

Title: Sustainability Reporting Routine: The evidence of external stakeholder dialogue and its contribution to accountability of environmental Sustainability Reporting (S-R) routine - a close look at a UK bank.

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Abstract

Title: Sustainability Reporting Routine: The evidence of external stakeholder dialogue and its contribution to accountability of environmental Sustainability Reporting (S-R) routine - a close look at a UK bank.

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With increasing attention to environmental sustainability disclosure, reporting by banks about the environmental sustainability dimensions of their activities and the engagement of external stakeholders in this regard has become an interesting idea. While research has documented sustainability reporting (the term we use is S-R) and examined environmental sustainability reports' contents, studies using theoretical concept of organizational routine on environmental S-R to examine the role of external stakeholder dialogue on the extent of environmental sustainability reporting has been lacking. In an effort to advance the understanding of sustainability reporting routine, we will apply the theoretical lens of organizational routine (Bresman, 2013; Dittrich et al., 2016; Feldman, 2000; Feldman & Pentland, 2003; Pentland & Feldman, 2005; Rerup & Feldman, 2011). Specifically, make use of prior work on organizational artefacts and routine dynamics (Carayannis et al., 2017; Dittrich & Seidl, 2018; Glaser, 2017) and external stakeholder dialogue (O'Riordan & Fairbrass, 2008) to establish a framework for external stakeholder dialogue in environmental S-R routine. To illustrate these theoretical concepts, we will examine the effect of dialogue with external stakeholders in S-R artefacts, and how it contributes to the accountability of S-R routine. We are of the opinion that external stakeholders dialogue's contribution is capable of influencing the ostensive aspects of S-R routine, which can impact S-R artefacts. The paper will generate insight into S-R as an organizational routines by analysing sustainability reports of UK banks.

Introduction.

Recent years have witnessed a significant increase in the number of major firms proclaiming their social and environmental responsibility credentials by producing sustainability reports (Kolk, 2010; KPMG, 2020), acting as businesses reputation building mechanisms for (Cooper & Owen, 2007), for improved credibility, demonstration of awareness for environmental issues, contributing to development of opportunities and enhanced staff morale (Kolk, 2010). There is no doubt that the acceptance and growth of sustainability reporting (S-R) has taken it to a point of becoming an unquestioned assumptions that is encouraged by both voluntary and statutory initiatives and guidelines. As a result of the increasing demand of valuable information that can be gathered from the combination of social, financial and environmental disclosure (Williams, 2008), sustainability reporting is now being published publicly alongside the financial report for listed companies, non-listed companies and state-owned companies in some countries (Herzig, 2023) under guiding and acceptable standards.

Even though, proponents of S-R claim that the application of S-R will lead to increase in corporate accountability, greater stakeholders democracy, and eventually adopt corporate practice that are consistent with sustainable development (Hess, 2008). There is a danger that S-R can work against the attainment of sustainable development by hindering the implementation of mechanisms that would be effective, such as stricter regulation (Hess, 2008). According to Cooper & Owen (2007), they claim that influential standards and guidelines which inform leading edge sustainability reporting practice, is sufficient to empower organizational stakeholders, so that accountability may be practiced. They suggests further, that a quality reporting process is simply governed by the principle of accountability, which is itself underpinned by the principle of inclusivity i.e. accountability to all stakeholder groups. Meanwhile, sustainability report alone is insufficient, and will add little or no value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting organization and its stakeholder (GRI, 2021). To this end, the relationship between external stakeholders dialogue and S-R from the theoretical lens of routine dynamics has not received research attention.

The complication, then, is that the academic discussions on S-R and organizational routine are largely taking place separately, even though those discussions are highly relevant to each other. There has been evidence of separate research consideration: of routine in software design performance, accommodation and engineering freeze studies (Adderio, 2003; Dadderio, 2011; Feldman & Pentland, 2003; Glaser, 2017) to mention a few; and other studies in S-R with key constructs like symbolic convergence theory, organized hypocrisy and facades, S-R reformism and democratic experimentation (Cho et al., 2015; Hossain Mohammed et al., 2019). Of all these studies, none has focussed academic deliberations on analysing external stakeholders dialogue on S-R artefacts, nor focussed on how this is influenced by the ostensive aspect of S-R routine.

Dialogue has become an increasingly popular tool for both corporates and social activists to develop relationships and negotiate solutions to social problems (O' Riordan & Fairbrass, 2008). The degree of participatory role played by external shareholders as claimed by Global Reporting Initiatives - GRI (2021) is that the primary goal of S-R is to contribute to an ongoing stakeholder dialogue, as reports alone provide little or no value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviors of both the reporting organization and its stakeholders. Hess (2008) agreed that ensuring stakeholder participation strengthens accountability, and allows for cross-functional exchange of best practices experience from various corporation. Even though Kolk (2010) challenged that, firms are merely interested in sustaining their legitimacy, hence organizations aim to increase their

accountability to stakeholders on environmental and social issues by engaging in dialogue with civil society organizations and other stakeholders. It is therefore intriguing to explore the contribution of external stakeholder dialogue on S-R, under the theoretical lens of routine dynamics, because the lack of interplay between S-R and its routine dynamics ignores how often and important these constructs are interrelated in the real world.

In order to progress with this study, it is important we acknowledge the many research in the field of S-R which have been carried out for different reasons, some of which are; to investigate the ideal communication style; to study factors affecting managerial decision; to understudy the relationship between voluntary disclosure and sustainability (Cho et al., 2015; Clarkson et al., 2008; Hess, 2008; Milne & Gray, 2013; Shafer & Lucianetti, 2018). As well as those researches in the field of routine dynamics (Dadderio, 2011; Goh & Pentland, 2019; Pentland & Feldman, 2008) for creating the platform of knowledge to build our course of action on. In this study, we seek to advance the available evidence that the external stakeholder dialogue is tied to the ostensive elements of S-R routine, which subsequently influence S-R artefacts. We argue that companies demonstrate willingness to engage with external stakeholders to induce performance of the ostensive aspects of S-R routine, which in turn influence the enactment of S-R artefacts. We proposed a new theory by synthesizing existing theoretical perspectives from organizational routine dynamics to shed new light on S-R. The evolution of new ideas often involves a dynamic transition: when first proposed, new ideas are often rejected because they are perceived as weird, in appropriate, unworkable, or too risky, but these same ideas may later result in an outcome that the social context accepts as useful and breakthrough (Mainemelis, 2010).

