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Published in:
Medien Journal

2018

Document Version:
Early version, also known as pre-print

[Link to publication](#)

Citation for published version (APA):

Arvidsson, S. (2018). How are Stakeholder Relations Communicated in Sustainability Reports? A Longitudinal and Cross-country Focus. *Medien Journal*, 42(1), 51-70.

Total number of authors:
1

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How are Stakeholder Relations Communicated in Sustainability Reports?

A Longitudinal and Cross-country Focus

Abstract

Since stakeholders today are more aware and informed of various sustainability aspects, they are also becoming more involved and participate in shaping sustainability discourses (see e.g. Golob et al. 2017). It is vital to understand if companies utilise this accentuated commitment towards sustainability aspects by interacting with their stakeholders and involving them in different engagement activities aimed at developing and improving their sustainability practices. Thus, grounded on legitimacy and stakeholder theory, the objective is to analyse how stakeholder relations are communicated in sustainability reports. The focus is on the extent, content and structure of information related to three themes; stakeholder-identification analysis, stakeholder *engagement & dialogue* and *materiality process*.

The study applies a content-analysis methodology in which sustainability reports from two EU-reporting settings, Germany and Sweden, are at focus. The reports come from the largest listed companies included in the indexes DAX30 and OMXS30. The analysis confirms an increased and elaborated focus on sustainability relations in both the German and Swedish sustainability reports. While stakeholder-identification analysis receives remarkable little attention in the reports, much focus is on stakeholder engagement & dialogue and the materiality process. However, most companies fail to explain how the outcome of both their stakeholder-engagement activities and materiality process will affect or be integrated in business operations. This indicates that the companies might not or at least not fully utilize the involvement with their stakeholders to develop and improve their sustainability practices.

Keywords: sustainability disclosure, corporate communication, stakeholder relations, stakeholder engagement, materiality

1 Introduction

Companies have traditionally regarded stakeholders as passive, however, they are not passive anymore (see Herremans et al. 2016; Stiller and Daub, 2007). Instead stake-

holders, whether they are individuals, groups or NGOs, today take various actions related to sustainability and also raise awareness of issues close to their hearts. Several are those emphasising that this increased awareness in society about environmental and social issues due to pressing global problems (e.g. climate change, human rights violations, natural disasters and scarcity of natural resources) actually has contributed to a transformation in the way companies are conducting business (Arvidsson 2018; Conley and Williams, 2005; Kolk and van Tulder, 2010; Seuring and Müller, 2008). As a result of this increased awareness and commitment to sustainability, stakeholders are found to demand more information on how companies actually perform on the sustainability arena (Arvidsson 2014; Bondy et al. 2012; Thijssens et al. 2015).

In the business world, sustainability reporting has become a means for openly communicating to its stakeholders about how the company is performing in the environmental and social arenas (Arvidsson 2010). Stakeholders view the sustainability report as the preferred source for this information (Radley Yeldar, 2012). Although it provides stakeholders with information through one-way communication, the sustainability report is often argued to be a dialogue between a company and its various stakeholders (Edgley et al. 2010; Gray et al. 1995a). It is also viewed as a means to provide accountability to stakeholders (Mori Junior et al. 2014) and, thereby, gain, maintain or repair legitimacy (see Deegan, 2002; de Villiers and van Staden, 2006; Dowling and Pfeffer, 1975). The moral view of stakeholder theory suggests that stakeholders who are affected by a company's business also have the right to be informed and to require certain levels of performance and conduct (see Freeman, 1984; Mitchell et al. 1997). Since stakeholders today are more aware and informed of various sustainability aspects, they are also becoming more involved and participate in shaping and developing sustainability discourses and corporate practices (see e.g. Golob et al. 2017). In relation to this it is vital to understand if companies utilise this accentuated commitment towards sustainability aspects by interacting with their stakeholders and involving them in different engagement activities aimed at developing and improving their sustainability practices. While stakeholder engagement is not a new phenomenon, it is now broadly accepted as crucial to a company's sustainability and success (see AA1000 Stakeholder Engagement Standard, 2011). The importance of nourishing and utilising stakeholder relations by developing efficient strategies for stakeholder identification, engagement and dialogue is acknowledged both in research and business communities (see Herremans, 2016). One way of gaining increased knowledge on this is to examine how companies report or communicate on their stakeholder relations in the sustainability report. Already Roberts (1992) argued that sustainability disclosures can be viewed as a company's strategic plan for how to manage stakeholder relations. Morhardt et al. (2002) established that a principal reason for providing sustainability reports is an attempt to improve stakeholder relations.

Thus, grounded on legitimacy and stakeholder theory, this study provides a comprehensive content-analysis of how stakeholder relations are communicated in German

and Swedish sustainability reports from large listed companies. The focus is on the extent, content and structure of information related to the following three themes; *stakeholder-identification analysis*, *stakeholder engagement & dialogue* and *materiality process*. Although meritorious in their contributions, earlier research has not included a combined focus on how these three themes are communicated in sustainability disclosure. Furthermore, the study contributes to the rather scarce research on how stakeholder relations are communicated in sustainability reporting over time and between countries (see Herremans et al. 2016). The study adds originality and valuable input to the research field in three ways. *First*, its comprehensiveness manifested in its focus on stakeholder-identification analysis, stakeholder engagement & dialogue *and* the materiality process provides an increased understanding of if and how companies, according to the sustainability report, in various ways utilize, engage and interact with their stakeholders in forming their sustainability practice. *Second*, its focus on two different EU-reporting settings, enables country-specific trends to be identified between one country viewed as among the best at sustainability disclosure (Sweden) and one country being the fourth largest economy in the world and the largest economy in EU but yet a scarce setting in sustainability research (Germany). *Third*, its longitudinal focus enables trends as to the aforementioned to be identified.

