The production of stand-alone sustainability reports: Visual impression management, legitimacy and "functional stupidity"

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Abstract

Research on stand-alone sustainability reports (SASRs) has focused on published documents rather than on the process by which SASRs are produced. This study investigates the process of producing Global Reporting Initiative (GRI) G3.1 A+ rated SASRs, particularly examining how visual impression management choices are made within the organisation. The study analyses how and by whom SASRs are prepared, and the rationale for using visuals and blank space, and examines the respective roles of reporting managers and Chief Executive Officers (CEOs).

Semi-structured interviews were carried out with ten managers responsible for the process of preparing SASRs. The main findings are (i) the process and preparation of SASRs is complex and costly, (ii) the communication department champions the process of SASRs and external designers are responsible for the design of SASRs, (iii) the CEO plays a varying role in selecting designers and determining the form and (visual) content of the SASRs, (iv) reporting managers are constrained by the CEO's reporting strategy, and (v) visuals and blank space are used symbolically to advance the CEO's reporting strategy in order to maintain legitimacy.

We suggest that the tensions imposed on managers responsible for preparing SASRs provide evidence of "functional stupidity" within organisations, which employ an economics of persuasion that emphasises image and symbolic manipulations, and where reporting managers are encouraged to conform to perceived reporting strategies. The exploratory nature of this study opens avenues for future research in the context of "functional stupidity" and reporting processes.

Key words: Corporate social responsibility, Stand-alone sustainability reports, Visual impression management, Functional stupidity, Global Reporting Initiative

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1. Introduction

The production of stand-alone sustainability reports (SASRs) has grown dramatically over the past two decades; the question is no longer "who is reporting", but "who is not". The Global Reporting Initiative (GRI), an international standard organisation, has issued increasingly rigorous guidelines for sustainability reporting since 2000, culminating in the first Standard launched in 2016. KPMG (2017) finds that 63% of the largest 100 companies and 75% of the Global Fortune 250 applied the GRI framework for their social and environmental reporting. The GRI indicators tend to increase the rigour and reliability of the reporting process (Dando & Swift 2003). SASRs are increasingly desired by companies' stakeholders (Cormier et al., 2004) and are relevant to stakeholders' decision-making processes (Cho et al., 2009). Reporting on corporate social responsibility (CSR) can provide a systematic approach to the management of socially responsible activities, to identify future risks and opportunities, and thereby contribute to increasing the competitiveness of the company (Moravcikova et al., 2015). On the other hand, CSR reporting can be exploited as an opportunity to camouflage corporate activities, conceal negative performance (Cho et al., 2010), and project corporate images that are detached from reality (Boiral, 2013).

Visual material, such as graphs, charts, diagrams, photographs and pictures, is widely used in SASRs, and can effectively convey accounting and other information. Most research into visual material in corporate reporting has been archival (Davison, 2015). The growth of visual material (Davison & Skerratt, 2007; Lee, 1994) and its potential for impression management, through the use of graphical presentations (Beattie & Jones, 2008) and pictures and photographs (Davison, 2015), is well recognised in annual reporting. A literature is emerging with regard to visual impression management in social and environmental reporting through both graphs (Cho et al., 2012a; 2012b; Hrasky, 2012; Jones, 2011) and pictures and photographs (Boiral, 2013; Duff, 2016; Hrasky, 2012; Pesci & Costa, 2014; Rämö, 2011). However, the important process by which sustainability and integrated reports are prepared has been a largely neglected area; exceptions are studies by Adams (2002), Farneti and Guthrie (2009), Chaidali and Jones (2017), and Farooq and De Villiers (2019), but these do not consider visual material.

Our paper uses semi-structured interviews to make three timely contributions. First, we conduct exploratory research into the process by which GRI A+ rated SASRs are compiled and visual disclosure choices are made, an area which has been neglected, also with regard

to annual reporting (Unerman et al., 2007; Davison, 2015). This is important for several reasons. Although archival work examines the finished product, and commonly imputes motivations for voluntary disclosures and their manner of presentation (impression management being of particular interest in the case of visual material), we have no way of knowing whether imputed motivations are indeed the case without investigating the preparation process. Furthermore, there can be both conscious and unconscious messages and we cannot distinguish between these without interrogating the "black box" of preparation. Moreover, where does responsibility for the content of the reports lie? In principle, responsibility for corporate reports lies with the board of directors, but there is little evidence as to how far this responsibility is accepted in practice by directors (Amran et al., 2014, call for further investigation of the role of boards of directors in the reporting process). In practice, the CEO is likely to have final responsibility, though this may be direct or indirect, and underlying responsibilities may lie with one author or multiple authors, and internal or external agents, of varying levels of competence and seniority. This is especially important in the case of SASRs, which are still largely unregulated in both format and content, and may be used by companies as tools for legitimacy (Castelló & Lozano, 2011; Deegan et al., 2002) and impression management purposes (Cho et al., 2012a, 2012b). Thus, rather than consider *what* organisations report, we address *how*, *why* and *by whom* organisations report. Greater understanding of these matters should encourage users to go beyond taking such reports at face value, not only with regard to interpretation of the finished products, but also by realising that (just as with a set of financial statements) contingencies lie behind them in the preparation process.

Secondly, we add to sparse work on visual material in SASRs. In particular, our research is innovative in extending work on visual impression management through investigating the employment of blank space, or the absence of text and visual material. Blank space can help to make the report more readable, for example by breaking up long passages of text, but it can also be used strategically, for example to draw the attention of readers to particular items in the report, by making these items stand out. Blank space in SASRs may be a part of a visual impression management strategy used by companies: it is not merely decorative but has rhetorical significance.

Thirdly, we extend theorisation of management behaviour in sustainability reporting through the introduction of the concept of "functional stupidity" at the organisational level (Alvesson & Spicer, 2012).[1] A common framework in prior literature is that of impression management

[1] For the purposes of this study, "functional stupidity" is a theoretical concept that applies at the level of the organisation, and should not be construed as pertaining to our interviewees.

(Merkl-Davies & Brennan, 2011), which suggests that management use visuals to present a favourable view of corporate performance. For example, Davison (2010, p.168) shows that visuals constitute an “intricate, inter-linking, and overlapping mélange of representation and construction”. However, the concept of impression management does not in itself explain why organisations should engage in impression management, nor does the concept identify those responsible for making visual impression management choices. Are the key decisions about visuals in SASRs made by the CEO, the reporting manager(s), or external designers? Knowing how and by whom decisions relating to impression management are made is important because it provides evidence of the extent to which impression management is a deliberate means of putting into effect a reporting strategy or is just a by-product of the production process. Answers to the “how” and “by whom” questions involve a consideration of organisational dynamics. In this paper, we suggest that these questions may be answered by reference to the concept of ”functional stupidity”, which has been defined as the “inability and/or unwillingness to use cognitive and reflective capacities in anything other than narrow and circumspect ways” (Alvesson & Spicer, 2012, p.1201). We argue that functional stupidity at the organisational level may be prevalent in contexts dominated by the economics of persuasion, which emphasises image and symbolic manipulation. The paper also responds to the observation of Michelon et al. (2016, p.21), that “although functional stupidity has been used recently in accounting research, we are not aware of its use in the area of social and environmental accounting, in which we believe it holds promise”.

Our research objectives are:

1. To understand the process by which GRI-compliant SARSs are prepared.
2. To understand the respective roles of the CEO and the reporting manager in the detailed process of preparation.
3. To investigate the selection process of visuals.
4. To investigate the use of blank space.

We organise our paper as follows: We discuss prior studies of SASRs, authorship, and visual impression management in Section 2. In Section 3 we develop a theoretical framework of “functional stupidity” for possible explanation of the behaviour of the reporting managers and CEOs in the disclosure process of environmental and social information including the inclusion of blank space and visuals in SASRs. We outline the research method in Section 4. We detail the empirical findings in Section 5 and discuss them in the context of “functional stupidity” in Section 6. We set out our conclusions in Section 7.

