus lies on the longrun responsibility of living up to present and future needs and aspirations of mankind. CSR refers to the voluntary integration of environmental and social concerns in corporate interaction with stakeholders (Frostenson & Borglund 2006). The term ‘CSR and sustainability manager’ is an inclusive concept used for practical purposes in this paper.

4 Results

The results show that the introduction of the new requirements on sustainability reporting affected the companies to varying degrees. The companies that lacked previous experience of sustainability reporting have gone through a more far-reaching change process than those that were already providing sustainability reports. The guidelines have therefore had greatest impact on companies that had no previous experience of sustainability activities.

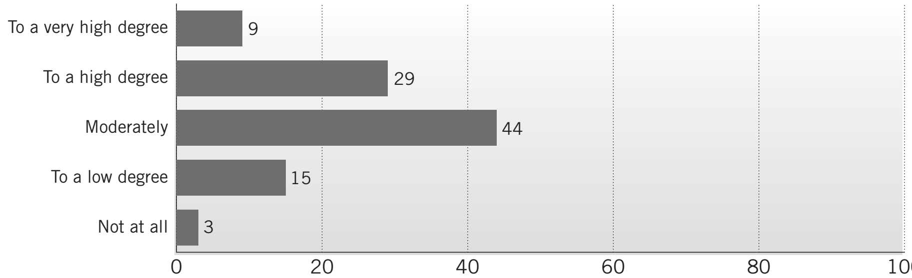
The results show that the guidelines mainly put sustainability issues on the agenda and influenced the way companies perceive sustainability issues. The guidelines have to some extent also had an effect on the companies' internal processes – how they apply sustainability in their core operations – but mostly the guidelines influenced reporting procedures.

Sustainability on the agenda

The guidelines have drawn attention to sustainability issues in the state-owned companies. The new requirements on social reporting have increased the awareness of sustainability issues in state-owned companies. All chairmen also stated that they were familiar with the new requirements on social reporting. Moreover, more than 30 per cent stated that they had discussed sustainability to a large or very large extent at board meetings as a consequence of the new guidelines. However, a majority of the boards – 68 per cent – consider that sustainability had only been discussed to a moderate or limited extent. Among the CSR and sustainability managers 41 per cent considered that sustainability had come up on the management agenda as a consequence of the guidelines to a large to very large extent, while 35 per cent considered that this had only happened to a moderate extent, and 24 per cent considered that this had only happened to a limited extent or not at all. The results show a variation in whether or not CSR managers considered that management had become aware of the sustainability activities.

Even though the guidelines have created greater awareness and interest in sustainability it is not entirely clear that the guidelines have sharpened the focus on sustainability (see figure 2). 38 per cent of the CSR managers consider to a very high degree or a high degree that the company focuses to a greater extent on sustainability as a result of the government's guidelines, whereas 44 per cent consider that this has only happened to a moderate extent. 15 per cent consider that these issues have only attracted a sharper focus to a low degree, while 3 per cent consider the focus on these issues has not changed at all.

Figure 2: The respondents answer to question: *To what extent do you consider that the focus on sustainability has increased in your organisation as a consequence of the government's guidelines? (Percent)*



To some extent the greater attention given to sustainability issues has contributed to the change in priorities in terms of which sustainability issues the company decides to include in its sustainability activities. The guidelines have thus to some extent served to inspire and generate new ideas about which sustainability issues the companies should focus on and how they can go about dealing with these. Some companies considered that work with sustainability reporting had drawn their attention to new sustainability issues. For instance, one of the interviewees explained that the organisation had been able to adopt new ideas about how sustainability issues could be applied in its operations.