Going by the evidence of contributions from external stakeholders in S-R (GRI, 2021; Hess, 2008), an observation of stakeholder dialogue is presumed to be verifiable in the sustainability reports published by organizations. In this case, stemming from the alignment of routine dynamics and S-R, to foster a bilateral view, we then formulate conceptual mechanisms that encapsulates how external stakeholder dialogue in S-R, and the influence of ostensive aspect of S-R routine in the enactment of S-R artefacts. The study thus contributes to management knowledge and the routine literature and S-R literature. If deployed effectively will facilitate the development of a substantial sustainability disclosure practice.

This paper is organized as follows. The literature review, which describes key concepts that are foundational to the research question; “How does the evidence of dialogue with external stakeholders (an example of performative aspects) in S-R artefacts contribute to the accountability of the S-R routine?”. The literature review section will be followed by the methodology section, where we describe the content analysis disclosure index and the measure of evidence of stakeholders’ engagement in S-R artefacts enacted. We then present preliminary evidence, followed with the final section. The final section will provide limitations and, summarize the main findings of the study.

Literature review: Key concepts.

This section is arranged to examine and unpack the research title - Sustainability Reporting Routine: The evidence of external stakeholder dialogue and its contribution to accountability of environmental Sustainability Reporting (S-R) routine. By starting with the review of literatures surrounding corporate reporting, which is basically a means of communicating financial and non-financial information to stakeholders. The literature review subsection covers on the analysis of Sustainability Reporting, where we unpacked a substantial body of literature on the characteristics of this contemporary phenomenon. This subsection of the literature review is followed by the literature review on organizational routine and the interrelated

aspects. This subsection reviews scholars' studies in organizational routine, the structure and how the interrelated aspects manifest in empirical settings. The last section of the literature review is the subsection titled Sustainability Reporting routine and external stakeholder dialogue. Here, previous studies are used to provide justification for applying the routine dynamics to the phenomenon of S-R. In this subsection, we also explored the role of stakeholders in S-R and the research propositions of how the external stakeholders can be identified.

Analysis of Sustainability Reporting (S-R).

Sustainability reporting stimulated a substantial body of research exploring the characteristics of this contemporary phenomenon (see reviews by Gray et al., 2001; Hess, 2008; Kolk, 2010; Milne & Gray, 2013). According to S-R guideline produced by GRI in 2006 cited in (Hess, 2008), S-R "is the practice of measuring, disclosing, and being accountable for organizational performance towards the goal of sustainable development". Contrary to the definition provided by Kolk (2010) that says, S-R is a published report that expresses firm's commitment and outlines activities undertaken to prevent environmental pollution, human rights violations and other externalities of international trade and production. However, Milne & Gray (2013) expressed the notion of S-R using three unique terms which are; (1) managing, (2) measuring and (3) reporting of an organisation's social, environmental and economic impacts. Either S-R is expressed as a noun i.e. report (Kolk, 2010) or verb i.e. "a practice" (Hess, 2008; Milne & Gray, 2013), indeed S-R is the underlying core and dominant concept in communicating non-financial reporting to stakeholders. However the definitions are unclear about the level of discretion and the operational standard behaviour that represents "goal of sustainable development". This indicates that sustainability is a highly contested notion in itself and therefore poses a number of challenges for business and decision makers – it beholds us to explore the phenomenon beyond the descriptions.

The tension between sustainability discourse and practice spawned extensive analyses of voluntary sustainability disclosure and reporting. The existing literature in sustainability reporting research can be categorized into 4 broad groups as highlighted in Table 1. The first group of studies examines the use of language and arguments discharged in S-R, for instance, it seeks to assess the nature of persuasive language and rhetoric vision used in the communication of S-R (Hossain Mohammed et al., 2019). Here, the researchers claim that majority of firms persuade stakeholders through textual persuasive communication styles and the use of rhetorical strategies to legitimise their positions in the S-R. This exposition is unsatisfactory because the evidence lacks adequate sample size leading to a general form of conclusive position. The second line of literature explores factors that affect managerial decisions, for instance (Cho et al., 2015) examined how organized hypocrisy attempts to explain the discrepancies between corporation's talk, decisions and actions. Cho et al. (2015) claim that by utilizing the concept of organizational façade and organized hypocrisy, sustainability disclosure move beyond its usual focus of signalling or legitimacy and impression management by formally incorporating individual's action choices. These concepts can also ensure the possibility that incongruence between a corporation's talk and its actions may generate beneficial consequences for organizational stakeholders (Cho et al., 2015). The evidence presented to support this claim is weak because there are limited dataset to explore and discuss the issue in details.

The third group of literature looks at the empirical association between the level of corporate environmental disclosures and corporate environmental performance (Clarkson et al., 2008; Milne & Gray, 2013; Patten, 2002). Even though Clarkson et al. (2008) claim that there is a positive association between environmental performance and the level of discretionary

disclosures in S-R. The evidence presented to support this claim is doubtful and inconsistent because of ineffective research designs. These problems with the research designs are failure to control for other factors associated with the level of environmental disclosure and inadequate sample. The last group of literature examines new approach regulatory. This category examines the need to review the existing traditional command-and-control style of regulatory governance to a governance regulation style that is effective and problem-solving.

The intention of the New Governance regulation is convincing if implemented appropriately and made mandatory. However, firms still have the reservation to decide what information and quality of information they want to disclose, same for who to talk to and what they will talk about, and whether or not to actually implement certain policies or practices. Ensuring a mandatory report that will deliver total effective and efficient development towards sustainable development is critical and difficult to achieve by merely introducing a new regulation approach. In order to progress in this line of thought, this research will focus on one of the key aspect of this category of literature, which is to explore continual improvement of S-R by looking at the contribution of external stakeholders dialogue. This specific area lack adequate attention as researchers have not treated this expanse in much detail.

Table 1. Theoretical perspectives of Sustainability Reporting.

