Barriers to Strengthening the Global Reporting Initiative Framework: Exploring the perceptions of consultants, practitioners, and researchers

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The Global Reporting Initiative (GRI) framework has become the global *de facto* standard in sustainability reporting. The number of organizations using the framework has increased from a few companies in 1999 to over a thousand in 2008. Accompanying GRI's dissemination has also been the growing number of publications highlighting its problems. To date, however, few studies have sought to understand the barriers to strengthening the GRI model of reporting. This paper aims to explore this challenge. First, it reviews the literature to identify some key weaknesses of the GRI framework related to four main issues: 1) sustainability context; 2) integrated indicators; 3) external verification; and 4) stakeholder engagement. Second, the paper discusses the barriers to overcoming the identified weaknesses based on literature reviews and interviews with 20 consultants, practitioners and researchers with expertise in sustainability reporting. The paper presents and discusses a tentative diagram of the motivational, generic and specific barriers to strengthening the framework. In conclusion, a number of practical and research implications are highlighted.

Keywords: Sustainability reporting, Global Reporting Initiative (GRI), sustainability indicators, frameworks, barriers, sustainability strategy, non-financial reporting.

1 Introduction

In response to society's growing expectations of accountability, organizations have been increasingly disclosing "sustainability reports." The social and environmental types of non-financial reports from the 1980s and 1990s are being rapidly replaced by sustainability ones. This trend has been driven in part by the dissemination of the Global Reporting Initiative (GRI) framework, a voluntary reporting tool that uses the term *sustainability* to describe disclosures on the so-called three dimensions of sustainable development.

Since the publication of its first draft in 1999, GRI has been remarkably influential. It was among the few voluntary initiatives explicitly mentioned in the Plan of Implementation of the 2002 Earth Summit (UN, 2002, p. 57). Already in 2003, a study of the World Bank found that GRI was the second most influential global standard on corporate social responsibility practices (Berman & Webb, 2003). Renowned global leaders like Al Gore (Russel, 2006) and Kofi Annan (Brown, Jong & Lessidrenska, 2007) have praised the initiative, thus echoing its potential virtues.

GRI's growing prestige is reflected in its widespread adoption among large companies. More than three-quarters of the world's 250 largest companies and nearly 70 per cent of the 100 largest companies in 22 countries are using the GRI (KPMG, 2008).The overall number of companies

using the framework has increased from a few in 1999 to over a thousand in 2008 (GRI, 2009c). Another unknown but likely large amount of organizations, while not explicitly adopting the framework, follow several of its reporting rationales. GRI's influence has also extended to other standard-setters: "aspects of GRI thinking and process, especially the concepts of materiality and stakeholder engagement in the development of guidelines and reports, have diffused to other reporting frameworks and into the wider business community" (Brown, Jong & Levy, 2009). Not surprisingly, the GRI framework is seen by many today as the global *de facto* standard in sustainability reporting.

Accompanying GRI's dissemination has been a growing number of publications highlighting its potential negative consequences, such as promoting reports that may camouflage unsustainable organizational behaviour (Moneva, Archel, & Correa, 2006). The imperfection of the framework is not contested. GRI acknowledges this fact while embracing the principle of continuous improvement. Since its launch, the framework has been through two revisions: a pace that can be regarded as an impressive achievement, especially in comparison with other voluntary standards (Watkins, 2008). Nevertheless, the extent to which GRI's latest version, the GRI-G3 (GRI, 2006b), represents a positive move forward remains debatable. Several of the critiques against the framework call for a more robust structural change in the way GRI currently frames sustainability reporting (e.g., Aras & Crowther, 2008; Archel, Fernández & Larrinaga, 2008; Gray & Bebbington, 2007; Henriques & Richardson, 2004; Isaksson & Steimle, 2009; McElroy, Jorna, & Engelen, 2008; Unerman, Bebbington & O'Dwyer, 2007).

Most of these critiques have not, however, gone far beyond highlighting problems and tried to understand the challenges involved in the incorporation of the supposedly necessary changes into the framework. With the exception of a few studies that have hinted at the existence of path-dependent factors and imbalances in GRI's governance system hindering significant improvements (Brown, Jong & Lessidrenska, 2009; Brown, Jong & Levy, 2009; Dingwerth, 2007), the barriers to strengthening the GRI framework remain largely unexplored.

The objective of this paper is to further explore this gap. More specifically, it seeks to identify relevant barriers to the incorporation of a number of requirements raised in the literature as necessary to strengthening the GRI framework. Such an understanding will be based on literature reviews and semi-structured interviews with a group of consultants, reporting practitioners and researchers with significant expertise in sustainability evaluations and reporting.

The knowledge to be presented here is relevant not only to those involved in the design of GRI, but also to other standard-setters and policy-makers. The "desirable" framework requirements discussed below have not been sufficiently tested elsewhere. Their implementation barriers can be informative to those who are trying to improve other sustainability tools of mandatory or voluntary natures. Individual organizations and industry associations searching for ways to enhance their particular approaches to GRI reporting may also benefit from this knowledge.

The paper proceeds in four sections. Section 2 recapitulates the rise of the GRI-G3 framework and presents its key defining characteristics. Section 3 reviews the some of the main critiques against the framework and outlines a number of elements that could strengthen it. The methodological approach is explained and justified in Section 4. The paper then presents and

discusses a diagram of the identified barriers in Section 5. Finally, Section 5 draws conclusions and highlights practical and research implications.

