One Step Beyond –
Developing Towards Interactive Corporate Sustainability Reporting

Ralf Isenmann¹ and Ki-Cheol Kim²

Abstract
Providing more interactivity means a real step forward in corporate (online) sustainability reporting both, for companies (reporters) that provide such integrated reports and for various target groups (report users) who are interested in these reports. Interactivity includes procedures to involve target groups and mechanisms to give feedback, facilities of user control, and opportunities to select report contents and design. For companies, these features are of major relevance as they enable reporters to learn users’ issues and concerns and to initiate stakeholder dialogue. For target groups, interactivity is decisive on their perceived satisfaction, and overall attitude on sustainability reporting. Together, interactive sustainability reporting drives corporate reputation and subsequently influences reporting success, perhaps whether users actually pay attention to sustainability reports, how readers assess reliability and value of these documents, and to what extent stakeholders are willing to make use of such communication vehicles for decision making. Today, one-way-communication on sustainability issues merely through one size fits all hard copies or simple electronic duplicates just put on the WWW without any added value may hardly fulfil stakeholder expectations and reporting requirements. In contrast to the importance of issues of communication and how to report in codes of conducts, standards, guidelines, and other recommendations however, current sustainability reporting practice shows significant room for improvements, even for the best reporters. Hence, a framework is proposed and examples of the current practice are presented how a more interactive sustainability reporting approach could be shaped and implemented.

1. The need for an interactive approach in corporate sustainability reporting
Corporate sustainability reporting or corporate social responsibility (CSR) reporting respectively describes a development path towards a concept of balanced reporting, communicating the three pillars of environmental, social, and economic performance and its mutual interrelations, what in business terms is also called the triple bottom line approach (Elkington 1997). In the 10 years since sustainability reporting first became a topic of broader interest in academia, business, and government, it has rapidly grown to a field of research with increasing relevance to companies and capital markets, even through the eyes of investors (Standard & Poors et al 2004).

At present, sustainability reporting seems to become part of companies’ daily affairs, also entering the business mainstream, at least to certain extent (KPMG 2005). Hence for a growing number, not just for some pioneering companies, it is more or less a question of how to report on sustainability issues, and no longer a question of whether to report at all. While the field is still evolving, as sustainability reporting matures and practice develops into a more sophisticated stage, issues of communication become of greater importance, in particular interactivity and its core features target group tailoring and stakeholder dialogue are of increasing relevance. Closely linked with cross media availability and other innovative opportuni-
ties offered by the internet and its associated technologies and services, companies are in a phase of transition, entering a new stage of reporting (SustainAbility and UNEP 1999).

The way companies are communicating sustainability issues are decisive on users’ perceived satisfaction, value, and overall attitude on sustainability reporting, perhaps whether users actually pay attention to sustainability reports, how readers assess reliability and value of these documents, and to what extent stakeholders are willing to make use of such communication vehicles for decision making. Further, companies’ communication style may have an impact on users’ media preferences, e.g. whether they tend to favour primarily hard copies or computer-based reports. Employees and customers but also suppliers and investors usually have different information needs. Consequently, target groups want fine tuned information and expect tailor-made reports meeting their specific needs in content, form, media, and information supply (Isenmann and Marx Gómez 2004). Reporting merely through one size fits all hard copies or simple electronic duplicates without any added value may hardly fulfil emerging requirements and future expectations. In contrast to the widely accepted importance of communication style and how to report in:

- codes of conducts such as the United Nations Global Conduct (Macando 2004), the OECD Guidelines for Multinational Enterprises (OECD 2000) and the European CSR Excellence Campaign (Højensgard and Wahlberg 2004),
- standards like ISO 14063 on Environmental Communications (ISO 2003) and the revised European Eco-Management and Audit Scheme (EC 2001),
- guidelines provided by the WBCSD (2003) and the GRI (2002),
- and recommendations proposed, e.g. through the European Environmental Agency (EEA 2001) and just recently an international team of outstanding reporting experts (Brownlie 2005), however, current practice shows significant room for improvements, even for the best reporters:

- Lober (1997) analysed current trends in corporate reporting. Trying to find out what makes environmental reports effective, his insights reveal that a number of companies use the internet as yet another channel for dissemination or as a platform with public access to reports available as PDF files.
- Elkington and Priddey (1997, 52) found that many environmental and sustainability reports put on the internet still have a clear print media focus. Many companies, as they argue, “seem to have got stuck in the rut of thinking in terms of the printed page”. In some cases, one can see this print media fixation in the note “printed on recycled paper”.
- According to studies carried out by Isenmann and Lenz (2002) and the ACCA (2001), a number of reports initially prepared for hard copy are then translated by multimedia agencies or internet service provider into HTML, and then transferred to the internet, but without providing much added value.
- Closely linked to the above, Rikhardsson et al (2002) surveyed the sustainability reporting practice on the internet by the Global Fortune 500. They found that companies are likely aware of the internet-specific benefits, but most reporters do not exploit the full potential by far that this computer-based medium could actually offer for interactive reporting.
- Likewise, Andrew (2003) found in a study surveying 64 Australian stock-listed companies from 2001-2002 that the type of environmental disclosure does not vary significantly from that of hard copies, and that computer-based-media is still far from being utilised to its full potential. To the point: “One of the more significant findings of this research was the limited ways in which corporations are using the interactive features of Web technology” (Andrews 2003, 12).