> *We now have a sharper focus on environmental issues in the company, more ideas about how to apply them. This has developed our understanding. We turn off the lights more, copy on both sides of the paper, send more emails. We are also taking steps together with our landlord to reduce emissions in the building. If we had not been required to report we would not have focused on these issues. (F, 3 May 2010)*

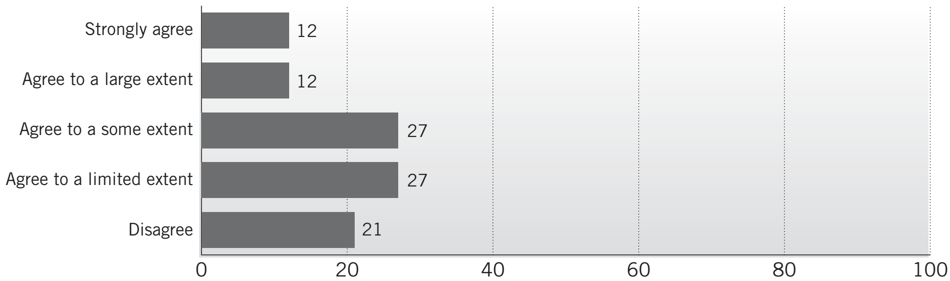
At the same time, it should be emphasised that only a minority of the companies consider that sustainability reporting clarifies what goals are to be achieved when it comes to sustainability. Similarly, only a minority considers that sustainability reporting provides the conditions needed for changing sustainability activities. A significant proportion of the work involved in developing sustainability reporting in accordance with the GRI guidelines consists of selecting indicators that the company can use to measure the progress of its parts of its sustainability process. The companies experience some difficulty in applying GRI to their operations. In particular, they appear to have had difficulty in selecting indicators from GRI that are regarded as relevant to the company. Moreover, several of the companies thought that GRI did not seem to be suited to their business and that it would therefore be necessary to adapt the indicators to meet the needs of the business.

However, several companies underlined that the GRI indicators can be an inspiration as to what type of responsibility the company can and should measure. At the same time, some of the companies thought there was a risk that the companies would start to report on too many parameters without them actually being of relevance to the business. As exemplified by one of the respondents:

> *[The introduction of the guidelines] has affected us in such a way that we were inspired to pick numerous indicators. For instance, we began to look at our suppliers and what we buy from them. [...] We would most likely have started checking on our suppliers even if we hadn't done a GRI report. But it is easy to become a little overenthusiastic about collecting as many indicators as possible to show how clever we are. The fact is that I had decided we wouldn't do things that way, but then in the heat of the moment it suddenly becomes very important to identify more and more indicators. It turns into a competition. After all, we're being compared and you naturally want to be just as good as the others, maybe even a bit better. (H 24 april 2009)*

The questionnaire shows that 66 per cent agree entirely, or to a large extent, with the statement that they had selected indicators that seemed relevant to them, while 33 per cent agreed to some extent or to a limited extent. Although a majority of the organisations considered that they had selected indicators that were of relevance to their business a large proportion of the companies claimed that they did not use the indicators to manage their business (see figure 3). Only 24 per cent agreed wholly or to a high degree with the statement that they used the GRI indicators to manage their business as a consequence of the guidelines, whereas 75 per cent of the companies only agreed to some extent, to a limited extent or not at all.

Figure 3: Respondents answer to the statement: *We largely run our business on the basis of the GRI indicators that we use as a consequence of the guidelines. (Percent)*

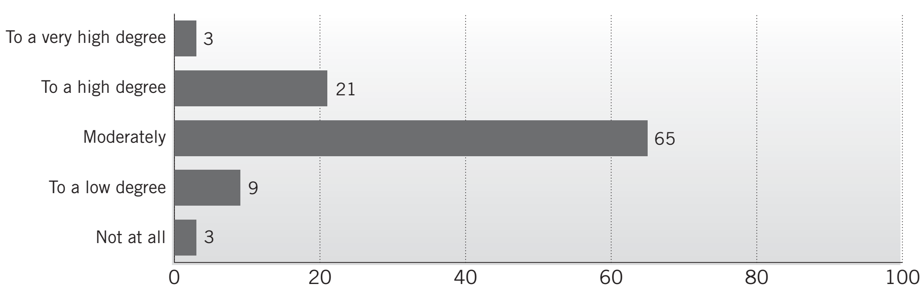


The results can be interpreted to mean that the companies were either following the indicators fairly closely before the introduction of the guidelines or that they regard it as difficult or not desirable to manage the business on the basis of the indicators. It came out in the interviews that a great deal of detailed thought and reflection is needed to select indicators and that making the indicators suitable for a specific business is a long-term process.