Thus, the herein findings provide relevant inputs into the debate on how companies involve and interact with their stakeholders. This is of interest and relevance to both policy makers at national and international level and to the business and academic communities in their on-going quest of developing sustainability reports of high informational quality satisfying the needs of various stakeholders.

This paper has been structured as follows: first the theoretical and empirical foundations motivating this study are discussed. Then, the methodology underlying this study will be in focus. Next, the findings from the content-analysis study are presented and discussed, and finally, concluding remarks form the closure of the paper.

2 Theoretical and empirical foundations

The theoretical framework developed in this paper is based on legitimacy theory and stakeholder theory. The theoretical and empirical foundations also draw from three related themes in stakeholder-relations literature namely stakeholder-identification analysis, stakeholder engagement & dialogue and materiality.

Legitimacy and stakeholder theory are often used as theoretical reference points in sustainability research (see Hahn and Kühnen, 2013; Hooghiemstra, 2000; Spence et al. 2010) and are to some extent both interrelated and include overlapping perspectives (see Gray et al. 1995b; 1996). According to *legitimacy theory* a company needs to be granted legitimacy in the form of a social contract often referred to as a social licence to operate (Deegan, 2002; Dowling and Pfeffer, 1975). Hooghiemstra (2000) argues that this implies that a company's success and even its survival are dependent on the

extent that the company operates within the norms of society (Brown and Deegan, 1998). Thus, legitimacy theory suggests that every business operation is subject to the acceptance (or non-acceptance) granted by society. Elaborating on the ideas of Dowling and Pfeffer (1975), Hahn and Kühnen (2013) stress that this legitimacy is potentially threatened if society perceives that a company is not conducting business in an acceptable manner. The ideas underlying legitimacy theory are often used to support the notion that sustainability disclosure is a means for a company to gain, maintain or repair legitimacy (see de Villers and van Staden, 2006; O'Donovan, 2002). Being perceived as legitimate in society and consequently receive a social licence to operate is dependent on the perceptions of the company and its operations held by *stakeholders*.

According to *stakeholder theory* it is vital that a company when structuring its business operations takes into account the values and expectations of its various stakeholders and is attentive of shifts in these (Freeman, 1984). The moral view of stakeholder theory proposes that those who either are impacted by or impact a company's operations have the right to both be informed about the company's performance and to demand certain levels of performance (see Freeman, 1984; Mitchell et al. 1997). In line with this, companies are found to provide accountability to their stakeholders (Mori Junior et al. 2014) by reporting in their sustainability reports about their engagements in sustainability activities. Similar to this, Campbell et al. (2003) argue that sustainability disclosure can be regarded as a means to shape the perceived legitimacy of a company. Herremans et al. (2016) argue that there is an increasing need for these sustainability reports since companies must make information available to their stakeholders so that they in turn can evaluate if the company's performance on the sustainability arena fits with their interests and values. The same argument was put forward already by Preston et al. (1999) when sustainability reports still were not so common. Recent studies confirm both that stakeholders are increasingly interested in acquiring information about companies' sustainability performance (Bondy et al. 2012; Thijssens et al. 2015) and that there is a considerable uptake in the proportion of companies providing sustainability reports and, thus, adhering to their stakeholders' demand (see KPMG, 2015).

The list of potential stakeholders that a company needs to consider when making decisions in the sustainability area is long and includes e.g. customers, suppliers, employees, communities, NGOs, shareholders, creditors and society at large. However, the management team of a company might not view all stakeholders equally important. To distinguish between different types of stakeholders and map the company-stakeholder connection, herein referred to as the *stakeholder-identification analysis*, researchers have through the years focused on identifying the key demographic characteristics of stakeholders. While Freeman (1984) distinguishes between primary and secondary stakeholder, Mitchell et al. (1997), in their stakeholder-salience model, put forward that stakeholders should be categorised according to power, urgency and legitimacy. Based on pressures exerted on companies through their relationships, Rogers and Wright (1998) propose that there exist four stakeholder groups: financial market, consumer

(product) market, labour/employee and social/political. Onkila et al. (2014) stress the importance of gaining insights as to *who* are being mentioned as stakeholders and *how* they are presented in corporate reports. However, earlier studies have neglected to examine how this stakeholder-identification analysis is put forward in sustainability disclosure (Herremans et al. 2016).