Areas	Theoretical Summary	Theoretical Concept/phase	Theoretical explanation	Study's conclusion	Source
Communication	Symbolic Convergence theory (SCT)	The SCT theory supports that communities are formed and maintained by the stories they share. And also that human beings are storyteller and share dramatization of event.	Application of SCT to investigate the nature of rhetoric vision and persuasive language used in the communication of S-R	Majority of the companies discharge pragmatic legitimacy by disclosing logical and rational arguments in their S-R. Companies create S-R management system by adopting global standards and performing S-R in respect to social, economic and environmental issues.	(Hossain Mohammed et al., 2019)
Factors affecting Managerial decision	Organized hypocrisy and Organisational facades	Organizational facade is theorized to create organizational legitimacy to	There are many inconsistencies in organisational facades, the authors claim	The societal and institutional pressure forces organisation to engage in	(Cho et al., 2015)

		the stakeholders. Organized hypocrisy shows how corporate action and talk affects S-R.	that talk and decision are inline action. However, there are differences in corporate talk and action in sustainability reporting using organized hypocrisy.	hypocrisy and advance on facades, thereby limiting the prospects of substantial disclosure from sustainability reporting.	
	Machiavellian Approach	The exposure of gap created by Machiavellians on S-R, and stakeholder perception.	The attitude of managers is a major determinant of manager's view toward social and environmental reporting	Machiavellian managers will directly oppose S-R because of their motivating cognition which rationalise lack of support for such reporting.	(Shafer & Lucianetti, 2018)
Relationship between disclosure and sustainability.	Sustainability reporting reformism	Question whether the idea and practice of triple bottom line TBL have a constructive impact in the transition towards a sustainable society (earth's ecology)	The current practice of S-R is inadequate to form an ideal success of moving towards sustainability. New approach to regulation proposed.	They suggest the need to change the notion that S-R can control sustainability.	(Milne & Gray, 2013)
	Voluntary disclosure theory	Environmental performers are more open and willing in truly discretionary disclosure channels. Author claims that this position is true for two environmental performance measures.	Firms whose environmental legitimacy is compromised usually disclose less and they make soft claims to be committed to the environment.	Study claims that there is a positive association between environmental performance and the level of discretionary disclosures in S-R.	(Clarkson et al., 2008)

New Approach to Regulation	Democratic experimentalism (New governance regulation)	From traditional command-and-control to decentralized, participatory, problem-solving-based approaches to regulation	Particularly under the dialogue section New Governance regulation, the author recommends that stakeholder seek to engage in problem-solving and consensus building, which also extends to performance monitoring and updating of norms and goals.	The author set out three requirements under New Governance regulation for S-R to be effective which are disclosure, dialogue with stakeholders and moral development of the firm.	(Hess, 2008)
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Source: Author

Organizational routine and the interrelated aspects.

Our research opens up a new perspective to S-R through the theoretical lens of organizational routine. In order to approach this, we will extend insights from other literatures on process and organizational routine, and debate how the results of the insights might generalize in exploring the contribution of external stakeholder dialogue on S-R routine artefacts. Scholars have focused considerable attention on process, organizational routine, aspects or organizational routine and artefacts (Adderio, 2003, 2014; Brian T. Pentland, 2021; D'Adderio, 2008; Dadderio, 2011; Dittrich et al., 2016; Feldman & Pentland, 2003; Glaser, 2017; Grodal et al., 2015; Parmigiani & Howard-Grenville, 2011; Pentland et al., 2012; Pentland & Feldman, 2005, 2008; Sele & Grand, 2016). As Feldman & Pentland (2003) describe, that organizational routine can be conceptualized on two different levels, which are (1) the ostensive aspect of a routine which embodies what we naturally think of as the structure, and (2) the performative aspect which embodies the specific actions, by specific people, at specific times and places, that bring the routine to life. According to Grodal et al. (2015), these two levels interact, for instance, the performance of the routine serves to create and maintain the ostensive aspect. While the ostensive aspect is the enabler that allows for continued and varied performance of the routine. This notion was supported by D'Adderio (2008), who asserted that both the ostensive and performative aspects of routines are recursively related, with the performances creating and recreating the ostensive aspects and the ostensive aspect constraining and enabling the performances. Even though the ostensive and performative aspects of routines are recursively related, Pentland & Feldman (2008) claim that the artefacts of routines are distinct through the recursive relationship, and according to D'Adderio (2008), the influence of artefacts as intermediaries is capable of shaping the interactions between different sides of routines. What is artefacts? According to D'Adderio (2011), the word “artifacts” or “artefacts” comes from the Latin words *arte* meaning art and *factum* which means to make. Artefacts is defined as an object made or modified by human workmanship, as opposed to one formed by natural processes (Oxford English Dictionary, n.d.).

As identified in the structure of routine, literature of Hansson et al. (2017) highlighted that the key to understanding routines in practice does not only reside in identifying the recurrent patterns that make up the routine, but also in recognizing that the same routine can generate many different patterns. This was further upheld by Pentland et al. (2012) who labelled routine “paradoxically” because routines have been observed to exhibit changing patterns of action even when external conditions appears to be stable. Feldman (2000) made similar observations in the university housing routine. Subject to the context, this phenomenon can also be thought of as path creation according to Rerup & Feldman (2011). Further in the literature of routine, Pentland & Feldman (2005) and Grodal et al., (2015) recognized that the internal structure of a routine can produce different outcomes on the range between ‘very stable’ and ‘constantly changing’, depending on the circumstances and the interactions between the different aspects of routines. It is the dynamic inter-relationships between the different aspects of routines and artefacts that form the variation in routines that causes change, flexibility and stagnation. And this notion according to Pentland & Feldman (2005) allows for room to influence, design and manage routines.

Furthermore, Pentland & Feldman, (2005) pointed out that the two aspects of organizational routine may be classified or prescribed, as well as enabled and constrained, by various artefacts. Although, artefacts are sometimes mistaken for the ostensive aspects of a routine, conferring to Feldman & Pentland (2003), they can be enrolled in the performance of a routine to varying degrees, at the judgment of the participants. Therefore, as noted by notable scholars (Pentland et al., 2012; Pentland & Feldman, 2005), artefacts take on many different forms, from written rules, procedures and forms to the general physical setting, which typically include templates, as well as sophisticated information and communication technologies (ICTs). As summarized by D’Adderio (2008), artefacts can exist in three dimensions i.e. instrumental, aesthetic, and symbolic dimensions.