2. Previous studies of sustainability reports

2.1 Stand-alone sustainability reports

The Global Reporting Initiative (GRI) describes sustainability reporting as the voluntary disclosure of information on the economic, social and environmental impact of organisational operations (GRI, 2015). The GRI guidelines were a voluntary reporting framework that were superseded by the GRI Standards, which came into effect for periods beginning on or after 1 July 2018. Cho, Michelon et al. (2015) consider that the GRI guidelines were an important factor in driving the growth of SASRs. GRI-compliant companies appear to have higher levels of commitment to SASRs than non-GRI-compliant companies. However, De Villiers and Alexander (2014) suggest that companies may increase their symbolic performance by being able to "tick more GRI boxes". The disclosed information also tends to reflect business interests rather than a genuine concern for accountability (Boiral & Diouf, 2017; Boiral & Talbot, 2018).

Companies employ SASRs to portray intangible assets and to explain their corporate responsibility efforts (Flyverbom & Reinecke, 2017). CSR ratings and index memberships can promote improved stakeholder relationships (Cooper & Owen, 2007) and lead to inclusion in social responsibility investment funds (Cho et al., 2015a). This has led to stakeholder demand for corporate transparency and complete information on CSR **(**Kolk, 2008). However, SASRs are harshly criticised for lacking credibility (Dando & Swift, 2003), being pseudo-transparent (Coombs & Holladay, 2013), being poor in quality (Milne & Gray, 2013), and adding to corporate greenwashing (Knebel & Seele, 2015). The assurance of SASRs is seen as symbolic practice that companies use to influence stakeholders' perceptions of corporate commitment to CSR reporting (Birkey et al., 2016).

2.2 Authorship

Prior research has shown a range of different approaches to preparing SASRs. For example, Adams (2002) noted that some reporters (in the UK and Germany) take an informal approach to sustainability reporting while others adopt a more structured formal reporting process. There is no clear preference for who should manage the reporting process (Adams & Frost, 2006). Farneti and Guthrie (2009) analyse the motivations of preparers of sustainability reports issued by Australian public-sector bodies and find that sustainability reports are issued to communicate with a variety of stakeholders. SASRs are prepared by environmental units and neither the accounting nor the finance teams were involved. Chaidali and Jones (2017) examine the preparation of Integrated Reports (which cover much of the same sustainability disclosures as SASRs) through interviewing managers and design consultants of UK

companies, but the focus of their study is the attitudes of preparers to the reporting framework of the International Integrated Reporting Council (IIRC). Preparers tend to support the emphasis placed by the IIRC on the business model and organisational strategy, with less attention being paid to sustainability; concerns are expressed regarding reporting length, and the costs involved. Farooq and De Villiers (2019) consider the relationship between external professional assurance advisers and internal preparers in Australia and New Zealand through an institutional work lens.

However, the practical procedures regarding the preparation of corporate reports, including decisions regarding the use of visual material, are largely neglected in accounting research (Davison, 2015). Davison (2014) argues that organisational intentions in annual report designs are not always clear, even to the organisations themselves. Beyond the general knowledge that many authors are involved (for example, directors, accountants, auditors, and creative design companies), we have little evidence of how and by whom corporate reports are prepared and compiled. They could be prepared by various internal parties, such as the organisation's accounting and finance department or the public relations or investor relations department. They could be prepared by external parties, such as design consultants. Or multiple parties could be involved. Who makes the key decisions regarding content and presentation: the reporting managers or the CEO? Gibbins et al. (1990) found that corporate reporting strategies were important for understanding corporate disclosure practices. On the one hand, the CEO may wish to protect proprietary information in order to exploit its potential economic advantages (Dye, 1985). On the other hand, the CEO may wish to disclose environmental and social information to build value by creating trust among their stakeholder group (Deegan & Unerman, 2011), and to promote organisational reputation and legitimacy (Merkl-Davies & Brennan, 2007) with a resultant overlap between the finance and marketing functions (Beattie, Roslender & Smith, 2013).

This suggests our first research question:

RQ1. **How and by whom are GRI-compliant SASRs prepared?**

We break this down into two sub-questions: (RQ1.1) Who is responsible within the organisation for preparing SASRs? (RQ1.2) How long does it take, how many people are involved, and how much does it cost to produce SASRs?

Merkl-Davies and Brennan (2017) observe that there is little research on the conversational and relational aspects of accounting communication. The implicit assumption is that individuals in the company, such as the chairman or the CEO, are responsible for writing corporate narrative documents. The statements of CEOs tend to define the company's

strategy and are therefore key parts of corporate reports. Gibbins et al. (1990) show that management's attitudes toward disclosure reflect the CEO's attitudes. There is no uniformity of belief or action among those with responsibility for disclosure, but most managers indicated they are aware of where the CEO stood on the issues. The attitude of the CEO and the degree of internal consensus on disclosure issues is considered to affect the organisation's disclosure practices. Interviews with consultants undertaken by Castelló and Lozano (2011) reveal that, although letters from management are usually drafted by consultants or communication officers in external design and consulting companies, the CEO will read the draft very carefully and change both content and presentation style. Barkemeyer et al. (2014) find that the rhetoric in the CEO statements of sustainability reports is indicative of impression management rather than accountability

However, in previous studies, disclosures are usually explained statistically by reference to company-specific factors (in some cases, CEO-specific factors), but the role of reporting managers, and how this is related to the CEO's reporting strategy, is not considered. Merkl-Davis and Brennan (2007, p. 62) have asked "Are there any links between impression management and managerial dominance, especially CEO dominance?" This suggests our second research question:

RQ2. What are the respective roles of the CEO and the reporting manager(s) in the process and preparation of GRI-compliant SASRs?

2.3 Visual impression management

"It is often erroneously thought that accounting is all about numbers; however, visual media are just as important as numbers in communicating issues relevant to accounting" (Davison, 2013, p. 14). In accounting, as in society generally, visualisation has increased significantly in recent times as visual communication has advanced from the mass-produced photograph (Benjamin, 1999) to electronic media. Visuals focus interest in annual reporting (Ruiz-Garrido et al., 2005). While pictures and words can activate common meanings, such that "a picture can serve as a word-in-context", visual information facilitates recall (Nelson & Castaño, 1984, pp. 12-13), and has a special place in memory and cognition (Davison, 2014). Davison (2013, p. 58) argues that "visualisation can provide important framing and impression management to the reception of information and thus influence decision-making" and can portray messages beyond the capacity of quantified accounting statements. Davison (2014, p. 22) argues further that "visuals lie at a complex crossroad between reality and creation, objectivity and subjectivity, where the nature of reality, 'representational faithfulness' or 'truth' is often elusive".

The inclusion of visual images is of particular interest in the case of sustainability reports, which are viewed as powerful tools for communicating with stakeholder groups (Dingwerth & Eichinger, 2010), At one level the pictures and photographs in SASRs may be neutral representation, documentary evidence and may thus be regarded as incremental information, transparent carriers of intended organisational messages (Preston et al., 1996). At another level, visual images in SASRs may have an impression management role (Boiral, 2013; Hrasky, 2012). Often the two aspects are intertwined (Davison, 2015). External designers are often involved, but we know next to nothing about their precise role.

Graphs have the advantage of attracting and holding the attention and understanding of readers. Visual features such as the length of the document and the type and number of graphs and photos may have an impact on stakeholders' decision-making (Beattie & Jones, 2008; Davison & Skerratt, 2007; Jones, 2011; Lee, 1994). Graphs are more user-friendly than tables (Beattie & Jones, 1997), and may increase the speed of decision making (Sullivan, 1988). The use of graphs in annual reports for impression management is widely researched (Beattie & Jones, 2008; Falschlunger et al., 2015; Godfrey et al., 2003). Experimental research in accounting has shown that graphs change an accountant's perceptions of company performance (Tang et al., 2016) and impression management of graphs in the form of measurement distortions and selectivity techniques is effective for reflective and impulsive analysts (Cardoso et al., 2018).