Increased knowledge about sustainability

The guidelines have generated new knowledge about sustainability. The level of knowledge has been raised especially at those companies that already considered that they possessed limited knowledge and lacked experience from using sustainability reporting. Half of the respondents considered that they have developed their own competence in sustainability to a high or very high degree. However, other respondents claim that they only raised their competence moderately, to a limited degree or not at all. When it comes to the organisation's knowledge 24 percent of the respondents claim that the competence has increased to a high or a very high degree (see figure 4).

Figure 4: Respondents answer to question: *To what degree do you think that the organisation's knowledge has increased as a result of the government's guidelines? (Percent)*



The survey also shows that companies that had not previously used GRI experienced the greatest increase in knowledge. Their knowledge of sustainability increased sharply, while in the case of those with previous GRI experience it did not increase to the same extent.

It also emerged from the interviews that many of the organisations initially had neither knowledge nor resources to develop GRI-based sustainability reporting on their own. Several of the interviewees pointed out that to begin with they found the new guidelines burdensome especially with regard to the scope and extent of GRI and that they therefore needed support from consultants. The lack of adequate competence and resources was among the reasons why two-thirds of the state-owned companies engaged consultants to help them draw up sustainability reports. The organisations learnt over time and the use of consultants has gradually diminished over time.

The role of auditors is also underlined in the interviews as being central for learning more about how sustainability reporting can be improved. It was emphasised the auditors were instrumental in clarifying limitations and improvements when it comes to the measurement and reporting of sustainability issues. One of the interviewees expressed this point in the following way:

> *When we produced our first report and the auditors turned up that was a bit of an eye-opener. It turned out that we had things pretty much under control and we used advanced processes. GRI wasn't the challenge we thought it would be. We were well up among the leaders. (I, 6 May 2010)*

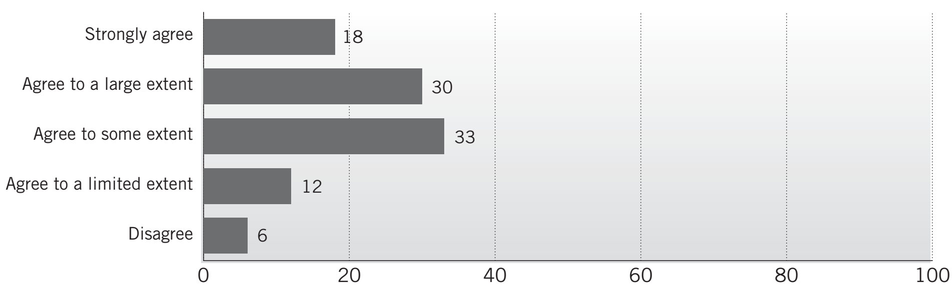
Limited effects on sustainability activities in practice

The requirements on social reporting have had a limited impact on practical aspects of the sustainability process in the core operations; by contrast they had a significant effect on the activities associated with reporting on sustainability issues.

The results also show that the new requirements have affected the state-own companies to different degrees. Several of the companies claim that they have developed new policies and procedures for certain sustainability issues. For example, some companies claim that the environmental awareness in their commercial processes has increased and that greater attention is being given to sustainability aspects of the purchasing process. However, it is also clear that the guidelines mainly had an impact on those companies that lacked experience of sustainability reporting and possessed little knowledge of sustainability before the introduction of the guidelines. Just as the level of knowledge rose most among those with least experience, changes in the sustainability process were also greatest in the same group.