Moreover, D’Adderio (2008) highlighted that artefacts such as rules and written procedures can serve as a proxy for the ostensive aspect of routine. Even though Pentland & Feldman (2008) emphasized that artefacts should not be mistaken for the ostensive aspect of routines as they do not capture the cognitive understandings that guide actions taken in the enactment of routines. However, further clarification from D’Adderio (2008) claims that artefacts reflect the ostensive aspect of routine in the case of a written procedure or a policy statement that describes the overall of the routine. Or the performative in the case of a transaction history or tracking database. On the other hand, Pentland & Feldman (2008) signified that artefacts are not routines, but are influential to the way routines are developed and executed. Artefacts may take different forms in organizational routines, they are used to ensure the reproduction of a particular pattern of actions as corroborated by D’Adderio (2011). According to Grodal et al. (2015), it is good to note that the ostensive aspect of routine can vary in the extent to which it is formalized or codified. Although D’Adderio (2008) highlighted that the ostensive aspects are held as proxies for written rules and procedures, and can be interpreted as embodying specific configurations of opinions, goals, as well as outlooks by different agencies. This notion of agencies according to D’Adderio (2011), is perceived in the ‘*inscription*’ on the artefacts as well as the ‘*artefactual representations*’ (i.e. rules and procedures). D’Adderio (2011) further highlighted that the careful analysis of the process of inscription can reveal the hybrid configurations – or layers of assumptions and physical elements through which artefacts are constituted and reconstituted. As observed by (Bowker and Star, 1999), artefacts do not simply provide information, but they rather construct information and they classify it according to specific worldviews that belong to the agencies that have created or used them. In other words, artefacts embody the ways in which specific agencies understand and organize their world

(D'Adderio, 2001, 2003). Therefore, the relationship between the formal procedures, rules, and ostensive can reveal the extent of divergence in organizational routines.

Meanwhile, in 2005, Pentland & Feldman explained the performative aspect of routine. They highlighted that the performative aspect of routine is where performance of the ostensive aspect are enacted, and that performances of a routine are the practices created for the routine, which are carried out improvisatorially against the formal rules and expectations. The performance of routine can generate streams of variation and exceptions as the performance innovates and accommodate different practices as highlighted by Rerup & Feldman (2011). For instance, some agents inscribe their views in artifacts. These agents are likely to succeed in exerting their own influence and creating a tightly interconnected organizational relationships as highlighted by Dadderio (2011). In 2016, Sele & Grand made similar claim in their research conducted at Artificial lab of University of Zurich that all actants can modify the routine performance to trigger the emergence of the routine and bring about innovative outcomes.

Sustainability Reporting Routine and external stakeholder dialogue – Justification of theoretical lens.

As these examples indicate, scholars have investigated a wide variety of organizational behaviors through the lens of organizational routine (Rerup & Feldman, 2011, on recruiting; Hansson et al., 2017, on invoice processing; Grodal et al., 2015, on helping), and particularly artefacts ((Adderio, 2003, configuring software memory; Sele & Grand, 2016, in analyzing how human and non-human interact with routines; Stańczyk, 2019, in cultural artefacts and organizational routine). As a recurrent and persistent behavior in some organizations, S-R too may form an organizational routine – although there is no direct evidence on this area since the organizational routine literatures have not studied sustainability reporting (S-R), however based on the theoretical and empirical evidence gathered about S-R, it is suitable to describe S-R as an organizational routine due to its features which are similar to other organizational routines.

The combination of the words “sustainability reporting” and “routine” forms a single processual orientation word, S-R routine, from which routine means patterning and performing (Brian T. Pentland, 2021). Routines are enacted in order to achieve a task. As a result of this task orientation, routines are associated with organizations or work context and accomplishing subtasks of the organization (Brian T. Pentland, 2021). Therefore, S-R routine can be compared to organizational routine because S-R routine contains recognized and repeated patterns of action throughout the implementation phases, from foundation setting phase to the disclosure phase of S-R. Each phase consists of interdependence activities since the output of one action is the input to another action (Feldman & Pentland, 2003). The interdependence of actions opens up the boundaries of sustainability reporting routine to other external influence from other organizational routine.

To further understand the internal structure of S-R routine, similar to other routines, we need to understand the underlying processes (Sutton and Staw, 1995, cited in (Pentland & Feldman, 2005)). According to Rerup & Feldman (2011) the theoretical model of routines includes the abstract (ostensive) and specific (performative) aspects, as well as the physical artefacts. The ostensive elements of S-R routine include the implementation phases i.e., foundation setting, leadership buy-in, capacity building, readiness assessment and disclosure. These concepts are ordered as ‘first foundation setting, then leadership buy-in’ with the end of the narrative being the disclosure of sustainability report with or without adequate stakeholder engagement. The process of engaging with the external stakeholders is performed through the S-R process, however for the purpose of this research, we are interested in external stakeholder dialogue at

the disclosure phase. The performative aspect of S-R routine is the performance of the act of reporting sustainability related activities which include the act of welcoming stakeholder participation. This aspect of sustainability reporting routine includes all the actions and performances that the actors must accomplish in order to complete the task of S-R routine. It is good to note that, as seen in Engineering Freeze study of Daddario (2011), the introduction of S-R standards in S-R routine shows how procedures and rules play a fundamental influence in shaping performances.

In order to tackle the research question “How does the evidence of dialogue with external stakeholders (an example of performative aspects) in S-R artefacts contribute to the accountability of the S-R routine?”, the theoretical lens of organizational routines will be applied because according to Feldman & Pentland (2003) organizational routine is an important source of accountability and political protection, capable of enabling bureaucracies to organized expertise. Dittrich & Seidl (2018), discuss that routine participants may use organizational routines to strategically advance both personal and organizational objectives. It is implied that routine participants practice certain ends that they bring to the performance of the routine and they are able to choose the means to accomplish these ends (Dittrich & Seidl, 2018). For example, studies have shown how participants choose different means when encountering problems in achieving their objective (Rerup & Feldman, 2011).

In 2019, Goh & Pentland expressed that the understanding of internal dynamics of organizational routines provides different ideas about how to motivate change. They noted further that training, visioning and other forms of adjusting the understandings that people have about an organization and the role of their actions in it can be used to change the ostensive aspect of a routine. While, surveillance, positive or negative sanctions, and other forms of controlling behavior can be used to change the performative aspect of a routine. Aligning artefacts with the desired change can be an important part of influencing either the ostensive or performative aspects (Pentland & Feldman, 2005) which is beneficial to application of organizational routines. To this end, the configuration of external stakeholder rules embedded in S-R standards can reflect the outcome of performative struggles in which the artefacts i.e., sustainability reports, has been involved.