A few studies have already been undertaken on visual materials in sustainability reporting. Cho et al. (2009) conduct experimental research to show that visual material influences user perceptions of corporate social responsibility. Pesci and Costa (2014) use content analysis to compare narratives and visuals. Duff (2016) examines the quantitative, narrative, and visual content of sustainability reporting across a range of media (including websites and recruitment material). Rämö (2011) and Boiral (2013) examine photographs and Hrasky (2012) compares pictures and graphs Three papers specifically examine the use of graphs in sustainability reporting (Jones, 2011; Cho et al., 2012a, 2012b). These studies have analysed published statements, but they have not investigated the process by which, and by whom, decisions about visual impression management choices are made. These are important issues for both internal and external users. As visuals are used for impression management, regulators need to consider guidelines for the visual disclosure of both positive and negative environmental and social information, whether this takes the form of images or graphs.

This suggests our third research question:

RQ3. Why do companies use visuals and how are visuals selected/designed?

Similarly, the use of blank space (sometimes referred to as white space – see for example Murray, 2006) in SASRs is a design technique to enhance readability by balancing words or images in a way that is appealing to the users of SASRs. The use of blank space may also serve rhetorical purposes, by highlighting material that the preparer wants to emphasise, against a background of blank space. Including significant blank space will result in longer SASRs, which may suggest that the company is committed to environmental and social issues and has invested time and effort in preparing their SASRs. Lengthening SASRs through blank space may, however, discourage users from engaging with the documents.

An experimental marketing study that investigates consumers' perceptions and inferences (Pracejus et al., 2006) finds that white space, combined with images, influences consumer brand perceptions. Blank space may enhance the readability of SASRs by making the reports visually appealing. Squiers (1989, p. 218) finds that "40% of stakeholders spend five minutes or less looking at annual reports". Lee and Tweedie (1975) also reveal that although the annual report is a primary source, it is not read thoroughly. There is no previous research that explains the motivation for the use of blank space in either annual reports or SASRs. This suggests our fourth research question:

RQ4. Why do companies use blank space and how is blank space selected/designed?

3. Theoretical framework

Motivation for environmental and social disclosure by companies can vary widely and can reflect both internal and external pressures for disclosure (Pérez-López et al., 2015). Legitimacy theory is often used as the lens to explain why these disclosures are made (Deegan et al., 2002). Suchman (1995, p. 574) defines organisational legitimacy as "a general 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". Hence, it is expected that the CEO and the reporting manager will devote considerable resources in establishing or protecting legitimacy, as this is essential for organisational survival (Ashforth & Gibbs, 1990). However, as legitimacy is dynamic in nature, reporting managers are prone to use thoughtful prepared "legitimation" strategies to manipulate public perceptions about the status of the organisation (Cho et al., 2009; Deegan et al., 2002).

Ashforth and Gibbs (1990) find that organisations engage in legitimation through either substantive action or symbolic management. For substantive action, "the organisation undertakes real actions to meet the expectations of those societal actors upon which it depends for critical resources" (Ashforth & Gibbs, 1990, p. 182). Symbolic management involves strategies to change stakeholders' perceptions, from announcing the establishment

of an ethics committee, all the way through to “greenwashing” efforts designed to give the appearance of action, while enabling companies to continue operating as before (Ashforth & Gibbs, 1990). Legitimation strategies may involve impression management.

Prior studies of the visual in SASRs often draw on legitimacy and impression management (Boiral, 2013; Cho et al. 2012a; 2012b; Hrasky, 2012; Jones, 2011). Some more recent theoretical developments provide a nuanced view of legitimacy theory, for example “organized hypocrisy” (Cho, Laine, et al., 2015). However, such theories aim to explain sustainability reporting at the company level and may be less useful for understanding how managers involved in the actual preparation of SASRs behave. Also, these studies are based on analysing the content of published statements and therefore do not provide direct access to the motivations and decision making of organisational actors. Although legitimacy theory may help to explain the motives and determinants of CSR disclosure, it may not be useful by itself in explaining “how” and “by whom” visual impression management choices are made. In this paper, we build on legitimacy theory by using the concept of “functional stupidity”.

Alvesson and Spicer (2012) develop a model of “functional stupidity” that provides a comprehensive alternative to models of rational choice, representing a variation on the idea of bounded rationality. Organisations are seen to restrict the “mobilization of cognitive capabilities” (Alvesson & Spicer, 2012, p. 1195) to such an extent that they promote and sustain functional stupidity. Alvesson and Spicer (2012, pp. 1199-1200) explain that functional stupidity is predominant in organisations, as organisations tend to nurture environments that structurally inhibit three distinct aspects of cognitive capacity:

1. Reflexivity: When an organisation suppresses reflexivity, it reduces the likelihood that employees will challenge its dominating values, norms, rules, and routines, or the morality of its actions.
2. Justification: When an organisation discourages its members from seeking justifications for the decisions or actions in which they are involved it reduces dialogue and moral scrutiny. Justifications become “managerial edicts” and core organisational problems are continually reproduced.
3. Substantive reasoning: When an organisation inhibits substantive reasoning, the logic applied to specific situations becomes myopic and instrumental. The reasoning becomes “focused on the efficient achievement of a given end, and ignorance of the broader substantive questions about what that end actually is” builds. The lack of substantive reasoning “frames questions in very narrow and focused ways” (p.1200).

Alvesson and Spicer (2012, p. 1202) argue that functional stupidity is “a generalized element of organizational processes”. This implies that functional stupidity is more than merely a matter

of specific individuals working in a “stupid” way. They theorise how organisations develop and sustain functional stupidity. Alvesson and Spicer (2012) use the term “economics of persuasion” to describe the increasing importance of corporate efforts to generate consumer and general public desires, expectations, and significant affiliations for the company and its products. The economics of persuasion permeates organisational life in a way that privileges symbolism over substance. Symbolic manipulation, defined as the “crafting of images and the engineering of fantasies” (Alvesson and Spicer, 2012, p. 1203), is directed internally towards employees through strategic initiatives, which build well-defined organisational identities that help to cultivate a unified corporate culture exercised often through stupidity management. This happens when various actors exercise power to block communication, with the result that adherence to managerial edicts is encouraged, and criticisms or reflections on them are discouraged (Alvesson & Spicer, 2012). Hence, the possible situation may be that the managers responsible for preparing SASRs aim for sincerity but realise that they are constrained by their company’s general reporting strategy.

Alvesson and Spicer (2012) argue that a significant proportion of employees will “buy into” this symbolic manipulation and become devoted to the company. Many employees operate in contexts that value and reward conformity more than autonomy and independent thinking (Willmott, 1993). To Alvesson and Spicer (2012, p. 1201), “stupidity ... is a mixed blessing. … It encourages organizational members to refrain from asking difficult questions. It also facilitates employees to play along with the dominant norms.” Stupidity is therefore “functional”, in that it provides managers with “a sense of *certainty* that produces *functionality* for both the organization as a whole and the individuals within it” (Alvesson & Spicer, 2012, p. 1202, emphasis in original). This means that, within an organisation exhibiting functional stupidity, managers are not acting in an inherently irrational or dysfunctional manner, but their actions “may be actively supported by organizations and may create rather ‘functional’ outcomes” (Alvesson & Spicer, 2012, p. 1199).

Hence, if the CEO is perceived to want a “hypocritical” SASR, then this may be internalised by the reporting manager and there will be an emphasis on providing “positive” sustainability stories. “Of course, people can act strategically and be cynical, but a belief in image production makes persuasion of others easier and more credible, and ultimately can create a more positive organizational climate and work experience” (Alvesson and Spicer, 2012, p. 1204). Therefore, an organisational culture consistent with functional stupidity may constrain how organizations operate, by making it more difficult for subordinates to question the plans and actions of superiors, but it does not necessarily inhibit the operation of the organization – “functional outcomes” (Alvesson & Spicer 2012, p. 1199) are always possible.

