THE INSTITUTIONAL PRESSURES FOR ADOPTING SUSTAINABILITY REPORTING PRACTICES IN THE SRI LANKAN CONTEXT

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INTRODUCTION

Corporate Social Responsibility (CSR)/ Sustainability Reporting (SR) has emerged as a prominent and widely-discussed subject in the contemporary business landscape despite lacking a mandatory requirement for companies to publish their sustainability reports to the general public. The origin of the CSR concept can be traced back to Howard R. Bowen, who introduced the term in 1952 (Carroll, 1999). Bowen emphasized that businesses are responsible for adopting policies, making decisions, and undertaking actions that align with societal goals and values (Bowen, 1953). Over time, the notion of CSR has evolved in the Western context, influenced by dynamic social and environmental changes (Idowu, 2011; Parker, 2014; Djelic & Etchanchu, 2015).

In both developing and Eastern contexts, companies have embraced the best practices originally developed in the Western context. Moreover, sustainability reporting has gained wider global acceptance, facilitated by global and international compacts and policies (Abeydeera et al., 2016). However, the evolution and advancement of CSR practices in these developing and Eastern contexts have received limited scholarly attention compared to other regions (Nayak & Kayarkatte, 2021; Lai & Stacchezzini, 2021) despite substantial evidence indicating that many of these countries have been implementing their own CSR practices and reporting even before such practices became prevalent in Western countries.

This research focused on Sri Lanka, a developing country in the Eastern context, and has been the subject of several CSR-related studies on the practice (Fernando & Pandey, 2012) that primarily adopt a quantitative perspective. This current study aimed to address the existing research gaps by examining recent trends in sustainability reporting practices in Sri Lanka, particularly from 2006 to 2020. The study also explored how environmental factors influence the development of sustainability reporting in this context. The New Institutional Sociology Theory (DiMaggio & Powel, 1983) is the theoretical framework guiding this investigation. Correspondingly, many researchers have used this theory in their studies (Larrinaga- Gonzalez 2007; Khan & Ali, 2014).

METHODOLOGY

This study used a qualitative research methodology approach to explore “how" sustainability reporting practices in Sri Lankan companies and how environmental factors influence the practice, as mentioned above. Specifically, the research employed discourse analysis, building on prior studies with a similar approach (Roger-Hayden & Pidgeon, 2008; Imoniana et al., 2018). The study focused on four public limited companies, Alpha PLC, Beta PLC, Gamma PLC, and Theta PLC, selected based on their receipt of sustainability awards from 2018 to 2021 by the Association of Chartered Certified Accountants (ACCA). This selection method aligned with that Abeydeera et al. (2016) used in their sustainability-related study in Sri Lanka. The annual reports of these companies from 2006 to 2020 are analyzed, considering that the first global sustainability reporting best practice was introduced in 2006. Thematic Analysis (Braun & Clarke, 2013), as employed by Dissanayake et al. (2021), is used for data analysis in this study.

RESULTS AND DISCUSSION

The adoption of international sustainability reporting frameworks by Sri Lankan award-winning listed companies from 2006 to 2020

The authors have developed a framework to identify the trends and developments in global sustainability reporting frameworks as follows,

Table 1

Trends and developments in global sustainability reporting frameworks

2006	Global Reporting Initiatives (GRI) G3 guideline launched.
2012	Rio + (United Nations) UN conference on sustainable development.
2013	GRI G4 guideline launched.
2015	Sustainability Development Goals (SDG) framework adopted.
2016	GRI sustainability reporting standards launched.
2017	Guidance for corporate reporting on SDGs launched in collaboration with UN global compact.
2019	Sector program launched.
2020	Waste Standard launched, and GRI Academy launched.

From 2006 to 2020, the selected companies consistently adopted various sustainability reporting frameworks and guidelines. Notably, all companies, except one, adopted the Global Reporting Initiatives (GRI) G3 guidelines after their launch in 2006. Similarly, all companies embraced the GRI G4 guidelines in the year of their introduction (2013). As for the United Nations Sustainable Development Goals (SDG) framework, three companies adopted it upon its launch, while one adopted it later. Moreover, all companies eventually adopted the GRI standards after their initial launch. Notably, all companies embraced corporate reporting guidance for SDGs upon launch, except for sector programs and waste standards, which none of the companies adopted. Among the commonly followed frameworks and guidelines, the Global Reporting Initiative (GRI) framework and the Colombo Stock Exchange (CSE) sustainability reporting guidelines are prevalent among Sri Lankan companies.