By applying the process perspective of Brian T. Pentland (2021), we defines S-R process basically as a collection of activities that when taken together is capable of producing non-financial information for the stakeholders of a firm. In order for firms to disclosure a substantial sustainability information, a reporting guideline, ideal for the operations of the firm is adopted, according to Cooper & Owen (2007). They claim that influential standards and guidelines which inform leading edge sustainability reporting practice, is sufficient to empower organizational stakeholders, so that accountability may be practiced, particularly AccountAbility’s AA1000 suggests that a quality reporting process is simply governed by the principle of accountability, which is itself underpinned by the principle of inclusivity i.e. accountability to all stakeholder groups.

“Inclusivity concerns the reflection at all stages of the...reporting process over time of the aspirations and needs of all stakeholder groups – those groups who affect and/or are affected by the organization and its activities. Stakeholder views are obtained through an engagement process that allows them to be expressed without fear or restriction.” AccountAbility, 1999, p. 7 cited in (Cooper & Owen, 2007, p. 650)

While Global Reporting Initiatives (GRI) notes that:

“A primary goal of reporting is to contribute to an ongoing stakeholder dialogue. Reports alone provide little value if they fail to inform stakeholders or support a

dialogue that influences the decisions and behaviour of both the reporting organization and its stakeholder.” GRI, 2002, p. 9 cited in (Cooper & Owen, 2007, p. 650)

Further highlighted by Cooper & Owen (2007) is the publication of Assurance Standard by AccountAbility, which emphasized the stakeholder accountability credentials of the reporting process in promulgating the principles of materiality, completeness and responsiveness. They explained that the materiality principle requires the assurance provider to state if the reporting organization has included information required by stakeholders to allow them to make informed judgments, decisions and actions, whilst completeness principle calls for an evaluation of the extent to which the organization can identify and understand material aspects of performance. Lastly, and most essentially, the responsiveness principle requires that the Assurance provider evaluate whether reporting organization has responded to stakeholder concerns, policies and relevant standards and sufficiently communicated these responses in its report. In contrast, Cooper & Owen (2007) mentioned that several reservations have been expressed in the participatory role played by stakeholders in the process of S-R, in fact it has been stated that stakeholder engagement has little to do with extending accountability function of sustainability reporting. Hence, from this claim, the development of a substantial standard-informed and comprehensive sustainability reports must include the engagement of stakeholders via dialogue – external stakeholders will be considered in this research.

Stakeholder engagement and stakeholder dialogue are terms used interchangeably. According to Cumming, (2001), stakeholder dialogue encapsulates both process and an attitude or philosophy. She documented stakeholder dialogue as a genuine process of sharing each other’s perspectives with a view of tackling a joint issue. She states further that stakeholder dialogue therefore involves willingness on the part of the organization to change. With both organization and stakeholders seeking out and valuing the views of others. Stakeholder dialogue is about sharing company’s ownership, building relationships and having shared values. It also relates to business values and accountability because it enables the integration of values into an organization’s goals and objectives in a seamless way. Manetti (2011) describes stakeholder engagement as a process that ‘creates a dynamic context of interaction, mutual respect, dialogue and change, not a unilateral management of stakeholders’.

According to Friedman and Miles, 2006, (cited in Manetti, 2011, p. 112), they presented a model based on Arnstein’s Ladder of Citizen Participation (1969) that conceptualize the degree of power given to citizens in community decisions, which range from paternalistic to a more participatory system. The ladder comprises 8 categories of levels:

Table 2. Arnstein’s Ladder of Citizen Participation

	Degree of Participation	Description
1	Manipulation	This levels refer to control, skillful management, or maneuvering of stakeholders’ opinion. Managers brainwash stakeholders with corporate information until they are indoctrinated with same principles of the corporation
2	Therapy	
3	Informing	This level relates to one way flow of information , or where there is two-way communication, the received views may not be used.
4	Consultation	
5	Placation	Managers always maintaining the right of decision and veto.
6	Partnership	At this level, stakeholders are involved in shared planning and decision-making processes.

7	Delegated power	At this level, stakeholders have sufficient decision-making authority through minority representation of multiway dialogue, such as board representation.
8	Citizen control	At this level, stakeholders attain the majority of decision-making seats or full managerial power in an organization.

Source: Manetti (2011)

According to Table 2 above, the process of dialogue occurs at the Delegated power stage which is after stakeholders have sufficient decision-making authority, however, most of the stakeholder engagement as described by Cummings interviewees seek only to inform and consult with stakeholders. With the application of Arnstein's Ladder of Citizen Participation to sustainability reports, Cumming (2001), in her paper noted that managers reported stakeholders' dialogue approach as mixed and matched depending on the group of the stakeholder and their physical location, as well as their relevance. Table 4 correlates with the classification of relational models between firms and stakeholders, as proposed by stakeholder theory scholars like Svenden, 1998 and Waddock, 2002 (as cited in Manetti, 2011). They identified three relationship phases in the model:

- Stakeholder mapping: firms identify stakeholders (do not affect the survival of the firm) distinguish between primary (key to the survival of the firm) and secondary stakeholders
- Stakeholder management: firms manage the expectation of stakeholders, and the social and environmental issues that they support by balancing the positions of the firm and stakeholders.
- Stakeholder dialogue: firms involve stakeholders in decision making processes, make stakeholders participants in the business management, share information, dialogue and create a relationship of mutual responsibility.

According to ACCA 2005, cited in (Manetti, 2011), the association discovered that engagement and dialogue with the stakeholders are increasingly recognized as crucial in S-R, and they conceded that there is a lack of enough evidence within social and environmental reports that such engagement and dialogue actually takes place. Manetti (2011) claimed that S-R practice does not implement stakeholder engagement, but rather firms use S-R practice as a legitimization device and for managing the stakeholder.

In order to identify an external stakeholder, which is related to this research, Korschun (2015) mentioned that employees make a determination about external stakeholders for a firm based on perceived value alignment, the duration of the relationship and the perceived threat from the stakeholders. According to Korschun (2015), this approach of identifying external stakeholders is beyond employees identification within the organization, but includes perceptions about the external stakeholders.

Methodology

Sample

We selected UK banks as our research site because it offers an excellent setting to explore how the role of external stakeholders dialogue can contribute to S-R routine from the banking sector perspective. As the study unfolds, we learnt that the S-R of banks provided a context for longitudinally exploring of the evidence of external stakeholder engagement and how this dynamically influence the S-R artefacts. The banking sector was selected because of its minimal direct business operational impact on the environment. Even though the banking sector is a significant player in funding capital projects that contribute to the net zero objective

of the Paris agreement. According to Davies & Richardson (1987), the expanding growth in the banking sector also coincides with banks roles in the United Nations sustainability agenda by becoming equally active in playing vital role towards achieving the sustainability development goals. These are some of the justification for selecting the banking sector as a key focus for examining the external stakeholder engagement in the S-R.