To some extent the guidelines have clarified what the companies' sustainability activities are expected to achieve. 48 per cent of the sustainability managers agreed entirely or to a large extent with the statement that the sustainability reporting process has made it clear what the sustainability goals are, while 33 per cent agreed to some extent, and only 18 per cent agreed to a limited extent or not at all (Figure 5).

Figure 5: Respondents answer to the statement: *Working with sustainability reporting has made clear what sustainability goals are to be achieved. (Percent)*



Moreover, 36 per cent of the sustainability managers considered that the conditions for bringing about changes in the organisation have been improved by the guidelines. However, 60 per cent only agreed with the statement to some extent, to a limited extent or not at all. One of those who is sceptical regarding the new guidelines and their effect on the business said:

> *The sustainability reporting requirement has hindered rather than encouraged efficient sustainability activities. We take this issue very seriously in the company but the business of doing sustainability reports takes too much time that could be devoted to more remedial activities instead. (Anonymous comment on questionnaire sent to sustainability managers).*

The interviews provided a mixed picture of how much effect the production of sustainability reports has had on the practical day-to-day work. To some extent, many of the interviewees thought that sustainability reporting meant that they had become aware of more issues and that to some extent this had contributed to the development of new policies and procedures, especially relating to the environment and purchase and suppliers. One interviewee pointed out that this affected the purchasing process:

> *Now that we have sustainability reporting that can show what we are doing, we feel that we are exposing ourselves to scrutiny. This means that we have begun to think about areas that can attract attention or be natural for outsiders to scrutinise. This could mean, for example, that we look at how we do our purchasing. I don't think this would have come up otherwise. It is important to review who we buy from, what guarantees we have, and so on. (G, 5 May 2010)*

A different interviewee pointed out that their organisation had begun to work more specifically with sustainability after the guidelines were introduced.

> *[...] we didn't work specifically with these issues before. It has become something of a motivator to draw up policies and guidelines. We didn't even have a written version of our ethical policy, so that was a benefit. Producing one in black and white and communicating it. The organisation became more aware that we actually had one. (F, 3 May 2010)*

Two-thirds of the companies considered that their sustainability procedures changed to some extent as a consequence of the new guidelines. Of these companies, 63 per cent considered that they had developed new procedures in the environmental area, while 46 per cent claimed to have developed new purchasing procedures. 38 per cent had new procedures in the personnel field, and 33 per cent new procedures for communication activities. The changes could be a matter of developing an existing environmental policy, taking stock of in-house utilisation of resources, limits on company travel or, for example, introducing new purchasing procedures once the company has drawn up guidelines for suppliers.

The extent to which the companies have altered their practices when dealing with sustainability depends on their previous experience of sustainability reporting. Companies with no past experience of sustainability reporting have changed their policies and developed new procedures for their sustainability activities to a greater extent. For example, 47 per cent of the companies with no previous experience of sustainability reporting state that they have changed their policies as a consequence of the guidelines, while the corresponding figure for companies with experience of sustainability reporting was only 20 per cent. In other words, the new guidelines have mainly had effects on the practical activities of those companies with no past experience of sustainability reporting.

It is worth noting that the chairmen only consider that the new guidelines have affected the core operations to a limited extent. 91 per cent of the chairmen consider that the guidelines only influenced the core operations to a moderate or little extent, or not at all. In so far as the chairmen mention changes it is above all a matter of the focus and attitude towards the core operations changing and that more attention was given to sustainability issues. The chairmen's view regarding what changes have occurred differs, therefore, to a certain extent from the view of the sustainability managers, who consider that changes occurred to a greater extent. Nonetheless, 39 per cent of the chairmen consider that the guidelines have had positive effects on the business to a very large or large extent.