Table 2

The year of GRI adaptation in selected companies

Identified Specific Landmarks of selected Companies		Company's Adoption Year			
Landmarks	Launched Year	Alpha PLC	Beta PLC	Gamma PLC	Theta PLC
GRI G3 guideline	2006	2007	2008	2009	2006
Rio + UN conference on sustainable development	2012	2008	2010	2007	2011
GRI G4 guideline	2013	2013	2013	2013	2013
SDG framework	2015	2015	2015	2016	2015
	2016	2017	2017	2017	2017

GRI sustainability reporting standards					
Guidance for corporate reporting on SDGs launched in collaboration with the UN Global Compact	2017	2017	2017	2017	2017
Sector program Waste Standard	2019 2020	Not adaptation in all companies			

The reporting process of international sustainability reporting frameworks by Sri Lankan award-winning listed companies from 2006 to 2020

When examining the selected companies, it is evident that most companies conveyed their practices through the chairman's statement and Chief Executive Review in the initial stages of reporting sustainability practices. However, as stakeholder demand for sustainability reporting increased, most companies responded by introducing a separate segment in their annual reports dedicated explicitly to sustainability reporting. This separate segment provides a comprehensive and detailed account of their sustainability practices. In recent years, sustainability practices and reporting have gained significant importance for external stakeholders. As a result, the selected companies now present this information through the chairman's report and Chief Executive Review and various customized reports, such as the Community Impact Report, Independent Assurance Statement, and Management Discussion. Some companies have even introduced separate reports focusing on sustainability, going beyond their annual reports.

Institutional pressures for adopting sustainability reporting practices

DiMaggio and Powel (1983) asserted that organizations are driven to conform to external stakeholders' social expectations to legitimize their performance and existence within their respective fields. They identified three institutional pressures influencing new organizational behaviors: coercive, normative, and mimetic. Coercive pressure stems from formal and informal societal expectations placed upon companies, while mimetic pressure arises when organizations imitate others to cope with environmental uncertainty. Normative pressure, on the other hand, results from social and cultural influences, leading organizations to behave in ways consistent with others in the industry to promote occupational autonomy (DiMaggio & Powel, 1983). Applying the New Institutional Sociology Theory to the present study's findings revealed that nearly all the companies examined adhered to global sustainability frameworks. This adherence can be attributed to significant coercive pressure exerted by regulators, such as the Colombo Stock Exchange, which released sustainability recommendations for public limited companies (CSE, 2019) despite it not being obligatory.

Moreover, the annual reports indicated adopting global frameworks across all industries, driven by mimetic pressure, as companies adapt to survive and satisfy shareholders. Furthermore, the study demonstrated evidence of silent competition among public limited companies to secure sustainability awards from various awarding institutes, including ACCA, the Institute of Chartered Accountants in Sri Lanka (CA Sri Lanka), and the Chamber of

Commerce. Such competition reflects the normative pressure to conform to sustainability practices and gain recognition in the field. In conclusion, the New Institutional Sociology Theory offers valuable insights into the dynamics that influence sustainability practices in the context of Sri Lanka's corporate landscape.

CONCLUSION AND IMPLICATIONS

The current study well-presented that sustainability reporting of Sri Lankan public companies evolved and developed according to the progression of global sustainability reporting frameworks. There is a trend in adopting GRI requirements and UN Sustainability Goals, and the same results are found in Indian public limited companies (Nayak & Kayarkatte, 2020). Regarding the Sri Lankan context, the current study further established the findings of Dissanayake (2020), which pinpointed that the adaptation of GRI is increased due to its adaptability, uniformity, legitimacy, and emphasis on ongoing improvement. The coercive, normative, and mimetic environmental pressures influenced the reporting practice in the Sri Lankan context, which is more similar to Bangladesh (Khan & Ali,2014). Additionally, the current study added new insights for the sustainability reporting literature in developing contexts, especially the Sri Lankan context, where there is a considerable lacuna (Beddewela & Herzig, 2013). Moreover, this study will assist practitioners and policymakers in sustainability reporting to decide on better policies in sustainability practice and will help academics to disseminate the knowledge. The current study suggested conducting future studies on stakeholder behavior's impact on sustainability reporting.

The present study effectively demonstrates the evolution and development of sustainability reporting in Sri Lankan public companies, aligned with the progression of global sustainability reporting frameworks. Notably, there is a discernible trend among these companies to adopt the requirements set forth by the Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals (UN SDGs), a pattern observed in Indian public limited companies as well (Nayak & Kayarkatte, 2020). In the Sri Lankan context, the study corroborates the findings of Dissanayake (2020), who emphasized that the increased adoption of GRI can be attributed to its adaptability, uniformity, legitimacy, and focus on continuous improvement. The reporting practices in Sri Lanka were influenced by coercive, normative, and mimetic environmental pressures, which also mirrors the situation in Bangladesh (Khan & Ali, 2014).

Furthermore, the current study contributes novel insights to the existing literature on sustainability reporting, particularly in the context of developing countries and, specifically, in Sri Lanka, where there has been a significant research gap (Beddewela & Herzig, 2013). Additionally, the study's findings can prove valuable for practitioners and policymakers involved in sustainability reporting, aiding in formulating more effective sustainability practices. Moreover, academics can utilize these insights to disseminate knowledge in the field.

In conclusion, the present study suggests the need for future research on the impact of stakeholder behavior on sustainability reporting, which will further enrich the understanding of this crucial domain.

Keywords: Corporate social responsibility, global reporting initiatives, sustainability development goals, sustainability reporting

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