Together, a lot could be done on exploring the way companies design, manage, and implement sustainability reporting in a more interactive, tailored, and dialogue-oriented manner, particularly while exploiting the benefits of the internet. In the words of Stratos (2003, 63): “The quality of stakeholder relationships is a key, but under-developed area of performance measurement and reporting”; further: “Yet few reports convey a good appreciation for the value the company places on stakeholder engagement, and there is lit-
tle to no discussion of specific issues raised by stakeholders and how the company considers these issues within its activities and decision-making.”

Hence, an outline is given of how to develop from early sustainability reporting stages towards a more sophisticated approach, with special emphasis on interactivity, and target group tailoring, and stakeholder dialogue as its core features, while fully exploiting the benefits of the internet and using its support: First, a framework of interactive sustainability reporting is proposed. Second, examples of current practice are presented. Framework and examples illustrate that companies are in a phase of transition, intensively experimenting with new reporting methods and using several instruments. Despite various developments, there is a clearly converging trend towards interactive reporting (Kim 2005), paying more attention to target groups’ different information needs, and offering various opportunities for stakeholder dialogue based on using the support of the current ICT and an online reporting approach (Isenmann 2005).

2. Framework of an interactive sustainability reporting approach

Among other conceptual components, a framework of interactive sustainability reporting should make use of three intellectual resources (fig. 1): In general, an interactive approach should rest on corporate communication in which interactivity and communicating sustainability issues are playing a key role. Based on corporate communication, stakeholder reporting and internet-based reporting should be taken into consideration as conceptual core elements.

- Conceptual baseline: Corporate communication is the overarching umbrella that summarises company’s activities, methods, and strategies to exchange information or any other immaterial resources with its stakeholders, inside and outside the company. Hence, it becomes clear that interactive sustainability reporting must be incorporated in and consistent with common corporate communication if interactivity is to make any difference in the way companies are reporting. This is especially true for company’s guiding communication principles, underlying values, and valuations, e.g. public’s right to know, disclosure of corporate performance in terms of sustainability, added value creating nature of stakeholder relationships, and belief in two-way communication. An interactive approach, as rooted in corporate communication, is seen not just being valuable but a company’s necessity (2.1).

- Opening the window of reporting: Based on corporate communication, stakeholder reporting is an approach of value-based management characterised through ongoing dialogue with company’s stakeholders, with its intellectual roots in the stakeholder approach (Freeman 1984). It aims to build

![Fig. 1: Framework of an interactive sustainability reporting approach](image-url)
and manage effective relationships with a number of key target groups, in which two-way
communication, possibilities of choosing issues, and expressing personal preferences are the norm, but
not the exception (Ernst & Young et al. 1999). As such it is a core building block in implementing
continual exchange of ideas with various stakeholders. This stakeholder input needs to be linked to
company’s strategy. These feedback loops and mechanisms for learning ensure that stakeholder
reporting is truly embedded in the company, and that issues, concerns, and expectations of target
groups and other interested parties, even the critical ones, are actually reflected in the company’s
underlying understanding of itself (Figge and Schaltegger 2000). Hence, stakeholder reporting is not
only for or about stakeholders but rather with and by stakeholders themselves (OECD 1999). Currently,
there are few initiatives to develop software tools (Stößlein and Mertens 2001) helping to support
stakeholder relationship management (2.2).

- Using technical support: Next to stakeholder reporting, an interactive approach makes use of internet-
based reporting. The idea behind such online reporting is that the internet provides an array of media-
specific capabilities and technical benefits (Isenmann 2005, 2004). Compared with orthodox methods,
internet-based reporting overcomes the limitations of paper-based communication like one size fits all
reports, hard copies, print media fixation, and one-way-communication. In particular, internet-based
reporting embraces a broader range of beneficial characteristics to enrich the way of communicating
sustainability issues, like combining text, still and moving images, sound, feedback, interaction,
dialogue, and integration of different contents. Because of its overall added value creating
opportunities, the internet is already used by several reporting companies and target groups as the
pivotal platform (Rikhardsson et al. 2002) to provide or to access information on environmental, social,
and economic performance or other related issues of sustainability (2.3).

3. Examples of interactive sustainability reporting

Next to conceptual considerations described above (section 2), three examples of current practice are pre-
sented. The purpose of this snapshot is to illustrate that companies are in a phase of transition while inten-
sively experimenting with new reporting methods, media and instruments (ACCA 2001).