2 The Birth of the GRI Model of Sustainability Reporting

Sustainable development[1] is an inspiring but controversial vision. Since its popularization in the *Our Common Future* report (WCED, 1987), countless institutions have embraced the concept under a variety of assumptions and interpretations. To many scholars, most of these initiatives have seemed more like "symbolic gestures to allay public anxieties" (Orr, 1994, p. 931) rather than effective efforts to sustain the dynamics of the world's socioecological systems.

In order to lessen the apparent gulf between rhetoric and reality in sustainable development, decision-makers need indicators to help understand the complexities of societal interactions with the environment. They also need a conceptual model or framework that, through its principles, guidance and requirements, enables the selection and operationalization of those indicators. Frameworks are fundamental for decision-makers. If the former are flawed, so too are the decisions that are based on them (Bell & Morse, 2008).

Numerous sustainability indicators and frameworks initiatives have been created since the Agenda 21 emphasized that "indicators of sustainable development need to be developed to provide solid bases for decision-making at all levels and to contribute to a self-regulating sustainability of integrated environment and development systems" (UN, 1992). According to the International Institute for Sustainable Development, in November 2009 there were 842 sustainability indicators initiatives worldwide (IISD, 2009). Among them is the GRI.

GRI has its roots in the U.S.-based Coalition for Environmentally Responsible Economies (CERES) and the Tellus Institute. These organizations were promoting environmental reporting in the early 1990s to ensure that corporations would follow the CERES Principles for Responsible Environmental Conduct (CERES, 1989).[2] Back then, the uptake of environmental reporting in North America was rather slow, suggesting that "it was time to look beyond the borders of the US for markets to those that were more receptive to the idea of a generally accepted framework […] in short, it was time for a Global Reporting Initiative" (GRI, 2007). Moreover, a variety of co-existing, non-financial reporting frameworks, guidelines, norms, standards and codes were becoming "messy," thus frustrating the various parties interested in reporting (Dingwerth, 2007, p. 103).

CERES launched the GRI in 1997 to overcome some of these problems, and, trying to boost its global presence, partnered with UNEP in 1998 to establish a multistakeholder committee. This committee soon advised that the GRI should "do more than the environment" and address social, economic and governance issues (GRI, 2007). This advice was immediately incorporated into GRI's reporting framework and thus a sustainability-oriented reporting guide, inheriting much of

[1] In this paper, the terms "sustainability" and "sustainable development" are treated as synonymous.
[2] One of the 10 principles stated that "we will conduct an annual self-evaluation of our progress in implementing these Principles. We will support the timely creation of generally accepted environmental audit procedures. We will annually complete the CERES Report, which will be made available to the public."

the rationale of the early 1990s environmental reports, was born. According to one of GRI's co-founders and former CEO, Allen White, the initiative emerged as a distinct one because it:

> a) was governed by a multi-stakeholder steering committee;
> b) [attempted] to advance true corporate sustainability reporting; and
> c) [emphasized] the concept of standardization (White, 1999, p. 38).

In light of the many uncertainties involved in the practice of sustainability reporting, GRI piloted a draft framework in 1999. The official and revised version of the framework was only published in the year 2000 with several outreach events worldwide. By then, GRI was still "attached" to CERES. It was not until mid-2002 that the GRI was established as an independent not-for-profit institution. This institutional shift came also with geographical and administrative changes. GRI was relocated to Amsterdam and Ernst Ligteringen assumed the chief executive office.

The GRI institution describes itself as "a multi-stakeholder governed institution collaborating to provide the global standards in sustainability reporting" (GRI, 2009b). It is overseen by a board of directors and coordinated by a secretariat. The board is comprised of 16 members from international organizations, consultancies, accountancies, NGOs, business groups and academia. GRI's governance also includes a Stakeholder Council, a Technical Advisory Committee, a Governmental Advisory group and an Organizational Stakeholder group. The institution's funding comes from a variety of governmental, foundational and individual sources. The provision of learning, training and other services complement the budget. GRI's current framework (GRI-G3) is made up of three main elements (GRI, 2006b):

- Sustainability Reporting Guidelines: This document is the cornerstone of the framework, as it sets quality and content principles, as well as managerial and performance indicators. The principles for defining contents include materiality, stakeholder inclusiveness, sustainability context and completeness. The indicators (about 130) cover the following categories: Strategy and Analysis; Organizational Profile; Report Parameters; Governance, Commitment and Engagement; and Indicators of Management Approach and Performance. The latter covers, in turn, economic, environmental, social, human rights, society and product responsibility issues.
- Indicator Protocols: These protocols provide definitions and technical and methodological guidance on each of the performance indicators of the guidelines. Its main objective is to ensure consistency in the application of the indicators.
- Sector Supplements: The supplements provide additional guidance and indicators for sector-specific issues.

One of the most important changes brought up by the newest G3 version was an Application Level (A+, A, B+, B, C+, or C) to "demonstrate a pathway for incrementally developing, expanding, and deepening approaches to reporting over successive cycles" (GRI, 2006a). The guidelines require organizations to self-declare their level, or hire a third-party organization or the GRI institution to check their self-declaration.

3 A Gap Analysis of the GRI Framework

The growing uptake of the GRI framework has been driven in part by its potential benefits. Because of its flexibility and global reach, the framework opens opportunities to benchmark, compare,and communicate social and environmental efforts within and across sectors. It can serve as a tool to manage corporate reputation and pursue competitive advantage. The framework is also relevant to report readers insofar as it provides a platform for dialogue with companies and promotes disclosures that can underpin a variety of purposes, such as ethical investing, political positioning and academic research. These benefits are hardly disputed. What remains debatable, though, is whether these and other benefits outweigh the framework's weaknesses and unintended risks for the environment and society.