The CEO may, for example, want their SASRs to gain GRI A+ rating for “legitimacy” reasons, and reporting managers may be under pressure to comply. The format, content and details of SASRs are not legally regulated, which makes it easier for reporting managers to select content and presentation style to satisfy the CEO’s reporting strategy. Reporting managers may be rewarded to the extent that the SASRs help to maintain and advance the strategy of the CEO, so the managers need to “internalise” this strategy, and this may affect the way information is collected and how it is presented. Guthrie and Parker (1989, p. 351) recognise “the potential for management to tell its own story or refrain from doing so, according to his/her own self-interest”.

We expect that the reporting managers will, other things being equal, be likely to engage in symbolic management to portray an environmental commitment and to convince relevant stakeholders including the CEO that their expectations have been met (Thorne et al., 2014; Michelon et al., 2016). The reporting managers may use various techniques including visuals to tell a “good story” about the company and its sustainability activities. Blank space may also be used as part of a visual impression management strategy suited to maintain organisational legitimacy, whereby managers employ structural manipulations to represent their company’s performance in the best possible light (Merkl-Davies & Brennan, 2007).

The CEO’s reporting strategy may also be influenced by the extent to which the CEO’s remuneration depends on the company’s CSR performance (Velte, 2019). The CEO may have a direct personal financial interest, as a result of entitlements to remuneration that depend in part on CSR disclosures, in ensuring that a favourable impression of the company’s social and environmental activities is presented in the SASR. Although theoretical explanations of disclosure and non-disclosure often appeal to agency theory (see for example Shrives & Brennan, 2015), which emphasises the economic interests of the CEO and other actors, the predictions of agency theory and legitimacy theory are often the same, and in this paper, to avoid excessive theoretical complexity, we do not appeal to agency theory arguments.

4. Research method

We identified companies producing SASRs through the GRI guidelines disclosure website. We considered only those companies that published SASRs in English in 2014 and that rated their disclosures as achieving the G3.1 A+ application levels. Thus, we generated a sample of 69 companies across the world. To arrange interviews with reporting managers, we sent emails to the public relations team at each company, requesting the identity of the main person responsible for preparing the SASRs. We received responses from 40 companies, but most of these were negative. However, we were able to arrange interviews with preparers from ten

companies across a range of industries. While this is relatively small study, it is appropriate for an initial exploratory study of a phenomenon that is new and under-researched. Also, most of the empirical data collected provided similar themes/information, and further interviews would probably have made no difference to the overall findings. Although interviewees had various job titles (director, manager, department head, senior adviser), in all cases they were the main people involved in initiating the SASR process. We sent each respondent in advance a formal interview letter giving an outline of the research project. We promised respondents that neither their company nor they personally would be identified in any research outputs. We conducted four interviews face-to-face at the preparer's office, three through Skype, and three by telephone.

We conducted semi-structured interviews following an interview guide, which aimed to capture the process of preparing SASRs, particularly decisions involving visuals and blank space, referring to the respective roles of the reporting managers and the CEOs in the process. Interviewees were able to express themselves without specific boundaries or restrictions, although the interviewer ensured that all topics listed in the interview guide were covered. At the end of the interview, interviewees were invited to raise any further issues. Interviews lasted between 20 and 60 minutes. We recorded the face-to-face interviews and telephone interviews, with the agreement of the interviewees, using a hand-held audio recorder, and the Skype interviews were recorded using Evaer software, a package designed specifically for capturing Skype audio and video, backed up through manual notetaking. Table 1 provides information about the respondents and the industries in which they worked.

Table 1: Interview respondents

Code	Industry/Company's 2014 Revenue	Role of interviewee	Duration of interview	Type of interview
B1	Automotive (£75.4 bn)	Director (Head of sustainability stakeholder engagement, business council for SD)	38 minutes	Skype
B2	Retailer (£43.6 bn)	Director (Sustainability reports planner and Environmental/Social corporate strategy decision-maker and continuous improvements)	36 minutes	Face-to-face
B3	Retailer (£49.5 bn)	Director (Strategic planner for SD)	1 hour	Face-to-face
B4	Mining (£45.1 bn)	Manager (Sustainability report coordinator, continuous improvement for SD)	39 minutes	Skype
B5	Mining (£69.2 bn)	Manager (Sustainability reporting advisor)	40 minutes	Face-to-face
B6	Mining (£40 bn)	Manager (Sustainability strategy, Reporting and Communication, Group Sustainability, Group Identity and Communication)	30 minutes	Skype
B7	Financial services (£46.9 bn)	Head of Corporate responsibility and Civil Society	30 minutes	Telephone
B8	Telecommunications (£38.9 bn)	Director (Reporting and Insight within sustainability team)	35 minutes	Telephone
B9	Energy (£45.9 bn)	Senior Advisor (SASRs)	30 minutes	Face-to-face
B10	Telecommunications (£52.5 bn)	Head of sustainability engagement	20 minutes	Telephone

Note: revenue amounts translated into £ at 31 December 2014

We transcribed the interviews and analysed them by classifying responses to the various questions asked. We highlighted particularly informative and illustrative comments for later use in the discussion of research findings. Inevitably, some interviewees were more informative than others. The most helpful and informative comments came from face-to-face interviews, where it was easier for the interviewer to respond to non-verbal cues and probe in depth. In analysing the responses, we paid particular attention to evidence that would either support or contradict the existence of functional stupidity in the organisation. As noted in Section 3, functional stupidity in an organisation is associated with a significant reduction in *reflexivity*, *justification,* and *substantive reasoning*. We therefore identified statements where interviewees discussed the extent to which they felt able to exercise autonomy over the preparation of SASRs, rather than regarding themselves as constrained by the CEO's reporting strategy:

- How far were reporting managers able to reflect on and criticise the CEO's strategy, rather than such criticism being discouraged or even blocked altogether? (Reflexivity).

- Were managers discouraged from dialogue? (Justification).
- How was the use and role of external design consultants rationalised: as enhancing the substantive content of the SASRs, or as providing a superficial design framework for a report that ultimately supported a strategy of impression management? (Substantive reasoning)

If the reporting managers and external designers were able to exercise a substantive and autonomous role in preparing the SASRs, we would be able to conclude that functional stupidity was not an important factor in describing the organisation. On the other hand, if preparation of the SASR was largely driven by the CEO's strategy, with the expertise of the reporting managers and external designers focused on putting this strategy into effect rather than being used to challenge dominant values in the organisation, the functional stupidity explanation would be more plausible.

5. Findings

We have divided the review of the empirical findings into four parts. Section 5.1 is fact-finding: we explore the people and departments that are involved in the preparation of SASRs, and we also examine practical issues such as the time taken and cost. In Section 5.2 we investigate in more detail the respective roles of the CEO and the reporting manager(s). In Section 5.3 we discuss the rationale for the inclusion of visuals and the role of the CEO and the reporting manager(s) in the process of selecting visuals. We consider the use, selection and design of blank space in Section 5.4.

5.1 How and by whom are GRI-compliant SASRs prepared?

This section addresses the first research question (RQ1). This is split into two sub-questions: who is responsible within the organisation for preparing SASRs? (RQ1.1); and how long does it take, how many people are involved, and how much does it cost to produce SASRs? (RQ1.2)

Most of the interviewees stated that there are several departments involved in the process of preparing SASRs, organised under topics such as sustainable corporate management (risk management and human rights), supplier management (for example, minimising risk), employees (health and safety, training and further education, diversity), corporate citizenship and environmental protections (energy, CO2 emissions, waste, water usage). The preparation task involves collecting data from all departments within the organisation, for example, information on employee training and diversity would be supplied by the human resources department and on environmental protection from the production and operations departments.

> *We work very closely together, it is a company report, and a corporate social responsibility report, so we have active involvements from the main departments to whoever is responsible for the collection of the data.* (B2)

The accounting department provides data relevant to the economic domain, but its main contribution is to authorise costs associated with the SASRs.