Already 30 years ago, Dierkes and Antal (1985) suggested that publicly disclosed information about a company's sustainability performance provides the basis for a dialogue between the company and its stakeholders. Despite this seemingly one-way communication, Gray et al. (1995a) take it one step further and argue that sustainability disclosure should be seen as part of the dialogue between the company and its stakeholders. Lately the importance of examining how stakeholder relations are manifested through *stakeholder engagement & dialogue* has often been raised. Golob et al. (2017) argue that stakeholders today have become more involved and participate in shaping sustainability discourse. This is due to their increased awareness of sustainability aspects coupled with the fact that they thorough, e.g. sustainability reports are more informed. Because of this development, it is vital to gain insights into if and how companies utilise their stakeholders' accentuated commitment towards sustainability aspects by interacting with and involving them in different engagement activities aimed at developing and improving their sustainability practices. Not surprisingly, Owen et al. (2001) find that the strongest advocates of stakeholder engagement & dialogue are stakeholders, meanwhile corporate representatives raise concern about the level of expectations that might be generated by such a process. Greenwood (2007:318) defines stakeholder engagement as "...practices that the organisation undertake to involve stakeholders in a positive manner in organisational activities." Stakeholder engagement & dialogue are also incorporated and accentuated as a compulsory stage in many of those guidelines and standards focused on sustainability disclosure (AccountAbility, 1999; 2011; Global Reporting Initiative, 2015). Already at the launch of AA1000¹⁾ it was emphasised that engagement with stakeholders is at the heart of AA1000 (AccountAbility, 1999) and in the 2nd edition of the AA1000 Stakeholder Engagement Standard from 2011 the importance of a solid stakeholder-identification analysis is stressed:

"...identify stakeholders relevant to the purpose and scope of the engagement. They[companies] shall establish a methodology to identify stakeholders. Relevant stakeholders are those individuals, groups of individuals or organisations that affect and/or could be affected by an organisation's activities, products or services and associated performance with regard to the issues to be addressed by the engagement. An organisation may have many stakeholders, each with distinct attributes and often with diverse and sometimes conflicting interests and concerns. Establishing a methodology for systematically identifying stakeholder groups that can contribute to achieving the purpose of the engagement and/or could be affected by its outcome is fundamental to the engagement process."(AccountAbility, 2011, p. 20, AA1000 Stakeholder Engagement Standard 2011)

1) The AA1000 Stakeholder Engagement Standard provides a principle-based open-source framework for quality stakeholder engagement. It can be used as a "standalone" standard or as an aid to achieve the stakeholder requirements of other standards, including GRI G4 or ISO 26000.

Building on the ideas in Grunig and Hunt (1984), Morsing and Schultz (2006) suggest that companies can develop three distinct strategies for stakeholder engagement; informing, responding or involving. The informing strategy exemplifies one-way communication through public information where the stakeholder role is to support or oppose to the company's sustainability decisions and actions. As opposed to the two latter strategies, here stakeholders are not invited to be an active part in an engagement activity. While the stakeholder-response strategy is proposed to be a two-way asymmetric communication where the stakeholder role is to respond to corporate actions, the stakeholder-involvement strategy is proposed to be a two-way symmetric communication (no imbalance in the relationship) where the stakeholder role is to be involved, participate and suggest corporate-sustainability actions. Bowen et al. (2010) propose three similar and related strategies; transactional, transitional and transformational. While stakeholder engagement & dialogue are recognised as vital elements in sustainability disclosure, there is a shortage of evidence within the sustainability reports that such activities are really taking place (ACCA, 2005). Manetti (2011:120) argues that his findings indicate that many companies use stakeholder-engagement opportunistically to merely obtain consensus from society without any real involvement and that companies, thus, are "...a long way from implementing a stakeholder engagement process in accordance with theories...". Herremans et al. (2016) argue that there is a lack of research on how sustainability reporting is used to engage stakeholders. Davis and Searcy (2010) conclude from their review that the overall focus on stakeholder relations has been quite scattered in earlier research on sustainability reports.

The need to address materiality in sustainability disclosure is often put forward (see Manetti, 2011; KPMG, 2015; MacLean and Rebernak, 2007) and in the latest versions of sustainability reporting guidelines and standards, a well-functioning materiality process is emphasised as central in sustainability disclosure (see AccountAbility, 2011; GRI, 2015; IIRC, 2013; SASB, 2014). Addressing *materiality* in sustainability disclosure refers to a clear and ongoing process (KPMG, 2015) aimed at determining:

"...the most relevant and significant issues for an organisation and its stakeholders, recognising that materiality may be stakeholder specific, i.e., some issues will be material to some stakeholders but not to others. (AccountAbility, 2011, p.13, AA1000 Stakeholder Engagement Standard 2011)

Research on how companies communicate on their materiality process is still meagre. Unerman and Zappettini (2014) conclude that there are many avenues that future research could and need to embark on to increase our understanding of the role materiality plays in sustainability disclosure.

Reviewing both sustainability research and sustainability reporting guidelines and standards reveals that stakeholder-identification analysis, stakeholder engagement & dialogue, as well as, materiality process are viewed as interrelated key components in the quest of establishing and managing prosperous stakeholder relations. In the AA1000 Stakeholder Engagement Standard from 2011 it is emphasised that a solid

stakeholder-identification analysis is a prerequisite for an efficient materiality process. Also Manetti (2011) stresses that this identification is a critical first step in managing stakeholder relations. Arvidsson (2017) finds that companies view stakeholder engagement & dialogue as being critical in an efficient materiality process. In the herein study, we refer to this as the *stakeholder engagement chain* where the first stage in establishing and managing prosperous stakeholder relations is to conduct a stakeholder-identification analysis, the second stage is to inaugurate a dialogue and engage with (selected) stakeholders and the third stage is to form an efficient materiality process.