Among the most problematic aspects of GRI's reporting model is its focus on "internal organizational performance." The potential dangers of this non-holistic approach have been repeatedly highlighted by several scholars (e.g., Gray, 1996; Gray & Bebbington, 2007; Gray & Bebbington, 2000; Gray & Milne, 2002; Henriques & Richardson, 2004; Markus J. Milne, Ball & Gray, 2005; Markus J. Milne & Gray, 2007; Markus. J. Milne, Tredidga & Walton, 2005). Underpinned by systems theories, the main argument of these authors can be summarized as Rob Gray and Markus Milne (2002, p. 5) put it: that sustainability reporting needs "to have a detailed and complex analysis of the organisation's interactions with ecological systems, resources, habitats, and societies, and interpret this in the light of all other organisations' past and present impacts on those same systems."

Because the GRI framework encourages reporting of organizations' "internal" performance, it runs the risk of promoting disclosures that misses the interactive effects of organizations with the external environment. That is, the framework runs the risk of promoting reports that misinform readers about companies' effective contributions to sustainable development. Rob Gray and Jan Bebbington, seriously concerned about the lack of awareness of this contextual problem by readers and reporters, have argued that "we must treat the current crop of 'sustainability reports' with the profoundest mistrust as one of the most dangerous trends working against any possibility of a sustainable future" (Gray & Bebbington, 2007, p. 386-387).

One of the ways through which the GRI framework tries to overcome the limitations of the "internal organizational" focus is by guiding reporters to follow the *Sustainability Context* principle. This principle asks organizations to present their performance "in a manner that attempts to communicate the magnitude of its impact and contribution in appropriate geographical contexts" and "with reference to broader sustainable development conditions and goals, as reflected in recognized sectoral, local, regional, and/or global publications" (GRI, 2006b, p. 12). To comply with this principle, organizations would need an analysis of their interactions with society and the environment.

To date, however, very few GRI reporters, if any, have consistently embraced this principle, which is the only one that does not "represent a mere interpretation of traditional financial accounting principle" (Moneva, et al., 2006, p. 130). Mark McElroy reviewed hundreds of reports and did not see "one that adheres to this most basic of principles. Even GRI itself, in publishing its own sustainability reports, fails to do so" (McElroy, 2008). This situation highlights the need for further guidance and emphasis on "context." As McElroy and others have put it, "while it is true that GRI advocates for *sustainability context* in the preparation of reports,

it completely fails to provide guidance for doing so, thereby ensuring that most GRI reports will be virtually context free!" (McElroy, et al., 2008).

To effectively promote contextualized disclosures, the framework would need significant changes. For example, in addition to "organizational" performance, companies with operations in different geographical regions (which account for the majority of current reporters), would need to better analyze and communicate their facility-level or site-level performances. As Bebbington explains, "it makes more sense to talk of the SD [sustainable development] profile of a country, region or ecosystem because SD tends to describe properties of a physical system in some physical space." Accordingly, it makes more sense to analyze the interactions of facilities or industrial plants with the space surrounding them. Not surprisingly, recent attempts to contextualize sustainability performance have restricted the analysis and communication of performance to project or site levels (Baxter, Bebbington & Cutteridge, 2004; Bebbington, 2007; Fonseca & Gibson, 2008).

Most reporters using the GRI framework today publish stand-alone "organizational" sustainability reports that carry substantial aggregated data from sites located on different geographical locations. The aggregation of this data is undertaken under a variety of rationales. While GRI's protocol on Organizational Boundaries (GRI, 2005) and a paragraph of the guidelines (GRI, 2006b, p. 37) briefly highlight the dangers of aggregating some types of data from different sites, these documents do not elaborate on how to avoid the potential dangers and do not even mention the problem of dealing with aggregation of different geographical contexts.

Sustainability Context would also require from the GRI framework more guidance on how to assess the state of the environment and societies impacted by companies' operations. After all, such information is needed to contextualize internal performance. The framework briefly mentions this need while asking reporters to consider "recognized" publications from external sources (GRI, 2006b, p. 12). But what can be regarded as a "recognized" publication? How to deal with the potential lack of data, particularly at local and regional levels? Moreover, as Pablo Archel and others have noted, understanding the state of the environment surrounding organizations requires the consideration of the cumulative effects of organizations' own impacts over time, as well as of the cumulative effects of the entities operating in a particular region (Archel, et al., 2008). While cumulative effects have been receiving some attention in impact assessments (Duinker & Greig, 2007; King & Pushchak, 2008), they remain largely unexplored in sustainability reporting. The GRI framework only hints at the need to consider these effects while explaining how to interpret time within the *Completeness Principle* (GRI, 2006b, p. 12–13).

Another overlooked problem of the framework is the absence of integrated indicators, which have been regarded by many institutions and scholars as fundamental in sustainability decision-making (Davidson, 2005; Malkina-Pykh, 2002; Morse, McNamara, Acholo & Okwoli, 2001; OECD, 2004; Ranganathan, 1998). The GRI-G3 framework provides guidance and protocols on how to report on dozens of social, environmental and economic indicators, but not on how to integrate them. That is, the framework does not encourage reporters to weigh and understand indicators' relative values, or combine them into numerical indexes, indices and visual diagrams. Integration is important because it allows decision-makers to keep all indicators at sight,

recognize their interconnectedness, identify mutually supportive benefits and better judge the unavoidable trade-offs among sustainability dimensions (Gibson, Hassan, Holtz, Tansey & Whitelaw, 2005, p. 113–118).