> *The accounting department is not involved extensively in the process of the SASRs as we do not report much on numbers, the focus is more towards social and environmental reporting.* (B2)

> *The accounting department is involved mostly around sustainability development and verify the sustainability development pay. I must show documentations for each project for them to pay. In the rest of the report, they are not involved. (B3)*

The process and preparation of SASRs is very time-consuming. For example, organisations spend a minimum of four months to a maximum of one year in the initiating and developing stage of SASRs. Most of the interviewees claimed that they spend at least six months:

> *Well, we start with some preparation activities in the fall, maybe myself and our team and then it kicks out in January with the full group of people and then it takes from January to July. (B4)*

The interviewees stressed that they take SASR reporting very seriously and a considerable amount of time and resources is absorbed in redesigning SASRs to enhance users' experience:

> *We invest time and resources for complete redesign of both our website, and PDF publications. Our most recent report reflects these step changes from previous years and was the result of months of research, benchmarking and stakeholder feedbacks. Enhancements included a new website platform, refreshed visual and narrative contents and a full scope, downloadable PDF. (B9)*

At least 25 to 30 employees were involved across the company in the production of the SASR, and in some cases the number was considerably more. Most of these employees were involved in the materiality process – defining the environmental and social topics that matter most to the business and stakeholders – in their departments and collecting relevant data.

> *I would say particularly with the materiality process, 25 people but maybe 5 or 6 primarily. But in terms of the data collections, you think about all the data that you need to collect. For example, energy, water, volunteer hours, and stories of volunteers in the community. There are a lot of people that I must reach out to over the year to assemble the information and the stories in the report. The CEO, the COO, our engineering groups. (B3)*

One of the interviewees (B5) stated that they reach out to people internationally during the data collection phase: *"We collect the data from approximately 500 colleagues in at least 17 countries."*

SASRs were also considered to be expensive, ranging from £100,000 to £500,000 to produce. This includes the cost of preparation, design, and printing.

> *There are several factors that go into the SASRs, I think it is approximately half a million for the production and design of the reports excluding our time. (B2)*

Two factors were identified as increasing the cost of SASRs: the burden of compliance with the GRI guidelines, and the use of multiple publication formats:

> *This is because this year we decided to publish our online report, and a fully functional pdf and in addition to that, we are also doing a summary SASR. (B2)*

> *In a normal year, we would spend around $100,000 to $110,000, but in 2014, we spent $200,000 because of the materiality processes. (B3)*

However, the interviewees were not concerned with the cost as they believed it is a good business model to have well-designed and innovative SASRs.

> *We know that the demand for SASRs has escalated, we have concerned stakeholders, and I think it makes good business sense to have a creative SASRs to fulfil stakeholders demand and need. (B6)*

Because the GRI guidelines require increasingly detailed information in the SASRs, costs have risen dramatically in recent years. This is consistent with the findings of Flyverbom and Reinecke (2017, p. 1630) that: "Organizations invest an increasing amount of time, resources and skills into activities whose primary and explicit targets are the impressions of the audiences the company wants to affect …, including window-dressing, storytelling and impression management."

5.2 What are the respective roles of the CEO and the reporting manager(s) in the process and preparation of GRI-compliant SASRs?

This section addresses the second research question (RQ2). In assessing the extent to which an organisation may be described as "functionally stupid", the extent to which junior managers are able to reflect on and challenge the strategies and policies of senior management is important evidence. We found that reporting managers are considered to be the organisations' sustainability reporting experts but that generally they are constrained by the CEO's reporting strategy. The CEO normally sets the reporting strategy for SASRs and it is the responsibility of the reporting manager to educate and train the junior to mid-tier managers to put into practice the CEO's reporting strategy.

> *The CEO sets SASR strategy for the overall organisation and we ensure to work towards this. (B7)*

We asked the interviewees whether they have any say in the SASR strategy. Most of the interviewees indicated that they work towards the CEO's vision. They are able to make recommendations but ultimately the CEO has the final say. Reporting managers do not normally question the CEO's reporting strategy as they believe that ultimately the CEO knows what is best for the organisation based on internal and external business environments. The CEO's reporting strategy determines the information to be collected by the reporting manager in compiling the SASR. Reporting managers typically provide content owners (i.e. junior to mid-tier managers responsible for sustainability report content) with an information pack containing detailed guidelines on the CEO's reporting strategy, types of information to be collected and the time frame.

> *I give a briefing of the strategy before the collection of data; therefore, they have a good sense of what type of information is required by the CEO. (B3)*

Additionally, reporting managers ensure that both junior and mid-tier managers are knowledgeable and resourceful. However, most of the interviewees revealed that it is time-consuming and challenging for the reporting managers to educate new and inexperienced staff.

Both junior and mid-tier managers are expected to cooperate in achieving the CEO's reporting strategy. To ensure that everyone within the organisation is working towards one vision, the reporting manager communicates regularly with junior and mid-tier managers and provides regular feedback and updates through an internal collaborative system.

> *We have an internal system like drop box which is updated daily, each department submits their work and I provide them feedback. (B4)*
>
> *We contacted managers of the concerned department and had a one to one meeting, so that we are on the same page and working towards same vision (B6)*

We asked the interviewees what their personal objective was for SASRs. Most interviewees referred instead to their perception of the CEO's objectives, for example:

> *The CEO wants us to stay ahead the competitors, SASRs are vital for our financial success and shows our commitment to CSR. (B3)*

What was the approach of interviewees to reporting any material bad news in SASRs? Interviewees informed us that they try to be as sincere as they can but that they construct the SASR in line with the CEO's reporting strategy, aware that they may be asked to downplay or even remove negative news:

> *We try to be sincere in the disclosure of environmental and social information but ultimately it is the CEO which has a final say and that the report is read by the CEO in great detail and any bad news related to environmental and social information is ultimately suggested to be removed from the SASR by the CEO. (B8)*

Prior studies (Adams, 2002; Bellringer et al., 2011; O'Dwyer, 2002) suggest that senior managers and board members remain reluctant to disclose material bad news. Our findings indicate that many reporting managers anticipate such reluctance and as a consequence may feel that they need to suppress bad news. They focus on what the CEO wants the SASR to contain, rather than what their expertise in sustainability would suggest. This may lead reporting managers to seek out good news to report in the SASR rather than bad news.

> *There is nothing wrong with the disclosure of favourable environmental and social information, we are proud of these achievements and our CEO is supportive and impressed by what we have achieved. (B10)*

Reporting managers feel under pressure from their CEOs to achieve the highest possible GRI ratings, as this is thought to signal that the organisation is committed to sustainability issues:

> *I ensure that the report follows the GRI guidelines, so we are the subject matter experts on GRI guidelines, and we reach out to business functions to gather all the data. (B3)*
>
> *This is the target set by our CEO and is part of the reporting strategy. We self-declare the ratings based on our own assessments of our report contents against the GRI criteria in the GRI applications level. (B3)*
>
> *The president and CEO offices are certainly aware of the GRI framework and would expect the reporting manager to be reporting at the highest level and be 'best in class' in all operations. (B7)*

Interviewees stressed that it is in their best interest to work in line with the CEO's strategy as failing to do so will have a negative impact on the assessment of their overall individual performances:

> *The manager would be scored poorly in their performance rating, which could affect remuneration. (B10)*
>
> *There is a positive PR externally and internally recognitions of their achievements. (B3)*
>
> *It is everyone's interest to maintain the highest ratings possible. (B7)*

Reporting managers are thus incentivised to enact the CEO's reporting strategy. This is rational behaviour on the part of the reporting managers, so it cannot be described as "stupid"

at a personal level. The inhibition of managerial reflexivity in the preparation of SASRs is, however, consistent with functional stupidity at the organisational level. For example, the majority of the interviewees reported that they had not questioned the CEO's reporting strategy, as interviewees generally believe that the CEO had a clear vision and strategy for SASRs. This supports Alvesson and Spicer (2012, p. 1199), who suggest that "the employees may not consider or question (im)morality because 'what is right in the corporation is what the guy above you wants from you'." Organisational rules, norms, and routines enable the reporting managers to contribute to maintaining and strengthening organisational order, whether the information disclosed in SASRs is symbolic or substantive, as long as the CEO's expectations for the SASR is fulfilled.