Changed reporting routines

Even though some companies have altered the way they run their core operations in order for them to become more sustainable, it is clear that the new guidelines have had their greatest effects on the reporting of sustainability activities rather than on the practical sustainability activities themselves. 32 per cent of the companies consider that no other activities relating to sustainability have taken place in the company apart from the production of sustainability reports. Instead, it is emphasised that the guidelines mainly had effects on the preparation and production of sustainability reports. One of the interviewees put it like this:

> *[Sustainability reporting] has not involved any changes. We have been dealing with these issues for a long time [...]. To cut a long story short – we have been working with it for ages, it's nothing new, and on that point these requirements have not involved any changes being made. On the other hand, they have affected the way we report. We now have a structured way to do this. (B, 26 March 2010)*

Several of the interviewees pointed out that the application of the new guidelines primarily helped to improve the evaluation and assessment of the sustainability activities and provide a structure for the reporting. 55 per cent of the companies considered that new procedures had been created for following up sustainability activities as a consequence of the new guidelines. And 57 per cent of the sustainability managers agreed to totally or to a large extent with the statement that the conditions for creating sustainability reporting of high quality had improved as a consequence of the guidelines. One of the respondents considered that:

> *The [sustainability report] is now better structured. In other words, it is focused on certain problem areas. We have acquired a broader grip on the areas by means of the GRI indicators. A more holistic perspective. (B, 26 March 2010)*

The results show that the guidelines have admittedly contributed to certain changes relating to sustainability activities but that these tend to be related to how the companies report and describe their sustainability process. The results are interesting in that the companies separate reporting from the practical aspects of ensuring that the organisation takes responsibility. This indicates that the companies distinguish between the work involved in producing a report and the work of controlling the organisation's sustainability process. The object of GRI is to provide a transparent report on the sustainability process as well as to guide the sustainability process towards its goals. However, it can be seen from the results that many of the companies find it problematic or difficult to use and apply GRI as an instrument in their own organisation. It is also emphasised by the companies that following the GRI guidelines is a learning process.

5 Conclusions and discussion

This explorative study of how state-owned companies have been influenced by the demands for sustainability reporting paves the way for discussions of what methods and instruments lead to sustainable companies. In particular the study provides an insight into how sustainability reporting influences the company's sustainability activities. In essence a sustainability report is a description of what an organisation has accomplished in the field in the previous year. But it is equally a tool for changing a company's attitudes to sustainability and the way it handles it. The report does not need to be seen as the finishing line; rather it is the starting gun to set the sustainability process in motion.

Based on the empirical results this section presents and discusses the conclusions. The results in the previous section demonstrated that sustainability reporting requirements have first and foremost improved procedures for reporting on sustainability issues rather than bringing about far-reaching changes in practical sustainable activities. This leads us to the conclusion that sustainability reporting primarily strengthens and improves reporting procedures, whereas the step to changes in practical sustainability activities is a long one.

The empirical results also show that awareness and knowledge of sustainability have increased. The guidelines have thus contributed to a process of learning and building up of knowledge. Experience and learning play a role enabling the sustainability process to have its intended effects. Increased knowledge and awareness create the conditions needed for changing practice in the future. Moreover, management awareness can be assumed to be a precondition for the long-term development of the strategic sustainability process.

Finally, the results demonstrate that the state-owned companies are taking active measures to learn how and in what way they can use GRI to strengthen their own sustainability process. To do this, they convert the GRI guidelines to meet the need of their own operations. This local adaptation process can be assumed to be a precondition for bringing about a functioning sustainability process. Once companies have applied GRI for some period of time, we can assume that they will be in a better position to prioritise the most relevant indicators so that they can serve as milestones for the strategic sustainability process.