The previous version of the framework, the GRI-G2, acknowledged that addressing sustainability in terms of pillars of economic, environmental and social indicators "can sometimes lead to thinking about each element in isolation rather than in an integrated manner" (GRI, 2002, p. 2). The G2 even encouraged organizations to pursue their own integrated performance indicators in consultation with their stakeholders (GRI, 2002, p. 44–45). Such a requirement has, nonetheless, been removed from the current G3 version. As a result, the overall majority of GRI-based reports today are publishing performance on numerous indicators in isolation. Aware of this limitation, some scholars are proposing ways to expand the GRI guidelines to included integrated metrics as well (e.g., Azapagic, 2004; Lozano, 2006).

Another problematic aspect of the GRI framework is its mechanism to guide and encourage external verification or assurance. The frequent allegations of greenwashing and cherry picking in voluntary sustainability reporting (Henriques, 2007, p. 89) have made evident the existence of a "credibility gap" in this practice (Dando & Swift, 2003; MacLean & Rebernak, 2007). "Stakeholders want to be sure that the report presents a fair picture and that it is actually more than just a PR [public relations] instrument" (KPMG, 2006, p. 6). GRI requires organizations to disclose information on their approach to external assurance and also provides incentives to hire these services, notably through the inclusion of the "plus" sign in its Application Level to indicate whether reports were verified. Nevertheless, the framework provides limited guidance on how to verify reports. It only touches on a few issues related to hiring verification services.

Recent studies have been showing several problems in the practice of external assurance, such as extensive scope limitations, lack of comparable verification criteria and limited stakeholder participation, among others (CorporateRegister.com, 2008a; Kamp-Roelands, Rigter & Boerma, 2008; Kolk & Perego, 2009; Manetti & Becatti, 2009; O'Dwyer & Owen, 2007; Owen, 2007). To overcome some of these problems, other sustainability reporting frameworks, like the Towards Sustainable Mining Framework (Mining Association of Canada, 2009) and the Sustainable Development Framework of the International Council on Mining and Metals (ICMM, 2008) have created specific protocols and guides for external assurance. GRI has not attempted to do so; it simply encourages companies to look for guidance elsewhere. As a result, companies are seeking different types and levels of assurance: a situation that undermines the comparability and credibility of disclosures.

A similar problem happens with the framework's stakeholder engagement requirements. Even though GRI provides indicators and general guidance on stakeholder engagement—definitions, examples, tests, etc. —many reporters still need to look for further guidance elsewhere. A robust understanding of stakeholder engagement processes is fundamental in reporting, because such engagements underpin GRI's principles (e.g., stakeholder inclusiveness, materiality, completeness) and have tremendous implications on the selection of and the manner through which sustainability data is disclosed and verified. How to identify, select, engage and determine the extent to which stakeholders should be involved in the various decision-making in reporting is still a rather challenging issue for reporters.

In light of this knowledge gap, organizations have been increasingly using additional stakeholder engagements guidelines, particularly the ones published by AccountAbility in partnership with other institutions (AccountAbility, 2005, 2006, 2007, 2008; AccountAbility/BTGroup/LRQA, 2006; AccountAbility/Utopies, 2007). The use of the AccountAbility Series among the world's 250 largest companies has increased from five per cent in 2005 to ten per cent in 2008 (KPMG, 2008, p. 30). Yet most GRI reporters have been using a wide variety of rationales in their engagements. This situation also undermines reports' comparability and credibility.

The GRI framework would need a number of additional guidance elements on "how" and "what" to report for the purpose of addressing the problems discussed above. Figure 1 below illustrates seven of these potential elements. These include three protocols to provide further guidance on how to contextualize performance, verify reports and engage stakeholders. They also include another supplement with requirements of facility-level reporting, and three standards for disclosures of integrated indicators, cumulative effects and state of impacted socioecological systems.

Many other elements could have been included. Because of its complexity and breadth, the GRI framework is susceptible to various interpretations on its strengths and gaps. Nevertheless, the seven elements presented in Figure 1 address some of the most debated issues by scholars and practitioners concerned with GRI's weaknesses. Understanding their implementation barriers is an important resource for managing change towards a stronger framework and more meaningful sustainability reports.