To operationalize the title of the research - Sustainability Reporting Routine: The evidence of external stakeholder dialogue and its contribution to accountability of environmental Sustainability Reporting (S-R) routine - a close look at a UK bank. We observed evidence of external stakeholder's engagements in the public sustainability reports of HEN (pseudo name) from year 2020 to 2021 by doing a pilot research. Other qualitative data to be explored are annual reports, websites and shareholder resolutions published. It is however good to note that, the use of publicly available data to analyze critical events or disasters, has been referred to as 'organizational post mortem', according to Bell et al. (2019). And the use of such data source has been subject to criticism of being subjective.

We, therefore, set up our framework based on multiple theory framework which are external stakeholder dialogue, substantial sustainability reporting and routine dynamics explanations. As shown in Fig. 1, in a corporate setting, it is significant to understand the kind of power stage that exists in external stakeholders dialogue, and how the ostensive aspect of S-R routine influence the artefacts of S-R. The performance of S-R routine is informed by the new sociomaterial assemblages of routine design performance as illustrated by Glaser (2017), which reflects theories, artefacts, practices and actors. We positioned that assemblages influence S-R routine dynamics by drawing on mechanisms adopted from Glaser's style of design performances, as appraising outcome, determine action and enabling participation, in order to create our theoretical framework.

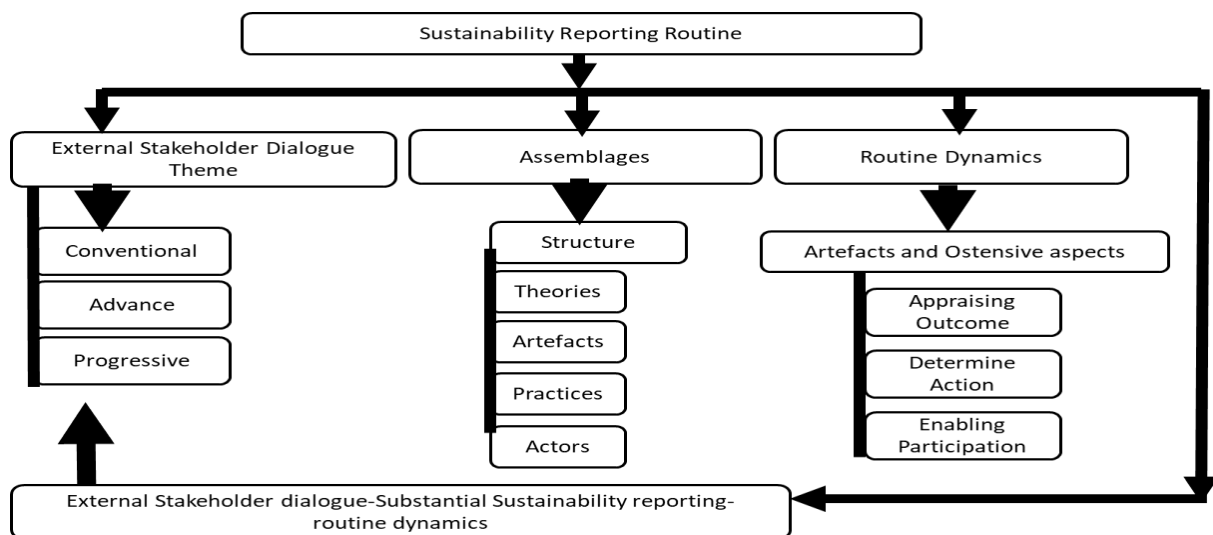


Fig. 1 Our theoretical framework discussion

Method and Coding Procedure

The texts from the sustainability reports were analyzed through qualitative content analysis to explore the basic themes for structural elements (external stakeholder dialogue ladder) and routine dynamic themes embedded in the textual material. According to Neumann, (2003, p. 219, cited in Hossain et al., 2019) 'content analysis is a technique for gathering and analyzing the content of text. The content refers to words, meanings, pictures, symbols, ideas, themes, or

any message that can be communicated'. It also involves codifying both qualitative and quantitative information into pre-defined categories in order to derive patterns in the presentation and reporting of information (Bell et al., 2019; Hossain Mohammed et al., 2019). According to Bell et al. (2019), these 'labels for ideas' provides the raw material for building a theoretical model. The use of public reports like the sustainability report, also raises the question of credibility, that is the issue of whether or not the documentary source is biased (Bell et al., 2019). This point suggests that caution is necessary in attempting to treat the source as depictions of reality. Even though Atkinson and Coffey (2004, cited in Bell et al., 2019) argued that documents created within an organization are viewed as representations of the reality of that organization, and we can take the view expressed in such document to mean something about what goes on in that organization, which will help us uncover such things as its culture.

On the other hand, we applied a relationship model using the external stakeholder ladder (see Table. 5) and the work of Dadderio (2011) and Glaser (2017) as the key exemplar to explore routine theoretical lens observation in the enactment of S-R artefacts and the ostensive aspects of S-R routine. We have consulted the studies of sustainability reporting, such as Clarkson et al. (2008), Milne & Gray (2013), Patten (2002), Cho et al. (2015) and Cooper & Owen (2007); of stakeholder engagement, such as Korschun (2015), Manetti (2011) and Cumming (2001); and of routine lens, such as Dadderio (2011), Rerup & Feldman (2011), Pentland & Feldman (2008), Goh & Pentland (2019), Glaser (2017), Hansson et al., (2017) and Brian T. Pentland (2021) in order to understand the themes for coding of the sustainability reports. We also used a representation techniques prescribed by Hossain et al. (2019) to show how external stakeholder engagement ladder themes and routine dynamic themes altogether produce a schemata to suggest enactment of S-R routine, with emphasis on the relationship between the ostensive and artefacts of S-R routine. The schemata is used to describe, interpret, and evaluate the ostensive aspect and the artefacts produced during the enactment of S-R routine using excerpts from the sustainability reports text to indicate examples. The schemata we followed is shown in Fig. 2.