3 Research design and empirical methodology

3.1 Selection of research method, country settings, report and time period

The present study applies a content-analysis methodology. With its focus on analysing the content in various corporate communication materials, this research method has a long history (see e.g. Guthrie and Abeysekera, 2006; Singhvi and Desai, 1971). It is also confirmed to be the dominant research method for data collection in sustainability research of empirical nature (Dienes et al. 2016; Hahn and Kühnen, 2013; Parker, 2005, Tewari, 2011). It is important to acknowledge that an assessment of information in reports is not an audit of underlying processes and practices. Thus, conclusions cannot be drawn as to whether the companies actually do what they are claiming to do (see e.g. Thomson and Bebbington, 2005; Stiller and Daub, 2007).

The herein focus is on two different EU-reporting settings, Germany and Sweden. Stand-alone sustainability reports provided by the 30 largest companies listed on the Frankfurt (DAX30) and Stockholm (OMXS30) Stock Exchanges, respectively are included in the analysis (annual and integrated reports are not included in the analysis). The sustainability report is selected due to the increasing trend in the business world to issue stand-alone sustainability reports (KPMG, 2015), which merits an inclusion of this report when sustainability disclosure is examined (see Daub, 2007). The largest companies were selected not only due to their alleged position as first-adopters and trendsetters when corporate communication is concerned but also due to the argument that the impact on society grows with size and that disclosures from the largest companies are best suited for sustainability analyses (see Stiller and Daub, 2007). A Swedish setting is motivated by the notion that Swedish companies often are put forward as being among the best when sustainability disclosure is concerned (see Cahan et al. 2016; KPMG, 2015). This merits a closer examination of how they communicate stakeholder relations in sustainability reports. The German setting is motivated by its position as one of the leading economies in the world (fourth largest economy in the world, the largest in the EU (World Bank Open Data, 2016) and its membership of the inter-governmental political forum G8 and its, thereby, potential to both impact and influence sustainability issues nation-wide through established business conduct and policies. The German focus is further motivated by the scarce focus placed on German

companies in earlier sustainability research (see e.g. Chauvey et al. 2015; Stiller and Daub, 2008).

Motivated by the alleged lack of longitudinal focus in sustainability research (Perez and Sanchez, 2009), reports from a seven-year period (2008, 2013 and 2015) are included. This enables an analysis of how disclosure related to stakeholder relations has developed with respect to extent, content and structure. The selection of these years is motivated by the following reasons: 2008 is often viewed as the year when we started to see a substantial growth in number of companies including an increased focus on sustainability in their reports (see EY and the Boston College Center for Corporate Citizenship, 2013; KPMG, 2008), while five years later is a period when trends and patterns in sustainability disclosure led to questions being raised as to whether it was just a passing fad (see e.g. Vinnari and Laine, 2013). Reports from the financial year 2015 were selected since they were the latest available during the data selection process. This longitudinal analysis is relevant also due to on-going changes in reporting guidelines and standards (e.g. Global Reporting Initiative (GRI), AccountAbility and OECD Guidelines) that many companies adhere to and which might influence the design of the companies' sustainability reports. In common to these guidelines and standards is their increased focus on accentuating the importance of including information on stakeholder relations in sustainability reports. For example, to make the reports more relevant, credible and user-friendly, GRI G4 Guidelines now strongly emphasises materiality.

3.2 Selection and construction of themes related to stakeholder relations

A shortcoming put forward with research based on content analysis is a tendency to ignore building on the findings in earlier research (see Cho et al. 2015; Davis and Searcy, 2010; Gray et al. 1995a), thereby, impairing the comparison of findings. In this study a humble, however, conscious strategy is to build on the findings from earlier studies by including themes related to stakeholder relations that have been examined in earlier studies. Thus, the selection and construction of themes related to stakeholder relations were influenced by a review of previous studies covering this area (see Davis and Searcy, 2010; Greenwood, 2007; Herremans et al. 2016; Kantanen, 2012; Manetti, 2011; Manetti and Bellucci, 2016; Morsing and Schultz, 2006; Onkila et al. 2014; Prado-Lorenzo, 2009; Thijssens et al. 2015; Unerman and Zappettini, 2014) and sustainability reporting guidelines and standards (see AccountAbility, 2011; GRI, 2015; IIRC, 2013; SASB, 2014). Three themes were identified and selected for the analysis; *stakeholder-identification analysis*, *stakeholder engagement & dialogue* and *materiality process*. In common to all these themes is that they are argued to merit further research (Golob et al. 2017; Herremans et al. 2016; Onkila et al. 2014; Unerman and Zappettini, 2014). Although previous sustainability research has examined various aspects of stakeholder relations, there is to our knowledge a lack of research combining a focus on how these three themes are communicated in sustainability disclosure over time and between countries.

Influenced by the methodological discussions related to disclosure studies (Chauvey et al. 2015; Hammond and Miles, 2004; Hughes et al. 2001; Thomson and Bebbington, 2005; Unerman, 2000), the present study sets out to examine both changes in extent and content of how information related to these three themes are disclosed in sustainability reports, as well as, aims at capturing changes in quality by focusing on structural dimensions of how this information is presented (see Chauvey et al. 2015). In line with the method used in Manetti (2011), attention is paid both to the presence of a section related to a specific theme and to the intrinsic characteristics of what has been discussed in the section and how it has been discussed. Thus, the information related to the three themes is classified as brief/long (inspired by the discussion in Unerman, 2000), general/elaborated (see Hughes et al. 2001) and unclear/clear (see Chauvey et al. 2015; van der Laan Smith et al. 2005. The above references in brackets refer to earlier studies using/proposing similar classifications and underlying definitions. Below follows definitions of these classifications²⁾.