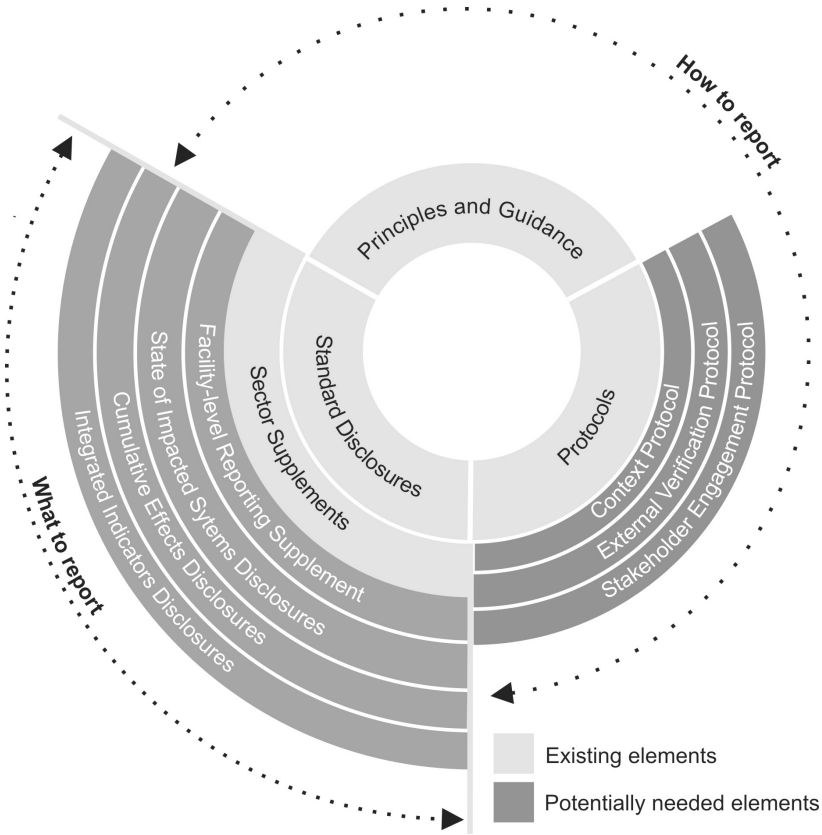

Figure 1 – GRI-G3's'potentially needed elements (adapted from GRI, 2006b, p. 3).

4 Methodology

The methods used in this study—based on qualitative, inductive, iterative and pragmatic explanatory reasoning—follow a grounded theory approach. This approach is particularly useful in the absence of largely tested theories or models to explain a particular social phenomenon (Creswell, 2007, p. 66). Grounded theory's main tenet—that explanations or theories are "grounded" in data or in the views of participants—has enticed numerous scholars, to the point that, in 1994, Norman Denzin stated that "the grounded theory perspective is the most widely used qualitative interpretive framework in the social sciences today" (p. 508). There have been many debates, however, surrounding the merits and problems of grounded theory. Today, the "classic" method of Glaser and Strauss is one among three (Charmaz, 2006; Corbin & Strauss, 2008; Mills, Bonner & Francis, 2006). This study has followed, to a great extent, the recent "constructivist" variant of grounded theory (Charmaz, 2005, 2006), which shares the key procedural aspects of the original method, but interprets the "analyses in the specific historical, social, and interactional conditions of their production, rather than constructing concepts abstracted and separated from their origins" (Charmaz & Bryant, 2008).

The barriers involved in the enhancement of the GRI framework include factors of various natures (e.g., conceptual, institutional, behavioural, political, procedural, cultural, etc.), which can be valued and interpreted in different ways. In light of this complexity, this study did not aim at reaching an overall explanation, but simply at capturing the situated perceptions of barriers from various experts in sustainability reporting. To capture this knowledge, this paper followed

most of Charmaz's (2006) suggested procedures: data collection, coding, memo-writing and diagramming.

The qualitative data was collected through literature reviews and 20 confidential interviews between September and November 2009. The interviews lasted from 40 to 80 minutes and were telephone-based and audio-recorded. The main criterion used in the selection of the non-probabilistic, purposive sample of interviewees was to capture a diversity of views. Participants were drawn from four different groups of people who use, train, research and provide services in connection with sustainability reporting in various countries (e.g., Canada, the United States, Australia, South Africa, United Kingdom and Brazil). Among the interviewees were one of the co-founders of GRI, two members of GRI's Stakeholder Council and Board of Directors, and employees from seven organizations that are participating in GRI's Organizational Stakeholder forum. Table 1 summarizes the profile of the interviewees and the reference codes used in the discussions.

Table 1 – Interviewees' Profiles and Codes

Group	Interviewee Profile	Quantity	Code
GRI-certified training consultancies	Experienced and certified GRI reporting trainers with in-depth knowledge of the framework.	5	CC
International consultancies	Senior consultants on corporate sustainability tools and strategies, including sustainability reporting.	5	IC
Research institutions	PhD holders with extensive knowledge on corporate sustainability evaluations and reporting.	5	RI
Large mining company practitioners	Managers and directors of Corporate Responsibility or Sustainability who hire and/or coordinates GRI-based reporting.	5	MP

The semi-structured interviews covered the following topics: strengths and weaknesses of the GRI framework; barriers to promote and provide guidance on 1) contextualized sustainability performance, 2) the state of impacted socioecological systems, 3) cumulative effects, 4) facility-level performance, 5) integrated sustainability indicators, 5) credible, externally verified performance, and 6) meaningful and comparable stakeholder engagements. The gaps discussed in the previous section were briefly communicated to the interviewees after they had given their initial opinion about the framework and the reporting process.

The data were analyzed using QSR-NVivo 8, computer-aided qualitative data analysis software. This software[3] is particularly helpful in grounded theory studies (Bringer, Johnston & Brackenridge, 2006; Hutchison, Johnston & Breckon, 2009; Kan & Parry, 2004). The analysis included the identification and coding of the main themes in the literature and participants' perceived barriers. The codes were grouped according to their potential relationships in several tree nodes, allowing for the identification of common and contrasting properties among them. This iterative process helped to design a tentative diagram of the barriers "grounded" in the data.

[3] The term "in vivo coding," to which the software's name refers, actually comes from grounded theory (Bazeley & Richards, 2000, p. 24)

5 Results and discussions

Participants' opinions have complemented the literature with a multitude of factors that could hinder the implementation of the framework elements highlighted in Figure 1. These barriers could be arranged according to a number of rationales, but the iterative analyses of the relationships and common themes underpinning those factors have revealed a pragmatic sense in arranging the barriers in three main groups: motivational, general and specific. The tentative diagram of Figure 2 illustrates these groups and their respective barriers, which are further discussed below. Some barriers are mutually exclusive while others reinforce each other within and across groups.