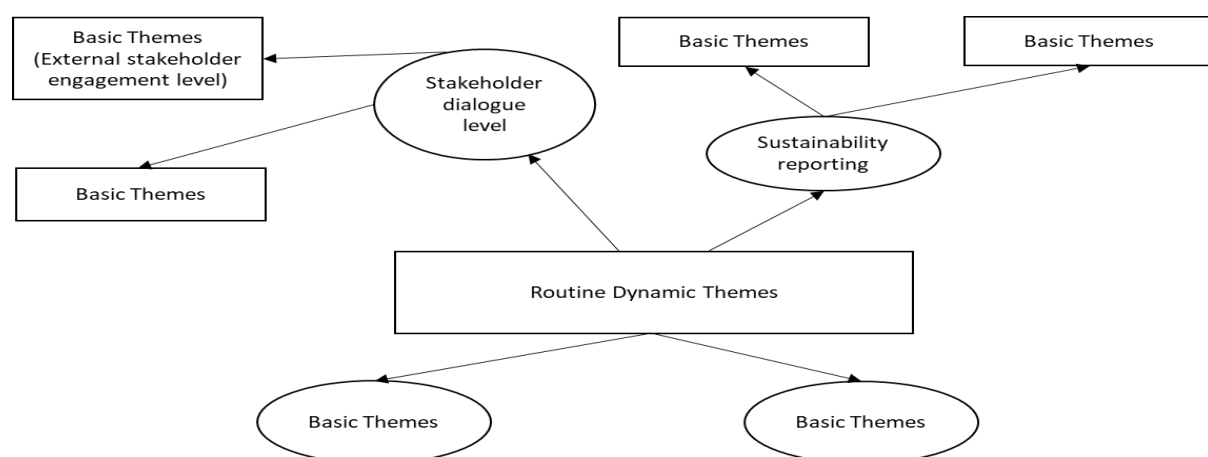


Fig.2 Creation of external stakeholders engagement relationship and routine dynamic themes from S-R text.

Coding Measurement

Coding and measurement outline to code external stakeholder dialogue, stakeholder characters (personae), routine scenery (of the ostensive aspects and artefacts), appraising outcomes, enabling participation and determine action associated to S-R were used, from which overall

the routine dynamics and external stakeholder dialogue evidence could be determined. The coding is based on dominance of the above statements in the sustainability reporting. The following section provides the methodological assumptions of the coding measurements on each of the taxonomies.

Table 3. Coding and measurement procedure of the stakeholder relationship ladder type.

Key Themes	Characteristics	Description and Justification	Points Allocated			Points Achieved			
			1	1	1	4 – Best in class	3 - Leader	2 - Follower	1 - Starter
Convention	Informing	This relationship level relates to information flowing on a one-way direction, or where there is a two-way information flow, however the received views may not be used. Managers always maintain the veto power and the right to make all the decisions.							
	Consultation								
	Placation								
Advance	Partnership	At this level, stakeholders are directly involved in planning and decision-making processes. Both the managers and the stakeholders work to plan and make decisions.							
	Multistakeholder Initiatives								
Progressive	Delegated power	At this level, stakeholders achieve the majority of decision-making seats or full managerial power in an organization.							
	Citizen control								

Source: Author

External stakeholders dialogue theme

In order to identify the external stakeholders dialogue theme, we have recognized four types including ‘Best in class’, ‘Leader’, ‘Follower’ and ‘Starter’ which were used by other authors (Hossain Mohammed et al., 2019). We have identified four key areas on which the external stakeholder relationships ladders are addressed in the sustainability reporting as suggested by GRI standard 2023. GRI is an independent international organization that has pioneered sustainability reporting since 1997 (Global Reporting Initiatives, 2023). We have followed the GRI theme because, “the GRI enable organizations to report information about the most significant impacts of their activities and business relationships on the economy, environment, and people, including impacts on their human rights. Such are of primary importance to sustainable development and to organizations’ stakeholders, and they are the focus of sustainability reporting”. The standards also state further that, “engaging with stakeholders

helps the organization identify and manage its negative and positive impacts”. In this regard, we have covered external stakeholder dialogue in environmental aspects of ESG disclosures in sustainability report of HEN. As seen in Table 3, each area is coded 1, if evidence of external stakeholder engagement relationship is observed in the reports. Therefore, if the company disclose evidence of external stakeholder engagement in all environmental aspect, a maximum of 4 was awarded and, therefore, assigned to be the “Best in class”. Those reports which received scores of 3, 2 and 1, have been assigned “Leader”, followed by “Follower” and “Starter”, respectively.

Routine scenery of Ostensive aspect and S-R artefacts.

In order to theorize from the empirical evidence of routine dynamics interactions among S-R artefacts and its ostensive aspect, we employed the theoretical understanding of design performance from a practice perspective as provided by Glaser (2017) and Dadderio (2011) during the coding process. In preparation for this pilot exercise, we engaged with 2020 and 2021 HEN annual reports and accounts for the sustainability report of the bank in order to observe external stakeholder dialogue, and routine dynamics from the angle of interaction of the routine’s ostensivity and S-R artefacts. This unfolded via three explanatory mechanisms from the text of sustainability reports – *enabling participation*, *determine action* and *appraising outcomes* (see Fig.3 and as explained below).

Enabling participation. According to Grodal et al. (2015), the ostensive aspect is the enabler that allows for continued and varied performance of the routine. This notion was supported by D’Adderio (2008), who asserted that both the ostensive and performative aspects of routines are recursively related, with the ostensive aspect constraining and enabling the performances. To acknowledge the enactment of S-R artefacts, we had to convert the understandings of the typical pattern of routine performance into knowledge that could be embedded into an artefact (Adderio, 2003). To do so, we had to extract our observation of actions which enables participation, “a set of possibilities from among which members accomplish specific sequences of action” (Goh & Pentland, 2019), associated with the creation of enabling platform for dialogue. Specifically, creating the artefacts of meeting requires actions that those resources (board, managers, external stakeholders etc.) could perform.

Determine action. According to Dadderio (2011), the properties inside of artefacts are never predetermined, but rather the capacity to modify the ‘rule’ that is drawn on in any action is an ever present possibility. Moreso, Dadderio claims that in theory there can be infinite regression, i.e. logical open-endedness of the application of terms to particulars and logical under-determination of behaviour by rules are foreclosed in practice. In other words, once an idea is embedded in artefacts, skills and tacit knowledge, rules and procedures tend to be more stable and durable (Adderio, 2003).