Table 1: Definitions of classifications

<i>Classifications</i>	<i>Definition</i>
Brief	Information presented in short terms of just a couple of paragraphs/sentences
Long	Information presented in long terms of full sections with several paragraphs
General ³⁾	Information limited to passing and general comments lacking a clear link to how it is related to the company and its business
Elaborated	Information presented in elaborated terms with a clear link to how it is related to the company and its business
Unclear	Information presented without a clear disposition and without figures and tables
Clear ⁴⁾	Information presented with a clear disposition often complemented with figures and tables

3.3 Coding procedure

To enhance reliability in the analysis, the English version of the reports were used. To define a list of detection and classification rules related to the above three themes (stakeholder-identification analysis, stakeholder engagement & dialogue and materiality process), a rigorous pilot test was first applied on a selection of 18 reports e.g. nine German and nine Swedish reports (three from each year). Then, in the next step, a test of the coding procedure was conducted in order to solve any ambiguity and unclearness in the coding procedure. Thereby, aiming at reducing subjectivity, which is more or less present in studies using content analysis (see Guthrie and Abeysekera, 2006). To further enhance stringency of the coding, two independent senior researchers in the field of sustainability accounting and reporting were involved in the

2) When the information is found to be in a transit process between e.g. general and elaborated or unclear and clear it is coded as less general or less unclear. This was decided in the pilot study from discussions between the author and the two independent senior researchers.

3) While Hughes et al. (2001) use the definition vague the synonym general is used in the present study.

4) Chauvey et al. (2015) use the quality characteristic 'clarity' to classify sustainability information related to how clear and intelligible the information is to the readers of a report. Herein 'unclear' and 'clear' are used for this classification.

test. In this test, the author and the two independent researchers individually coded six randomly selected reports from each country (two from each year). Thus, a total 36 reports were tested (each coder coded six German and six Swedish reports). Their results from the coding procedure were then compared. This comparison revealed only small differences in their coding results. The Krippendorff intercoder reliability test (see Krippendorff et al. 2004) was performed and resulted in Krippendorff's alpha between .84-.88, which is an acceptable level (see Neuendorf, 2002; Riffe et al. 2005). These differences were discussed and appropriate means were taken to clarify the detection and classifications rules and, thereby, enhance the quality of the coding procedure of the whole sample.

4 Findings and discussion

Reviewing Table 2, shows that 98⁵⁾ sustainability reports were examined and a total of 7.373 pages. While accounting legislation requires companies to produce an annual report, producing a sustainability report is (still) a voluntary decision. While almost two thirds of the largest listed German companies provide sustainability reports in 2015 only 44.4 per cent of the Swedish companies have a sustainability report. Interesting to note is that there appears to be a decline in number of reports from the Swedish companies, which merits further research. The decline is not due to more Swedish companies providing integrated reports, which otherwise could have explained the decline.

Table 2: Summary information of examined sustainability reports

	2008		2013		2015		Total
	Germany	Sweden	Germany	Sweden	Germany	Sweden	
Number of reports	16	14	20	17	19	12	98
Number of pages	1.370	584	2.120	879	1.796	624	7.373
Average number of pages	85,6	41,7	106	51,7	94,5	52,0	

In the end of the period all Swedish companies refer to the reports as the 'sustainability report'. Earlier research has also confirmed that 'sustainability report' is the most widely used title (see Roca and Searcy, 2012), but the findings that all examined companies use this title is unusual. In this study, the German companies are more prone to keep the reference to 'corporate social responsibility' and often also include subtitles like 'balance' and 'trust. An interesting finding is that the Swedish reports on average are almost only half as long as the German reports (since the English version of the reports is selected for the analysis, the difference in length is not due to reports written in different languages). An average between 40-50 pages is in line with the findings in both Roca and Searcy (2012) and Davis and Searcy (2010). The average length of the German reports is more similar to the length found by Chauvey et al. (2015) for French

5) Due to more than one share in the index, there are only 27 unique companies in the Swedish OMXS30 index

companies. However, French companies are required by law (Nouvelles Régulations Économiques #2001-420, NRE) to disclose sustainability in their financial reports, while German companies are not.

4.1 Focus upon stakeholders

The analysis reveals that there is a considerable focus on stakeholder relations in both the German and Swedish reports (see Table 3). Pearson Chi-Square test shows that there are no significant differences between how companies from the two countries report on stakeholder relations. The findings accentuate interesting development trends as to how the companies communicate on different stakeholder-related themes over the examined seven-year period. About 90 per cent of both the German and Swedish companies include a focus on stakeholders in the reports. This considerable focus remains throughout the period. Although, both Germany and Sweden (like other Continental European and Nordic countries) are argued to have a more stakeholder-oriented business culture and institutional environment relative to Anglo-Saxon settings (Dhaliwal et al. 2012:727; Verbeeten et al. 2016:1365), the German companies appear to have had a more elaborated focus on stakeholder relations throughout the years although the differences are not statistically. This is not only manifested in their overall focus on stakeholders but also in all three themes. As the observant reader see in Table 3, the German reports include less focus on the materiality process, however, it is more elaborated and clearer presented than in the Swedish reports.