The first example given is on target group tailoring. From a company’s perspective, target group tailor-
ing provides an opportunity to extend reporting success and multiply the number of users actually reached;
from a stakeholder’s point of view, it is a requirement for truly meeting their needs and thus for tracking
companies’ performance over time. One approach of tailored reporting worth emulating is BP’s data desk
(fig. 2). Following the generic classification of customised reporting in terms of stereotyping, individuali-
sation and personalisation (Lenz 2003), the data desk in its former fashion (BP 2003) could be classified
as individualisation. Meanwhile access has been changed into a stereotyped approach (BP 2004). This pre-
selected approach is fine tuned to the certain needs of socially responsible investors, perhaps due to the re-
sult of a detailed stakeholder analysis. Anyway, the data desk offers various ways to tailored access and
fine tuned environmental information, also linked with financial and social issues within BP’s websites.
Users can take a specific view and create websites meeting their specific needs.
Fig. 2: BP’s data desk as an example of target group tailoring (individualisation on the left in 2003; stereotyping on the right in 2004)

The second example illustrates stakeholder involvement which is understood as a certain method of stakeholder dialogue. Risk & Policy Analysts Ltd. (RPA 2004) has launched a simple software programme on its website to involve stakeholders in their sustainability reporting (fig. 3).

Fig. 3: RPA’s download page as an example of stakeholder involvement (2004)

RPA is a UK-based consultancy, providing expertise in environmental management both in the public and private sector, especially regarding health and safety issues. RPA’s 2001 sustainability report, which was the first, has been commended by the ACCA in its sustainability reporting awards. RPA was the only
small business short-listed alongside a number of well-known companies such as Shell International, and BT Group plc. The ACCA found the first report ‘trailblazing’ and its successor in 2002 should take this one step further, while directly reflecting the views of stakeholders in terms of RPA’s business and sustainability issues. In order to record these different views and to gather as many opinions as possible from the largest range of people, RPA developed a software-based questionnaire called “Vox Populi ‘02”. This programme gives stakeholders a chance to communicate their views on a catalogue of topics. This catalogue was tailored to some categories of sustainability identified by the former reporting cycle. The software “Vox Populi ‘02” is based on Microsoft Excel. Stakeholders are invited through promotion e.g. using push-techniques like email, and encouraged to visit RPA’s website where the programme could be downloaded. The simple programme allows interested users to show where they think are RPA’s greatest impacts and where the company should concentrate resources for future improvement. The catalogue compares categories like “impact on global warming”, “waste to landfill”, and “public access to information”. The outcome has influenced the 2002 sustainability report and subsequent actions to be taken. Data collection will be continued so that benchmarks or targets, RPA has defined, could be tracked in a long term perspective.

The third example given by Henkel (2003) demonstrates how various vehicles and instruments could be arranged to a sustainability communication and reporting system. Such a comprehensive system uses various media and different distribution channels (fig. 4). It is built along topicality and information and includes various communication vehicles and reporting instruments, e.g. special interest articles, CD-ROM, site reports, open house events, ratings, reports, direct dialogue, internet platform, consumer information, press releases and other tools prepared for certain communication types or a specific stakeholder group.

Fig. 4: Henkel’s sustainability communication instruments (2003) as an example of a reporting system

For example, Henkel use web-based communication and its internet-platform primarily to publish developments on an ongoing basis, particularly for more up-to-date issues with high topicality. For Henkel, the
internet offers comprehensive background information and provides opportunities on download publications and engage in online dialogue. Further, Henkel have a smartly polished guided tour on their website illustrating corporate philosophy.

The snapshot presented is shedding only few light on current practice. The examples however, are demonstrating that companies are already providing some features of interactivity. They are going to pay more attention to target groups’ different information needs, and they are offering various opportunities for stakeholder dialogue, perhaps step-by-step.

4. Conclusions

Since its first incarnations a decade ago, companies have made considerable progression in sustainability reporting. As the field matured and practice develops into a more sophisticated stage, issues of communication and how to report become of greater importance. Particularly interactivity, target group tailoring, and stakeholder dialogue are of increasing relevance, with considerable impact for reporting success and corporate reputation. According to the guidebook on sustainability communication and stakeholder involvement (WBCSD 2002, 6), “disclosure is the new currency of corporate reputation”, especially communications with external stakeholders. Companies have to realise that the early “honeymoon period” (DTTI et al. 1993, 9) in which sustainability reports sometimes may have received media response, public attention, and awards just for existing rather than for what was disclosed in them and how it was communicated is over, definitely. As a prerequisite for improvement, an interactive approach is regarded as a step beyond orthodox approaches and current practice, and therefore a challenge. As Alan Benjamin, chairman of QSP Holdings plc, argues: (1998, 13): “The Web site will be the prime communications vehicle of the 21st century – largely interactive. It will host a permanent dialogue as the gateway to the company.”

Bibliography

Deloite Touche Tohmatsu International (DTTI) et al. (1993): Coming clean – corporate environmental reporting, opening up for sustainable development London: DTTI.

Figge, F.; Schaltegger, S. (2000): What is “stakeholder value”? Developing a catchphrase into a benchmarking tool. Lüneburg: University of Lüneburg and UNEP.