An exception to this was interviewee B5, who considered that the CEO played only a minimal role in the preparation of the SASR. The interviewee commented:

> *I make the key decisions and leave the rest to the junior and mid-tier managers. The CEO will briefly read the draft of the report, but does not engage to a greater extent. (B5)*

The relaxed attitude of the CEO to sustainability reporting appears strange as this is a mining company, where the impact on the environment is likely to be material. However, the reporting manager observed that:

> *There is lack of interest in sustainability, including our CEO is not concerned in what we disclose. If the users are not interested in the report then there is no motivation to spend extensive time and money reporting on environmental and social issues. (B5)*

GRI guidelines and GRI A+ ratings were also used to symbolise corporate commitments to CSR. CEOs require the reporting managers to attain the highest possible GRI ratings. However, as the GRI guidelines are voluntary and GRI ratings are self-declared, the reporting managers may seek to enhance the symbolic performance of the organisation by being able to "to tick more GRI boxes" (De Villiers & Alexander, 2014). Reporting managers are motivated to engage in symbolic CSR practices to cultivate their careers by educating other managers and collecting data consistent with the CEO's reporting strategy. By not revealing a personal goal or vision for the SASR, but rather emphasising the CEO's vision and strategy, reporting managers are subordinating their personal views to those of the CEO, and are therefore not able to use their full capacity for reflection and cognition. As a result, despite the "functional outcome" (Alvesson & Spicer, 2012, p. 1199) represented by the SASR, the behaviour of the reporting managers is constrained by the CEO's reporting strategy, which shapes the organisation's processes in a functionally stupid way.

5.3 Why do companies use visuals and how are visuals selected/designed?

This section addresses the third research question (RQ3). Although the literature on sustainability reporting has largely overlooked the presence of visual images, they often occupy more space than words and numbers (Davison, 2014). The ten organisations in which interviews were undertaken have used hundreds of visual images and graphs in their SASRs aiming to show the benefits of sustainability development.

The interviewees were asked why visuals were used in their SASRs. Interviewees stated that visuals are an important part of the CEO's strategy for the SASR to "tell a story". Visuals enable the organisation to present stories that stand out as being interesting and memorable. The overall message communicated by visuals was important, to the extent that one interviewee was critical of photographs used in a previous SASR and considered that they did not represent the company appropriately:

> *We also ensure that the pictures show the proper safety equipment, for example, some of the pictures that we included in the report this year did not contain the proper personal protective equipment, like safety protective glasses […] because we are a mining company, so safety is important. So next year, I am going to ensure that the safety materials are included in the picture. (B3)*

Interviewees believe that visuals are important because users do not read the SASR in detail, so visuals give users a feel for the content and key messages.

> *We believe that people do not have time to read sustainability reports, they flick through the reports, and visuals are good tools for serving this purpose. (B4)*
>
> *If you see the front cover of our annual report, it says, 'defining different' and the CSR report says, 'boldly different', it is important that these two works together not only visually but thematically. (B3)*

However, interviewees strongly suggested that visuals are used to legitimate environmental and social activities rather than to communicate incremental information. Reporting managers are constantly pressed by senior management to use more visuals in SASRs.

> *We do have a lot of pressure on us to disclose more visuals as CEOs want the SASRs to be more interesting and engaging (B9)*

Hence, the use of visuals in SASRs is intended to influence external perceptions, to build or maintain the organisation's legitimacy to operate (Suchman, 1995) and to enhance stakeholder engagement.

> *Based on the feedback from external stakeholders, we came to know that the audiences want to see the report more interesting and we use more visuals to meet their needs. (B2)*

Interviewees suggested that CEOs want SASRs to be visually appealing in order to stay ahead of competitors. This is consistent with the observation of Alvesson and Spicer (2012, p. 1200) that organisations "often adopt new practices with few robust reasons beyond the fact they make the company 'look good' or that 'others are doing it."

> *Our research indicates that our competitors have been using more visuals more recently than historically, we also use more visuals to stay ahead of competitors. (B9)*

> *Our role is just to oversee the process of visuals, we do not own any of the information that goes into any of our reports. … we really just act as a facilitator and ensure that we do our job to the best. (B10)*

The inclusion of visuals in SASRs is supported by organisational norms and reporting managers facilitate the smooth interaction of the inclusion of visuals in SASRs within the organisation. Managers are concentrating enthusiastically on the task at hand, rather than criticising the CEO's strategy for the use of visuals in the SASR. The organisation "functions", as visuals are selected and incorporated in the SASR, but the inability of the reporting manager to challenge the CEO in the ultimate choice of visuals means that the organisation "functions stupidly" (Alvesson & Spicer, 2012). This is borne out by interviewees' comments on the selection process for visuals. The communication department works closely with the CSR-related activities department and they jointly identify areas where graphs, pictures, photographs, diagrams and charts could be included. They then jointly select visuals that are technically sound and visually appealing. The communication department then coordinates with the external designers in improving and redesigning these visuals into visually engaging content and integrates these visuals into a good environmental and social story. The idea is to focus on visuals that draw the users' attention to important environmental and social issues.

> *If you look at page 10 of our SASR, our performance in the Greenhouse Gas Emission is explained verbally and visually to make them attractive and easy to understand. (B4)*

Interviewees devote considerable time and effort to the selection and inclusion of visuals in SASRs. This is consistent with the observation of Alvesson and Spicer (2012) that, in the context of the economics of persuasion, organisations devote a significant proportion of their efforts to creating demand for their products by promoting expectations, producing images and influencing desires.

In some cases, interviewees reported that the CEO is heavily engaged in the recruitment selection process of external designers:

> *We ensure that the external designers are expert in the sustainability reporting issues and most importantly know the GRI guidelines thoroughly. The communication department begun the process of outsourcing and selecting the*

external designers, but it is the CEO that has a final say based on the external designers' previous experience and reputation. (B2)

The interviewees also revealed that the design of SASRs is very crucial to the strategy of the CEOs and that the external designer selected for the SASR is not the annual report designer:

We have different external designers for the annual report. We believe that they do not have any expertise in sustainability reporting and are not GRI experts. Our team did query with them and research their expertise. We believe that the SASR is more about telling a good story and that story can be described well visually by the CSR design experts. They know what the internal and external stakeholders demand in terms of the environmental and social issues. (B4)

Even though the final selection process of visuals involves inputs from the communication department and the external designers, ultimately the choice is finalised and approved by the CEO.

It is the CEO that selects and decides what goes into the report and makes the key strategy decision around sustainability issues including the types of visuals that are inserted in the report. (B1)

The CEO will go through each visual and will ensure that it is aligned with the company's overall objectives and strategy, and it portrays the company in a balanced and accurate dimension. (B2)

Again, interviewee B5's responses were out of line with the consensus position. This interviewee emphasised that the budget for the preparation of the SASR was limited, and the detailed preparation was largely delegated to the external designers:

Neither I nor the CEO is engaged in the selection of visuals and blank space, our external designers are expert in the area, and we trust their inputs to our SASRs (B5).

We find that the choice of visuals is driven by the CEO's reporting strategy and is more about legitimising environmental and social activities than providing incremental information. Given that SASRs are voluntary, there are significant opportunities for using visuals as a symbolic practice rather than for their substantive content. Our findings suggest that the reporting managers and external designers are constrained by the CEO's reporting strategy. Reporting managers act as facilitators rather than as decision-makers in the choice and selection of visuals. Reporting managers tend to refrain from questioning the CEO's reporting strategy, as criticism or reflection on CEOs reporting strategy is discouraged. Hence, as Alvesson and Spicer (2012, p.1206) suggest: "A true follower relies heavily on the leader to do the thinking and decision making about the key issues, such as visions, strategies, values and identities. Co-workers are expected to adopt follower positions and passively accept what the leader suggests*".*

5.4 Why do companies use blank space and how is blank space selected/designed?

In this section, we address the fourth research question (RQ4). Interviewees indicated that effective use of blank space is an important part of the reporting strategy. The use of blank space in SASRs is an effect of the CEO's desire to make the SASRs more user-friendly, giving the report enough "room to breathe", as large blocks of uninterrupted text in the SASRs would cause the intended message to become lost. Because the process of preparing SASRs is time-consuming and costly, CEOs want to ensure that the end product is eye-catching, and as well as using striking visuals, the use of blank space helps to achieve an attractive SASR.