Table 3: Results from the analysis of German and Swedish sustainability reports

	2008			2013			2015		
	Germany	Sweden	<i>p</i>	Germany	Sweden	<i>p</i>	Germany	Sweden	<i>p</i>
Focus upon stakeholders	93.8%	85.7%	.464	90.0%	82.4%	.498	89.5%	100.0%	.245
Stakeholder-identification analysis	6.3%	No	.341	5.0%	No	.350	10.5%	8.3%	.841
-Brief/Long	Brief	Brief		Brief	Brief		Brief	Brief	
-General/Elaborated	General	General		General	General		Less general	General	
-Unclear/Clear	Unclear	Unclear		Unclear	Unclear		Less unclear	Unclear	
Stakeholder engagement & dialogue	87.5%	78.6%	.513	75.0%	58.8%	.295	84.2%	83.3%	.948
-Brief/Long	Brief	Brief		Long	Long		Long	Long	
-General/Elaborated	General	General		Elaborated	Less General		Elaborated	Elaborated	
-Unclear/Clear	Unclear	Unclear		Less unclear	Less unclear		Clear	Clear	
Materiality process	37.5%	14.3%	.151	65.0 %	70.6%	.717	73.7 %	91.7%	.217
-Brief/Long	Brief	Brief		Long	Brief		Long	Long	
-General/Elaborated	Less general	General		Elaborated	Less general		Elaborated	Less general	
-Unclear/Clear	Unclear	Unclear		Clear	Unclear		Clear	Less unclear	

p results from Pearson Chi-Square test

During the seven-year period, all three themes enjoy an increased focus in the Swedish reports. For the German reports, information on stakeholder-identification analysis

and materiality process is increasing whereas there is a relatively stable (with a slight drop in 2013) and strong focus on stakeholder engagement & dialogue throughout the examined period. Altogether, these findings confirm that the companies, at least on an aggregated level, have increased their communication of stakeholder relations. This might be interpreted as a greater focus on interacting with stakeholders in order to improve stakeholder relations.

4.2 Stakeholder-identification analysis

The largest listed German and Swedish companies do not communicate much information on their stakeholder-identification analysis. This means that most companies do not report neither on how their stakeholders have been identified nor how and by which characteristics they have been ranked. Remarkable to note is that none of the Swedish reports from 2008 and 2013 include any information on this. The focus in the German reports is also quite modest (an increase from 6.3 per cent in 2008 to 10.5 per cent in 2015). The companies only list their stakeholders often in alphabetical order. In common to both the German and Swedish reports is that the number of stakeholders put forward varies between three and eleven. Customers, employees, suppliers, investors and society are the most frequent stakeholders put forward. This is in line with the four stakeholder groups proposed by Rogers and Wright (1998). Those companies that do communicate on their stakeholder-identification analysis do so in brief and general terms without a clear structure as to how this is handled in the company and the outcome of this analysis. This holds for both countries and all years except for 2015 when these sections in the German reports still are brief, however, both less general and less unclear. This improvement in informational quality is not present in the Swedish reports. This can be due to 2015 being the first year any of the Swedish companies communicate on their stakeholder-identification analysis. Reflecting that a well-defined stakeholder-identification analysis is argued to be a vital foundation to build stakeholder relations upon (AA1000; Arvidsson, 2017; Freeman, 1984; Manetti, 2011; Mitchell et al. 1997), it is, however, problematic that this appears to receive so little focus in the reports. Thus, the foundation upon which both stakeholder engagement & dialogue and the materiality process are based, thus, appears, at least from the information presented in the reports, to be a bit unstable. Unfortunately, this supports findings in earlier studies (Herremans et al. 2016; Onkila et al. 2014). If we discard that stakeholder-identification analysis simply is something neglected by almost all the sample companies, a possible (strategic) reason might be that companies are reluctant to externally communicate how they identify and rank their stakeholders due to the risk of damaging their relationships with stakeholders ranked less important by the company. Whether this explanation holds is for future research to explore.

4.3 Stakeholder engagement & dialogue

The strong emphasis on stakeholder engagement & dialogue in the guidelines and standards focused on sustainability disclosure (see e.g. AccountAbility, 1999; 2011; GRI, 2015) seems, at least from the reports, to have been acknowledged by the large listed German and Swedish companies. In both 2008 and 2015, about 80 per cent of both the German and Swedish companies report on stakeholder engagement & dialogue. For 2013 there is a reduced focus on stakeholder engagement in the reports. What caused this drop is outside the scope of this study, however, relevant for future research to explore. From the analysis, it is apparent that the sections have become more structured over the years and the information is presented with a clear disposition often including figures and tables that highlight how the interaction with stakeholders are carried out, e.g. type and details of engagement activities. Similar to what Manetti (2011) concludes, both the German and Swedish companies include long lists of channels (direct meetings, contacts by telephone, electronic mails, ordinary mails, internet (Facebook, Twitter)) and methods (surveys, roundtable discussions, one-on-one meetings, conferences, conventions, workshops, focus groups, online forums, power point forum, hearings, public meetings, online chats, personal conversations) used for engaging with their stakeholders. Although the sections are clearer, the information presented is often referred to as “examples” of stakeholder-engagement activities. Not so surprisingly, the information does not provide a detailed picture on how the companies engage with their stakeholders. Thus, it is difficult for readers of the reports to determine e.g. the actual frequency of and channels/methods used for the engagement activities and also who of the stakeholders are included in the activities. What definitely is positive is that not only does the length of these sections increase, they are also becoming quite elaborated in the end of the examined period. Judging from the reports, the companies appear to have quite advanced strategies for their stakeholder interaction/communication where e.g. feedback, involvement and partnership are highlighted (Calleari, 2013; Morsing and Schultz, 2006). A majority of both the German and Swedish companies seem to communicate that they have adopted some sort of responding strategy where especially feedback is accentuated (Morsing and Schultz, 2006) for being vital in their engagement with stakeholders. However, in the way it is communicated in some of the reports, there are several indications (“...integrating stakeholders in decision-making processes or directly involving them in projects.” “...they [stakeholders] can help find solutions for the respective issue” and “; “...dialog partners become part of our decisions making processes” and “Joint solutions can then be developed in a process of constructive dialogue”) that they are influenced by the involvement strategy (ibid) where stakeholders are involved in symmetric two-way communication. If this really characterises the actual way they engage with their stakeholders is, thus, outside the scope of this study to determine. Thus, the findings cannot say anything about whether companies use stakeholder engagement opportunistically to only achieve consensus from society without any real involvement as Manetti (2011) argues. Future re-