Improved reporting

The majority of the state-owned companies regard the production of a GRI report as a contribution to improve the reporting of matters relating to responsibility. This has resulted in greater systematisation of the process of producing the report and to some extent it has boosted the responsibility process by moving the issues up on the agenda. However, there are still few companies that consider that the GRI guidelines have resulted in major changes and improvements to their sustainability process. Companies, with little or no experience from sustainability reporting, stress that they developed new policies and procedures as a consequence of the sustainability reporting requirements. Major organisational changes are notable for their absence, even though there are cases of how the attention given to sustainability has influenced the sustainability process in the core operations.

The purpose of reporting on sustainability in accordance with the GRI guidelines is to throw light on the question of responsibility, to provide a greater insight into how companies are run, and make possible comparisons between companies. For the state, sustainability reporting is an instrument by which it can, as an owner, control the extent to which boards live up to the objective of being outstanding examples of sustainable businesses. By providing reports companies shall improve their sustainability process and take a further step towards becoming a more responsible company. However, this is not an automatic effect. There is much to be done to ensure that the reporting is not merely a description of what companies are already doing. As can be seen from the results only a few companies consider that their current sustainability reporting has contributed to major changes in the way the organisation runs its sustainability activities.

At the same time, it should be emphasised that the reporting as such can actually create pressure on organisations to take greater responsibility. By publishing sustainability reports companies generate expectations among stakeholders that they will present improvements in the sustainability area. In the case of Swedish state-owned companies, sustainability reporting is an essential requirement from the owner, the central stakeholder which has integrated sustainability issues in its ownership policy. By providing information on its responsible approach a company needs to decide what responsibility it actually has, and what it intends to do to live up to its goals. Starting to provide sustainability reports could therefore be a first step on the way towards changing its practice.

However, the introduction of guidelines does not change the sustainability process overnight, and it would be naïve to suppose it would. More time is required before reporting requirements can lead to new practice, which is in line with observations from other countries (e.g. Delbard 2008). It takes time for companies to get used to non-financial reporting and turning it into a component on an agenda for change.

Reporting as a learning process

The guidelines represent a learning process for the companies. This is especially the case with those that have no previous experience of sustainability reporting. These companies have learnt about the reporting of non-financial data and the communication of information about the sustainability process to outside parties.

Initially a high proportion of the companies engaged consultants to help them absorb the new knowledge and produce sustainability reports in accordance with the requirements in the guidelines. There were also several cases in the interviews of the internal organisations being enlarged as time passed, and of the use of consultants declining in the second year in relation to the first year, when the guidelines were first applied. As time passed, the companies built up their knowledge, which enabled them to handle these issues more independently.

The guidelines augmented the importance of sustainability. According to the survey, all the chairmen were aware that the guidelines meant that the issues acquired high priority. The interviews bear witness to the fact that sustainability is now taken more seriously than it was in the past. This is an important change. As previous research has shown management support and involvement are key conditions for internal changes in a company where a constant process of negotiation is going on over which internal parties and which issues are to be given priority in terms of resources (cf. Adams & McNicholas 2007). The guidelines could therefore possibly put CSR and sustainability managers in a better position to promote the sustainability process. The guidelines serve as a signal from the owner that priority is to be given to sustainability, which the organisation has to adhere to.

Local adaptation essential for sustainability process

The concept of sustainability is hard to grasp. Determining what a company or organisation is expected to take responsibility for is not simple. It is clear from the interviews with the state-owned companies that in many cases they find it complicated to define and clarify the limit of their own sustainability process.

The production of a sustainability report includes defining and clarifying what sustainability issues the organisation has responsibility for. Guidelines and indicators provide a nexus for the organisation and its responsibilities. They indicate areas that an organisation might need to do something about. In this context, the GRI model can serve as a control instrument as it makes it clear what the organisation has to take responsibility for, how the responsibility is to be measured and what goals the organisation should have for its responsibility.