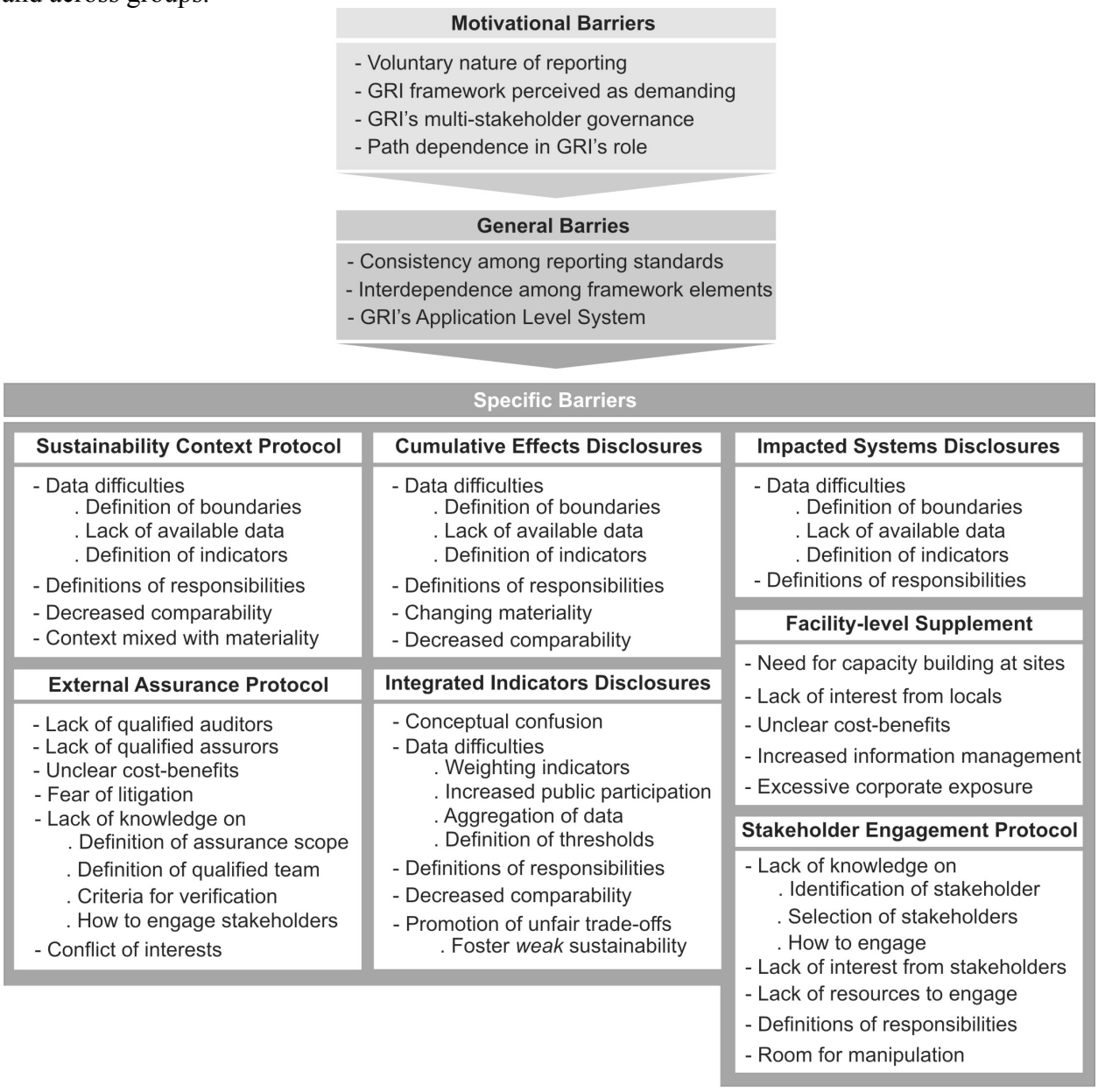

Figure 2 - Tentative diagram of the barriers to strengthening the GRI-G3 framework

5.1 Motivational Barriers

Participants from all groups have raised concerns about adding Figure 1's additional "layers" of guidance on the grounds of lack of motivation from both the GRI institution and reporting organizations. Their perception is corroborated by GRI's current agenda of priorities, which includes a number of issues, but none directly related to those seven additional elements (GRI, 2009a). To a certain extent, there is a mismatch between GRI's and scholars' perceived sense of relevance on what needs to be enhanced in the framework. A number of factors explain this situation.

5.1.1 Voluntary nature of reporting

The predominant voluntary nature of sustainability reporting was highlighted by some interviewees as a constraint to implementing demanding reporting requirements. For instance, a reporting practitioner, when asked about the benefits of adding integrated measures to the framework, saw many difficulties in doing that and claimed that "voluntarily" many companies would not do that (MP-5).

Sustainability reporting has been primarily driven by pressures other than mandatory regulations. Some countries, like Sweden, France and Denmark, have introduced some sort of mandatory sustainability reporting (UNEP & KPMG, 2006), but these are the exception. In a voluntary or non-mandatory environment, sustainability reporting needs to make business sense. Companies engage in this practice to, for example, attract investors, respond to NGOs, facilitate "license to operate" and pursue competitive advantage (Buhr, 2007). In doing so, they often "cherry-pick" and disclose incomplete accounts of their negative impacts. Reporters and external assurors complete disregard for GRI's *Sustainability Context* principle provides a bold illustration of this problem.