search is needed to examine the connection between companies' "walk-the-talk" regarding stakeholder engagement.

4.4 Materiality process

The companies do not communicate so much on their materiality process in the reports from 2008. The sections are unstructured and the information is brief and lacks a clear link to how the process is related to the company and its business. Thus, in the reports from 2008, more or less all companies (i) fail to explain the procedure underlying the materiality process, (ii) ignore to highlight which stakeholders are involved in the process and (iii) miss to clarify how the outcome of the materiality process will affect or be integrated in business operations. Throughout the examined period, the sections are augmented with respect to (i) and (ii) but the insufficiency with respect to (iii) remains. In general, the German reports are more elaborated (more detailed and firm specific) than the Swedish. The German reports also have a clearer disposition where figures and tables enhance the structure and improve readability. Both the German and the Swedish companies significantly increase their focus on the material process in the reports from 2013. This increase is especially prominent in the Swedish reports and over 70 per cent include information on the materiality process in 2013 compared to 14.3 per cent in 2008. The argued need to address materiality in sustainability disclosure (see Manetti, 2011; KPMG, 2015; MacLean and Rebernak, 2007) and the emphasis in the latest versions of sustainability reporting guidelines and standards of the importance of a well functioning materiality process (see GRI, 2013a; SASB, 2014; IIRC, 2013; AccountAbility, 2008) appear to have been acknowledged by the large listed German and Swedish companies. In the reports from 2015, 91.7 per cent of the Swedish companies include this information and 73.7 per cent of the German but the differences are not statistically significant according to the Pearson Chi-Square test. Few companies include materiality matrices in 2008 but in 2015 a majority of the companies do so. However, the stakeholders are often lumped together in these matrices, which makes it impossible to identify which issues are material to which stakeholders. In sustainability reporting guidelines and standards, information about which issues are material to a specific stakeholder is put forward as being paramount to include in the reports (see e.g. AccountAbility, 2011). A possible explanation to this shortcoming might be that the companies view this information as propriety and, therefore, present matrices on an aggregated level.

5 Concluding remarks

This study, of how the largest German and Swedish companies communicate in their sustainability reports on stakeholder-identification analysis, stakeholder engagement & dialogue and materiality process, brings novel findings at both conceptual and empirical levels to the body of literature on stakeholder relations. The findings provide re-

levant inputs into the debate on how companies involve and interact with their stakeholders. Furthermore, the findings might be of interest and relevance to both policy makers at national and international level and to the business and academic communities in their on-going quest of developing sustainability reports of high informational quality satisfying the needs of various stakeholders.

Before we continue, the generalisability of the findings need to be addressed. Compared to Anglo-Saxon settings where a shareholder-oriented focus is dominated, both Germany and Sweden (like other Continental European and Nordic countries) are argued to have a more stakeholder-oriented business culture and institutional environment (Dhaliwal et al. 2012; Verbeeten et al. 2016). This indicate that the generalisability is limited to *stakeholder*-oriented country settings. There is, however, another aspect to consider that might imply that the gernalisability goes beyond country borders. The present study includes MNEs and although the above accentuate the importance of national domicile to understand sustainability-disclosure practices, many studies argue that "...global technological and also institutional forces are leading to the stateless firm." (Chen and Bouvain, 2009, p. 303). While Whittington and Mayer (2000) claim that the decline or weakening of national financial systems promote the stateless firm, Levi-Faur (2005) argues that the stateless firm originates from learning across borders and the internationalisation of 'best practices'. Thus, national cultures and differences in social and political context might not be so influential upon sustainability disclosure. At least not for the largest companies, which are "...economic giants with operations transcending national boundaries." (Adams et al. 1998, p. 2).