> *We use blank space as it is something which our CEO requires us to include in SASRs. (B7)*
>
> *It is a communication strategy, you do not want to see the report dull and boring with lots of texts and visuals, it is best to leave blank space to make the report unique. (B3)*

Blank space, which has no substantive content, therefore has a symbolic role in the SASR. This extends the conclusion of Michelon et al. (2015) that, in a symbolic use of SASRs, disclosure would translate into a diffusion of a great volume of "empty" sentences or would replicate boiler-plate information in a way that would offer little to enhance stakeholder engagements. The interviewees also reported that they have recently been deploying more blank space in SASRs, and that internal and external stakeholders were supportive of the use of blank space.

> *Based on internal and external stakeholders' feedbacks, we came to know that the audience wants to see the report more interesting and we use more blank space in SASRs to meet those needs. (B10).*
>
> *White space is important in SASRs as it aids readability. (B3)*
>
> *If you stuff your pages in SASRs full of text and pictures, those pages will be hard to parse. Readers will be unable to focus on the key message as a result. (B6)*

With a document as packed as an SASR, the information in the report needs plenty of room to breathe. The blank space balances the text:

> *If you look at our report: it contains text, visuals but enough space to balance the words in a way that still feels easy to read. (B7)*
>
> *We use white space in SASRs to enhance the content of the reports. (B7)*

Some interviewees thought that blank space and visuals could be overused, but CEOs like the use of visuals and blank space. These interviewees report that they have been preparing their SASRs to comply with the CEO's preferences.

Blank space can lead to a longer SASR, which will put off the reader from looking into the report. (B2)

We use blank space as the CEO is impressed with our reports in the past and we continue the same patterns in our most recent SASRs. (B9).

The use of blank space in SASRs may render documents attractive to readers. However, blank space in conjunction with visuals may be used to manage impressions, for example, by producing a document that readers interpret as a signal of organisational legitimacy because of its length and attractive appearance, while not actually engaging with the detailed contents of the document. The use of blank space creates a tension between the desire of the reporting manager to construct an SASR that presents a clear message in a manageable document and the CEO's aesthetic preferences. In the opinion of some reporting managers, CEOs are excessively influenced by the practices of other organisations, rather than the needs of their own organisation. To the reporting managers, CEOs regard the SASRs as legitimating devices, and both reporting managers and external designers end up acting as facilitators rather than as decision-makers in determining the use of blank space. Some of the reporting managers believed that too much use of blank space in SASRs could be detrimental, but they felt constrained to comply with the CEO's expectations. Reporting managers must focus on the CEO's desire for a legitimising SASR, and therefore there is little opportunity for dialogue rather than following the CEO's edicts, which is suggestive of "functional stupidity" (Alvesson & Spicer, 2012) at the organisational level. The CEO's reporting strategy discourages reflexivity, justification and substantive reasoning, the components of "functional stupidity" (Alvesson & Spicer, 2012).

6. Discussion of "functional stupidity"

According to Michelon et al. (2016, p.21) there is a need to investigate functional stupidity in the area of social and environmental accounting. We have furthered understanding of functional stupidity as follows.

Firstly, the voluntary nature of SASRs allows us to see legitimacy and functional stupidity more clearly at work in the preparation of SASRs. Symbolic manipulation is employed in the preparation of SASRs to fulfil the CEO's reporting strategy of "staying ahead of competitors" and being "recognised as good sustainability performers" (for example, Interviewees B1, B3, B4, B7). The reporting managers make recommendations but ultimately it is the CEOs that make key decisions. The reporting managers therefore act as facilitators, putting into effect managerial edicts, rather than as decision-makers. For example, the majority of the interviewees stated explicitly that they do not question the CEO's reporting strategy as the

CEO knows what is best for the organisation (although interviewee B5 denied that the CEO actually had a strategy: “I don’t think we’ve had a single email or phone call from the CEO about our sustainability performance”). Reporting managers must collect environmental and social information that the CEO will regard as “positive” by first internalising the CEO’s strategy and then educating junior and mid-tier managers in implementing the strategy. Reporting managers do not expect CEOs to justify their detailed decisions and preferences for SASRs. However, managers’ ability to reflect on the contents and presentation of the SASR, and on the overall purpose of the document, are inhibited.

Interviewees clearly face personal tensions, as they try to be sincere in preparing SASRs (for example, by not downplaying bad news and overemphasising good news), but they are conscious that ultimately it is the CEO who decides what should go into the report. The typical response from the reporting managers was that it is in their best interests to work in line with the CEO’s SASR strategy by providing positive and interesting environmental and social stories, as failing to do so will have a negative consequence on the assessment of their individual performance.

The involvement of the CEO in the process of engaging external designers means that they too will feel constrained to work towards the CEO’s reporting strategy. If the external designers do not comply with the CEO’s requirements, then their contract may not be renewed. The CEO’s SASR reporting strategy therefore becomes self-reinforcing within the organisation. Neither the reporting managers themselves nor other participants, including external designers, seem able to question the CEO’s SASR reporting strategy and objectives once these have been specified. Although some managers told us that they were able to make recommendations to the CEO about the general approach to social and environmental reporting, once the strategy was developed, they had to work within it.

As Alvesson and Spicer (2012, p.1196) state: “functional stupidity contributes to maintaining and strengthening organisational order”. Indeed, some reporting managers praised rather than criticised the common reporting strategy of disclosing positive environmental and social information and downplaying negative information. Overall, the possibility that reporting managers could challenge dominant values, enter into a dialogue with the CEO, and discuss the objectives of social and environmental reporting rather than just working to achieve the CEO’s goals, were all inhibited, which is suggestive of functional stupidity at the organisational level.

Secondly, we find the use of visuals is an important part of the CEO’s disclosure strategy. Companies use different forms of visuals (pictures, photographs, diagrams, charts and graphs) with the aim of legitimising corporate activity. Visuals have the ability to divert users’

attention from actual operations, while creating an impression of good corporate citizenship. CEOs recognise the power of visuals in sustaining legitimacy. They are engaged extensively in the selection process of visuals and often approve not just the type of visuals to be included in SASRs but specific images. The approach of CEOs to the use of visuals in SASRs is often motivated by a desire to imitate competitors: this is consistent with the comment of Alvesson and Spicer (2012, p. 1200) that organisations "often adopt new practices with few robust reasons beyond the fact that they make the company 'look good' or that 'others are doing it'." Reporting managers give high priority to the CEO's strategy for visuals. Reporting managers refrain from asking questions or challenging the CEO's reporting strategy. The comment from interviewee B10 that "The manager would be scored poorly in their performance rating, which could affect remuneration", is significant here, as it shows that reporting managers are constrained by the need to protect their own career and material rewards, even if this means that they have to act insincerely by providing environmental and social information that they consider to be more symbolic than substantive. Pressures inside an organisation towards maximising careerism are suggestive of functional stupidity (Alvesson and Spicer, 2012, p. 1214).

Thirdly, we find the way in which blank space is used also depends on the CEO's reporting strategy. Blank space may improve the readability of SASRs: the idea that information needs "room to breathe" was supported by several interviewees, who reported that external designers often initiated a discussion of whether to use substantial blank space. However, recommendations from designers were ultimately subject to approval by the CEO. Effective use of blank space in conjunction with visuals may resemble marketing tools designed to maintain the approval of crucial stakeholders for the survival of the business (Unerman et al., 2007) or to manage political and media visibility (Thorne et al., 2014). Given that visuals and blank space make the SASR a longer document, their use may suggest to readers that companies have a greater commitment to CSR than is actually the case. However, managers felt unable to resist pressures from the CEO to use what the managers considered to be excessive blank space. As there are no official design guidelines and requirements for visuals and blank space, there are significant opportunities for using these devices for symbolic manipulation.