This principle can be illustrated by analysing a category of artefacts as an intermediary, that is capable of shaping the interactions between different sides of routines (D’Adderio, 2008). Which can also exist in three dimensions i.e. instrumental, aesthetic, and symbolic dimensions. According to Orlikowski (2002), they structure work, extend interactions, increase visibility of knowledge and action and create a common platform for the consolidation of common knowledge. They, therefore, solidify and stabilize rules, procedures, and classifications thus making it difficult to avoid them (Dadderio, 2011). We observed recurring topics of texts that illustrated this mechanism, on how procedures are enacted to establish actions and create platform that is difficult to avert.

Appraising outcomes. Our evidence of text data of routine dynamics interactions that influence S-R routine artefacts, also led to discussions about how to reappraise outcomes.

According to Glaser (2017), organizational actors appraise outcomes by considering how artefacts could automate tedious, repetitive human actions. Which also stimulates thought from individuals about how to think about outcomes. For example, one of the recurring evidence in the sustainability report of HEN, is the encouragement of reflective exercise of material topics with the external stakeholders in order to stimulate and discuss outcomes. In summary, S-R artefacts stimulates discussions about how to appraise outcomes. According to Glaser, appraisal and reappraisal of performance outcomes, help the actors to increasingly supplement their focus on optimal outputs with a broader conception of performance.

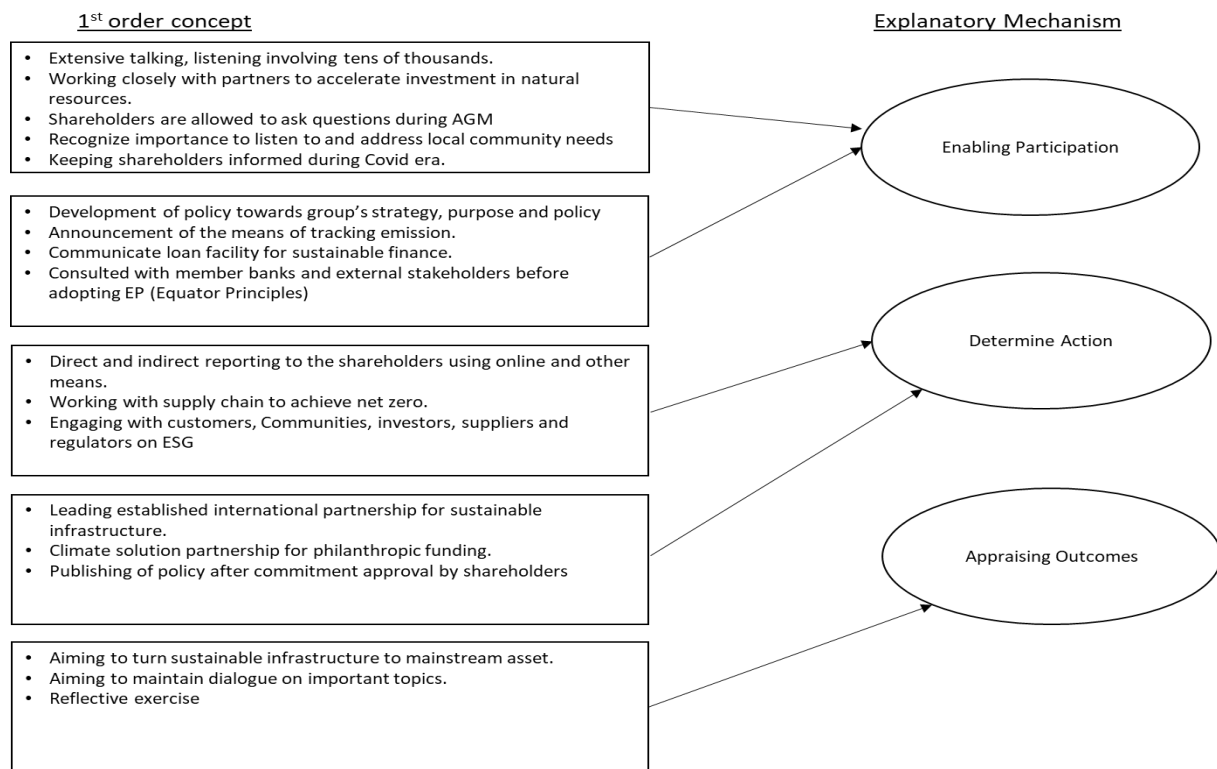


Fig.3 Data structure of explanatory mechanism and coding concept

Limitations

This theoretical model is a pilot, that used qualitative content analysis to analyze data from 2020 and 2021 sustainability report of a UK bank - HEN. The unique empirical context has facilitated the identification and development of new theoretical concepts. The four resulting limitations of this study establish boundary conditions for my theory, as well as provide opportunities for the full-scoped study.

First, the study made use of limited data which is 2 years of a single bank. However, in future, more data will be used from more banks which will span over a period of 5years in order to identify more evidence and insight from varied routine behavior of how external stakeholder engagement of ostensive aspect of the S-R routine influence artefacts of this unique routine.

Second, this study does not directly identify the selection of external stakeholders for the bank, but rather focus on external stakeholders other than employees and by using other basis as applied in the reports. In future, external stakeholders will be clearly identified and evidence will be separated in the data collection stage.

Third, the study failed to assess the external stakeholders engagement ladder relationship. This is because only one bank was considered for 2 years, and basis of comparison will be scanty. In the full study, the relationship of external stakeholders will be elaborate and covered in wide scope in order to provide insight in the results.

Finally, the details of explanation provided for the justification of the resulting theoretical model lacks adequate examples from source data. In future, the full study will include elaborate explanations and examples from text as evidence to support the mechanisms.

Conclusion

In this paper, we have explored the contribution of external stakeholders dialogue on S-R through the lens of routine dynamics by examining the ostensive aspect of S-R routine, and its influence the S-R artefacts. Our investigation, which is a pilot has yielded insight about the strategic platform engaged by bank in order to engage with external stakeholders to enact a substantial S-R routine practice. We then formulate conceptual mechanisms that encapsulates how external stakeholder dialogue in S-R, and the influence of ostensive aspect of S-R routine in the enactment of S-R artefacts. These mechanisms are *enabling participation, determine action and appraising outcomes*. Our empirical and theoretical findings shows that S-R routine practice is a complex and intricate process that involves dynamic interactions among artefacts, actors, theories and routines activities.

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