Three important findings are revealed in this study: *First*, the study confirms an overall increased communication of stakeholder relations in both the German and Swedish sustainability reports throughout the examined period. Thus, the demand from stakeholders for more information on how companies actually perform on the sustainability arena (Bondy et al. 2012; Thijssens et al. 2015) seems to have been acknowledged. This is also in line with the increased emphasis placed on stakeholder relations in sustainability reporting guidelines and standards (see AccountAbility, 2011; GRI, 2015; IIRC, 2013; SASB, 2014). Overall, the analysis also reveals an improved quality in how information on stakeholder relations is presented (longer and more elaborated sections with clearer structure). If we view sustainability disclosure as the company's strategic plan for how to manage stakeholder relations (see Roberts, 1992), the herein findings lend credence to conclude that management teams allocate increased focus towards managing stakeholder relation. From a legitimacy perspective, the enhanced focus on improving stakeholder relations might be regarded as a means to gain insights into stakeholders' values and expectations and, thereby, conduct business in accordance to these and ultimately receive a social licence to operate. A limitation of this study is its sole focus on sustainability reports. Acknowledging the constant development of corporate communication of sustainability issues through social media (see Isenmann et al. 2007; Morhardt, 2010), future studies should examine how social

media are used by companies both to improve overall stakeholder relations and to engage, interact and involve with their stakeholders.

Second, the analysis of the sustainability reports reveals that neither the German nor the Swedish companies communicate much on their stakeholder-identification analysis. This holds for all three examined years. What is especially striking is that there throughout the period is no real improvement in the provided information. Considering that a solid stakeholder-identification analysis is viewed as fundamental in improving stakeholder relations and a prerequisite for developing efficient stakeholder engagement and materiality processes (AA1000:2011; Manetti, 2011) this is critical. Like Herremans et al. (2016) and Onkila et al. (2014) argue, it is important to gain insights into how companies conduct their stakeholder-identification analysis. Further research is, thus, needed to examine the reasons underlying the herein finding of a lack of information on stakeholder-identification analysis in sustainability reports. It is important to keep in mind that the companies might conduct solid analyses, they might just not provide information about these analyses in the reports.

Finally, the study shows that the companies appear to have acknowledged the argued importance of a well-functioning and efficient materiality process (see Manetti, 2011; KPMG, 2015; MacLean and Rebernak, 2007; GRI, 2013; SASB, 2014; IIRC, 2013; AccountAbility, 2011). Judging from the reports there is both an increased and enhanced communication of information related to the companies' materiality processes. However, most companies still fail (or neglect) to explain how the outcome of this process will affect or be integrated in business strategy, operations and practices. This indicates that the companies might not or at least not fully utilize the involvement with their stakeholders to develop and improve their sustainability practices. This finding is intriguing and there is a need for future research to further explore the actual outcomes of companies' stakeholder-relations activities (see similar argument in Golob et al. (2013) where more outcome-oriented sustainability research is requested).

Acknowledging the fact that an assessment of information in reports is not an audit of underlying processes and practices, conclusions cannot be drawn as to whether the companies actually do what they are claiming to do (see e.g. Thomson and Bebbington, 2005; Stiller and Daub, 2007). Thus, the herein findings do not say anything of how companies actually involve and interact with their stakeholders. The findings merely say how companies based on their views and (hidden) agendas communicate or report on these activities. Subsequent research on this topic should adopt a "walk-the-talk" perspective/framework involving an expanded focus where it is also examined how stakeholder relations are manifested in internal documentation, routines, processes and practices. Observations of different stakeholder activities could be one relevant method to include. Future studies could also consider combining a management and stakeholder perspective by including both parties in e.g. interview studies.

How are Stakeholder Relations Communicated in Sustainability Reports?

APPENDIX 1: German companies included in the disclosure study

Companies	GICS code
Adidas	Consumer Products
Allianz SE	Financials
BASF SE	Chemicals
Bayer AG	Chemicals
Beiersdorf AG	Consumer Products
BMW	Automobiles
Commerzbank AG	Financials
Continental AG	Automobiles
Daimler AG	Automobiles
Deutsche Boerse AG	Financials (Services)
Deutsche Bank AG	Financials
Deutsche Post AG	Transportation
Deutsche Telekom AG	Technology
E.ON SE	Utilities
Fresenius Medical Care	Health Care
Fresenius SE & Co KGaA	Health Care
HeidelbergCement AG	Construction
Henkel AG & Co. KGaA	Consumer Products
Infineon Technologies AG	Technology
Deutsche Lufthansa	Transportation
Linde Aktiengesellschaft	Industrials
Lanxess AG	Chemicals
Merck KGaA	Health Care
Munich RE	Financials
RWE AG	Utilities
SAP AG	Software
K+S Aktiengesellschaft	Chemicals
Siemens	Industrials
ThyssenKrupp	Industrials
Volkswagen	Automobiles

APPENDIX 2: Swedish companies included in the disclosure study

Company	GICS code
ABB	Industrials
Alfa Laval AB	Industrials
Assa Abloy AB	Industrials
Atlas Copco AB	Industrials
Boliden AB	Basic Materials
Electrolux AB	Consumer Goods
Ericsson AB	Technology
Getinge AB	Health Care
Hennes & Mauritz AB	Consumer Services
Investor AB	Financials
Lundin Petroleum AB	Basic Materials
Modern Times Group MTG	Consumer Services
Nordea Bank AB	Financials
Sandvik AB	Industrials
Scania AB	Industrials
Securitas AB	Industrials
SEB AB	Financials
Skanska AB	Industrials
SKF	Industrials
SSAB AB	Basic Materials
SCA AB	Consumer Goods
Svenska Handelsbanken AB	Financials
Swedbank AB	Financials
Swedish Match AB	Consumer Goods
Tele2 AB	Telecommunications
TeliaSonera AB	Telecommunications
Volvo AB	Industrials

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