Mandatory reporting has a number of potential advantages, including promoting more frequent, complete and relevant disclosures (UNEP & KPMG, 2006, p. 14–15). The GRI institution, aware of these benefits, has been lobbying for mandatory reporting. In reaction to the recent economic crisis, GRI's board issued the *Amsterdam Declaration on Transparency and Reporting*, calling on "all governments to extend and strengthen the global regime of sustainability reporting. In particular, assumptions about the adequacy of voluntary reporting must be re-examined" (GRI, 2009f). One corporate sustainability researcher suggests that mandatory reporting is not "a question of whether. It is a question of the speed and the nature, the avenues, by which it will happen" (RI-1).

5.1.2 The GRI framework is perceived as demanding

GRI cannot halt its cycle of continual improvement while a new era of mandatory reporting does not happen. Better ways to report need to be developed and the institution needs to be mindful of the challenges of this practice. Setting the bar too high might inhibit the voluntary uptake of the framework.

While reporting should be the outcome of sustainability evaluations in principle, studies are showing that such evaluations are usually an outcome of reporting (Buhr, 2007). Several interviewees have noted that one of the framework's key strengths is to help organizations "initiate" a culture or policy of sustainability. As one of the consultants said, "the GRI provides a standard to start a platform of dialogue towards sustainability" (CC-2). Many reporting organizations are still setting up programs and information systems to meet the framework's requirements. This fact is corroborated by GRI's recent statistics: only 20 per cent of the GRI-based reports published in 2008 declared an A+ level (GRI, 2009c), which is supposed to indicate a higher level of maturity in reporting.

Moreover, in spite of GRI's growing visibility, the reality is that it is adopted by about 30 per cent of the non-financial reporters (CorporateRegister.com, 2008b, p. 31), which represent, in turn, a small fraction of the world's largest companies. As Markus Palenberg and others explain, "NFR [non-financial reporting] remains a niche practice, utilized primarily by large TNCs [transnational corporations] based in the OECD world. However, in terms of absolute numbers, NFR is uncommon even among TNCs" (Palenberg, Reinicke, & Witte, 2006). Almost 70 per cent of the GRI-based reports published in 2008 came from OECD-based organizations (GRI, 2009c). And just a few of these came from small and medium-sized enterprises (SMEs).

In this context, adding more requirements on "what" and "how" to report is delicate. Even the large OECD-based companies perceive the (incomplete) adoption of the G3 framework as already demanding.

5.1.3 GRI's (imbalanced) multi-stakeholder governance

Another barrier that can affect motivations to strengthen the framework is, ironically, related to one of GRI's most praised aspects: the broad multistakeholder governance system. This system, seen as GRI's "key signature" (Brown, Jong & Lessidrenska, 2009) and regarded as "an amazing way to go about it" (CC-5), hosts an imbalanced representation of social groups, particularly in its Organizational Stakeholder group. This democratic group is GRI's key source of legitimacy, as its organizations can vote for members of the Stakeholder Council and approve nominations for the Board of Directors (GRI, 2009d).

The most robust study on the institutionalization of the GRI to date has found that "since the initial years, participation of organized labor and NGOs has declined, partly owing to resource constraints (for NGOs) and partly because of limited interest. Currently, large companies, banks, accountancies, and certain think tanks that double up as consultancies for business, dominate the Organizational Stakeholders group" (Brown, Jong & Levy, 2009, p. 573). This study concluded that GRI's "emerging institutional logic reflects only some of its intended constituencies, namely multinational companies and financial institutions, and international business management consultancies and accountancies" (Brown, Jong & Levy, 2009).

This imbalance of constituencies is currently mirrored in the Stakeholder Council (GRI, 2009e) and may also affect the design of the reporting framework. Demanding reporting requirements that do not necessarily meet the views of the strongest constituencies, such as business organizations, are less likely to get approval.

One of the consultants whose firm participates in the Organizational Stakeholder groups revealed another problem associated with the multistakeholder governance: the challenge of building consensus. As he puts it, "it really takes a lot of time to make decisions, to get feedback, and sometimes you feel like they should put down the rules or the fist on the table and give harder guidelines, and always seek commentaries" (IC-3). Trying to reach consensus over the approval of complicated or demanding reporting requirements among different social groups is, obviously, a challenging process. To Mallen Baker (2006), this is actually an impossible task, as "some of those audiences have such diametrically opposed starting points."

5.1.4 Path-dependence in GRI's role

On numerous occasions, interviewees argued that some of the additional elements of Figure 1, although relevant, should not be incorporated into the GRI framework, but implemented by its users. According to one of the interviewees, GRI should remain "focused on the core mission, which is organizational-level disclosure, and resisting to the temptation and the pressure to do many other things" (RI-5). Such a view reinforces Brown, Jon & Lessidrenska's 2009 study, which found traces of path-dependence limiting GRI's efforts. As they put it, "GRI has thus arrived at its maturation stage facing a plethora of challenges, many of which are grounded in the strategies adopted by its founders" (p. 197).

Since its inception, GRI has remained faithful to providing guidance on organizational-level, non-integrated disclosures. Practice and research have shown, however, that this focus has led to an incomplete framework. Recent years have seen the emergence of guidelines whose purpose is to complement GRI's. Notable examples are the AccountAbility series and CERES' recent Facility-Level Reporting Project (CERES, 2005), which address the need of local-level disclosures discussed in Section 3. This phenomenon seems to indicate a future where the GRI-G3 will become one among various mutually reinforcing reporting guidelines.