Our interviews revealed that the process of preparing SASRs is a complex one, with the reporting manager not only co-ordinating the collection of information and images from across the organisation but also liaising with the external designer to put together the SASR. Interviewee B7 expressed the position of the reporting manager in stark terms: "We do not question the CEO's reporting strategy as the CEO knows what is best for the organisation's future." Other interviewees were also reluctant to question the CEO's strategy once it had

been communicated to them and they had internalised it. It does not in the end matter how much research the reporting managers undertake with internal and external stakeholders, what drives the form and content of the SASR is the CEO's preferences. These may be explained in terms of legitimacy or the CEO's desire to maximise remuneration that may be dependent on CSR performance, but the important insight of this paper is that, at the level at which the SASR is actually produced, it is not the knowledge and attitudes of the "expert" – the reporting manager – that dominate but rather the strategies of the CEO. Hence, reporting managers feel that they have no option, if they want to preserve their jobs, other than internalising and enacting the CEO's strategies. An implication of our findings is that research that attempts to explain variations in social and environmental reporting by reference to the personal characteristics and remuneration packages of CEOs is making use of relevant variables. Even if the CEO does not personally write the SASR, the document is, in most organisations, likely to be prepared in line with the CEO's expectations.

7. Conclusions

By interviewing managers responsible for the preparation of SASRs, we have provided useful empirical evidence relating to the issues involved in compiling these reports. The typical findings are summarised in Table 2; the exceptional responses of interviewee B5, who commented that the CEO in the interviewee's organisation was uninterested in sustainability, have not been separately identified.

Table 2: Summary of empirical findings

RQ	Sect.	Topic	Typical findings
1.1	5.1	Responsibility for preparation	Mainly communications departments and external designers.
1.2	5.1	Time taken, number of people involved, and cost	At least six months to prepare SASRs, with around 25 to 30 up to as many as 500 involved. Annual direct cost from £100,000 to £500,000.
2	5.2	Role of the CEO and the reporting manager	CEO sets reporting strategy, approves and authorises the reports. Reporting manager collects data, micro-manages the process of SASRs and works towards advancing the CEO's reporting strategy.
3	5.3	Reasons for using visuals	Visuals focus attention, tell stories, and make information interesting and memorable.
4	5.4	Reasons for using blank space	Assists readability and makes information stand out in a visually appealing way.

Some findings are particularly interesting. For example, respondents emphasised that the accounting department was usually not involved in the preparations of SASRs, other than verifying costs associated with producing the SASRs.

Interviewees typically described the process of preparing SASRs as expensive and time-consuming, particularly as costs are likely to be considerably in excess of direct expenditure on external designers and production. Considerable employee time is devoted to preparing SASRs. Hence the range of costs quoted in Table 2 is likely to understate the overall costs by a substantial amount. Respondents suggested that two factors that tend to inflate costs are compliance with GRI guidelines and producing the SASRs in multiple forms (printed versions, downloadable pdf versions, interactive versions, summaries).

CEOs play a crucial role and are responsible for setting the overall reporting strategy. The reporting managers advance the CEOs' SASR strategies by educating and communicating the strategy internally to junior managers and externally to the designers to ensure that the companies achieve a GRI A+ rating. Reporting managers believe that CSR is vital to corporate financial success, so they want the SASR to communicate a positive environmental and social story. The preparation of the SASR is driven by a need for symbolic manipulation as much as a desire to provide substantive environmental and social information. The reporting managers typically stated they see their best interests as working towards the CEO's reporting strategy as failure to do this will have financial and career consequences. Internal and external pressures may encourage reporting managers to adopt a symbolic and superficial approach to report an apparently high level of sustainability performance: this emphasises the financial interests of the organisation rather than a genuine concern for transparency and accountability (Boiral, 2013).

Our other findings provide additional support to previous research. Companies use visuals symbolically to make their story more interesting and memorable. Indeed, visual design techniques have become "heavyweight ingredients, in the richness and potency of their messages" (Davison, 2007, p. 137). An example of this is the use of blank space to present information in a way that is visually appealing. The interviewees recognised that SASRs are not read thoroughly and therefore visuals and blank space are useful for enhancing readability. It has been recognised for a long time that most readers of corporate annual reports spend little time reading detailed text. The classic study by Lee and Tweedie (1975) finds that although the annual report is a primary source, it is not read thoroughly. This finding was supported by Squiers (1989, p. 218), who documents that "40% of stakeholders spend five minutes or less looking at annual reports". Some of our interviewees feared that bulking the

SASR out with visuals and blank space would paradoxically make the document less attractive to users, and therefore, like annual reports, not read in detail.

Our results support the conclusion of Alvesson and Spicer (2012, p. 1216) that “stupidity in organizational life is not necessarily an aberration. Rather it is a frequent and organizationally produced norm.” In most of the organisations included in our research, reflexivity, justification and substantive reasoning appear to be inhibited, so the ability of the reporting managers and external designers to exercise discretion and personal judgement is limited by the need to enact the CEO’s reporting strategy. Ironically, the organisation in which the CEO did not show interest in sustainability, leaving the reporting manager and external designer to make all the decisions about the SASR, could be considered “stupid” in a different sense, because of the absence of a clear reporting strategy.

Our findings have several practical implications. They pave the way for stakeholders who use sustainability reports, and for students of sustainability reporting, to be more fully informed as to the varying motives and the often complex lines of responsibility between CEOs, reporting managers and external designers, and the differing levels of competence that lie behind the production of sustainability reports. Stakeholders should have greater appreciation of the contingencies at play in the preparation process, and they should develop greater scepticism with regard to the finished products. Our findings are also of interest to preparers of such reports, in encouraging reflection on their own practice and raising awareness of practice elsewhere. There are also possible implications for regulation. Organisations such as the Global Reporting Initiative might provide more formal guidance on the use of powerful visuals in corporate reports. The use of extensive blank space in SASRs may improve communication but may also discourage readers from reading a long SASR, hence specific guidance may be required to provide parameters for the proportion of blank space to be used in SASRs.

Our study has some limitations. Companies are often reluctant to expose to outside researchers the process by which their external reports are prepared, and most companies contacted either refused to participate in the study or did not even respond. We conducted exploratory semi-structured interviews with ten reporting managers. Although these covered a range of industries and geographical locations, we did not explore any industrial or geographic variation within our results and caution needs to be exercised in generalising the findings. For example, the SASR may be influenced by several internal organisation factors, such as the organisation’s history, its size, its environmental and social performance, the personality and preferences of its CEO, and the internal structure of the organisation. Evidence from reporting managers may understate the roles of organisational actors with whom the managers do not have much contact, such as the board of directors. Although we

found that, in most organisations, the CEO's reporting strategy substantially constrained the decision-making ability of the reporting manager, in one organisation (that of interviewee B5), the CEO was unengaged, and the reporting manager had much greater control over the SASR.

Future research could explore, by reference to larger samples, whether variations in these factors influence the form and content of the SASR. However, our findings provide a useful basis of comparison with existing research. This often analyses SASRs (and other corporate reports) "from the outside", by examining the published reports themselves rather than considering the processes by which these reports are prepared. It would be useful to interview individual preparers and to survey organisations in a few years' time, when the new GRI Standard has had the opportunity of "bedding in". Meanwhile, this study provides a useful overview of how SASRs are prepared and the role of CEOs and the reporting managers in the process and preparation of SASRs. We also explain the tensions experienced by reporting managers, the "internal experts" in the SASR preparation process, but typically having to work towards the strategies of CEOs, in terms of functional stupidity, which we believe operates as a general element of organisational processes rather than through the cognitions of individual managers.

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