The GRI guidelines have in many cases made it easier for companies to define the sustainability process and responsibility. At the same time, it also emerged from the interviews that in most cases it is regarded as difficult to act in accordance with the guidelines, especially when it is a matter of selecting relevant GRI indicators. In certain cases companies consider that the indicators are not suitable for their industry – and that most indicators are consequently not applicable to their line of business. In other cases, the companies consider that it is difficult to limit oneself to indicators that are actually central to their business. And in yet other cases, the companies consider that sustainability issues that are important for their business can only be measured with great difficulty.

These results are in accordance with previous research, which referred specifically to the challenges involved in determining limits to and operationalising the sustainability process (cf. Antal et al. 2008). Researchers as well as interviewees in the study refer to difficulties in making the immeasurable measurable without missing the target altogether. Measuring instruments tend to be blunt instruments that fail to capture all aspects of parameters that do not lend themselves readily to measurement, There is a risk that organisations begin to report on sustainability issues that are readily measured rather than on those that can only be measured with difficulty (cf. Power 2008; Grafström et al. 2010). However, measurable responsibility is not always the same as relevant responsibility. Sustainability reporting can thus lead to separation; readily measurable responsibility is reported, while the important responsibility issues are ignored. What is required is that companies, on the basis of experience and analysis, prioritise the right things.

Previous organisational research shows that organisations tend to adapt and change in accordance with how they are evaluated and in what ways they are measured (cf. Wedlin 2004). This is not to say that organisations conduct the changes that are most relevant to their own business – the changes can instead be more a matter of living up to external control and assessment systems. Organisational researcher Lars Strannegård (2007:11) puts his finger on this problem in his book on the measurability of quality: *Den omätbara kvaliteten.* Every attempt to measure a parameter means at the same time that the unmeasured parameters appear to be less important. "[...] Whatever is measured becomes important and whatever is not measurable acquires a lower priority."

Properly used the GRI guidelines can help to improve management by objectives as sustainability issues are defined and given targets, which eventually can have an impact on the practices of state-owned companies and thus promote more sustainable enterprise. However, this requires that the companies reflect upon their nature and identify what areas of responsibility are of most relevance for the organisation, rather than reporting slavishly in accordance with GRI's indicators. For the GRI guidelines to have the intended effect it is essential that the companies are given the support they need to define relevant responsibility rather than producing an exemplary report.

In accordance with previous research into change processes in organisations this study shows that the activities based on GRI guidelines differ from one state-owned company to the next (cf. Czarniawska & Sevón 1996). Companies take active steps to translate the GRI indicators into sustainability parameters that function in their own organisation. How the companies translate GRI into practical action is influenced by their part experience of sustainability issues, their industry, geographical scope and organisation. This means that the guidelines affect companies to different degrees and that their sustainability process will eventually undergo a variety of changes. In the future, therefore, we can expect the sustainability reporting process to find different expressions in these companies. This means it is not reasonable to expect identical presentations of sustainability processes or identical changes to organisations. The fact that companies decide to adapt GRI to suit their own line of business is neither surprising nor disturbing. It is crucial to give companies scope to adapt the GRI guidelines to meet the needs of their own organisation. For GRI to be an effective control instrument that leads to changes in the sustainability process – and not merely to reports – flexible conversion to local conditions is required. The GRI model should therefore be a descriptive rather than a prescriptive means of control.

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Appendix 1: Companies receiving questionnaires

A-banan
Akademiska Hus
Almi
Apoteket
Arbetslivsresurs
Bilprovningen
Bostadsgaranti
Botniabanan
Dramaten
Fouriertransform
Göta Kanalbolaget
Green Cargo
Infranord
Innovationsbron
Jernhusen
Lernia
LKAB
Miljömärkning i Sverige AB
Miljöstyrningsrådet
Nordea
Norrland Center
Operan
Posten
RISE
Rymdbolaget
Samhall
SAS
SBAB
SBO
SJ
SOS Alarm
Specialfastigheter
Sveaskog
Svedab
Swedesurvey
Swedfund
Svensk Exportkredit
Svenska Skeppshypotekskassan
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