5.2 General Barriers

Motivation is just part of the equation towards a stronger framework. There are many barriers to enhancing reporting guidelines, regardless of who is motivated to develop them. Some of these barriers do not depend on the nature of the changes to be implemented in the framework. They are more general, as they stem from the weaknesses of the current GRI-G3 and of the context within which reporting takes place.

5.2.1 Consistency among voluntary and mandatory reporting standards

The GRI framework is not being adopted within a vacuum, but within numerous mandatory and voluntary social and environmental reporting policies that emerged in different points in time. Mining corporations, for example, depending on the countries where they operate, may concurrently use six different non-financial reporting frameworks covering the performance of explorations, projects, national macro-economic contributions, and organizational responsibility. Each of these frameworks has particular metrics and approaches.

A number of interviewees have raised concerns about the incompatibility among these frameworks. Nonetheless, they have diverged as to how this problem should be addressed. For example, one researcher stated that the more regionally focused reporting frameworks should carry a sub-set of GRI's indicators (RI-4), whereas a mining practitioner believes that the GRI framework should be replicated on different levels (MP-1).

To promote more compatible reporting guidance, GRI has been increasingly partnering with other voluntary corporate responsibility initiatives, such as IFC's and Global Compact's (IFC & GRI, 2009; United Nations & GRI, 2006), but these efforts are just scratching the surface of the variety of reporting requirements faced by companies. For instance, the synergies and conflicts between voluntary and mandatory reporting requirements remain largely unexplored.

5.2.2 Interdependence among framework elements

While strengthening the framework, the recognition of the relationships of GRI with other reporting initiatives must be accompanied by the recognition of interdependence among GRI's guiding elements. A reductionist approach ought to be avoided, as the framework's principles, indicators, protocols and supplements can affect each other. In this context, the challenge is not just a matter of setting the bar too high or too low, but of how to structure and weigh the framework's elements. For instance, the creation of a principle such as *Sustainability Context* calls for geographical-based reporting. Similarly, an increase in the number of indicators can broaden the scope of assurors and demand more technical protocols. One of the interviewees participating in the development of GRI's Mining and Metals Sector Supplement (MMSS) witnessed such a tension. She claimed that the NGOs were pressuring for more indicators without realizing their negative implications (MP-2).

The potential implications of changes in particular framework elements can also be positive. For instance, an adjustment of a sector supplement can help to fill the gaps of the main GRI guidelines. Yet such potential positive effects are not always fully perceived by those involved in the design of the framework. The development of the MMSS provides a good illustration. Despite the relevance of facility-level reporting in the mining sector, which was corroborated by all interviewed mining practitioners, this supplement is not being designed to encourage this level of reporting, but simply to add more "sector issues" to be disclosed at the organizational level (GRI, 2009g).

5.2.3 GRI's Application Level System

GRI's ABC Application Level System is perhaps the best example of how reductionism in the design of the framework can lead to unintended negative consequences. The underlying purpose of this system is to distinguish beginner and advanced reporters. It grants a "plus" sign to reports that were externally verified, a "C" to reports with a minimum of 10 core indicators, and "A" to reports covering all core indicators by reporting on the indicator or explaining the reason for its omission (GRI, 2006a).

This system can, however, be misleading, because it does not require organizations to observe other principles and reporting requirements. Accordingly, "advanced" organizations that achieve

a high level can overlook relevant reporting principles. This fact was corroborated by a recent empirical study on the quality of reporting in the cement industry that found that the reports "do not contain all relevant information for judging corporate sustainability even though they are rated A according to the Application Levels of GRI" (Isaksson & Steimle, 2009, p. 180).

Mehrdad Nazari (2009) has also argued that this system "appears to be creating psychological and legal barriers to sustainability reporting" (p. 128). Managers, aware that the Application Level can be erroneously interpreted as a measure of quality, fear to publish a C-level report. Some managers, particularly in the U.S., even decide to bypass the whole ABC system fearing litigations that may stem from disagreements over their materiality criteria (Nazari, 2009).

Another significant side-effect of the Application Level is to discourage reporting beyond its requirements. After all, organizations can achieve A+ by simply observing the principle of materiality, hiring external assurance, and disclosing or justifying lack of disclosures on every core indicator. As one of the interviewees put it, "this quest by companies to get an application level to the GRI is probably in a way contributing to that avoidance of context. Because companies want to report on all indicators, and get the A+ certification, they perhaps miss the bigger picture" (IC-3).

5.3 Specific Barriers

Some barriers were found to be more specific, in the sense that they were more related to the nature of the enhancements to be implemented in the framework. The analyses revealed literally dozens of such barriers. Many of them hold similar properties and apply to more than one of the elements discussed in section three.

5.3.1 Barriers to a Sustainability Context Protocol and Standard Disclosures on Cumulative Effects and State of Impacted Systems

The application of the Sustainability Context principle depends on an understanding of the state of impacted socioecological systems, which depends, in turn, on the evaluation of cumulative effects. These three elements were found to share many barriers. Among interviewees' most cited barriers were difficulties in the acquisition of data and defining who will generate them. Contextual information is inconsistently situated outside the boundaries of reporters. This poses questions such as:

1) How to define the boundaries of impacted systems? (MP-3)
2) Who should generate and pay for these data? (CC-2, RI-2)
3) What indicators, unit and frequency of analysis should be used? (RI-3, MP-3, MP-4)

If each organization were to produce contextual information, there would be overlaps of efforts and costs in geographical regions. In light of this "common" burden, many interviewees argued that these data should not fall under individual organizations' responsibility. The actors raised by interviewees as better situated to address this problem were governments, industry associations, NGOs, citizens, communities, as well as partnerships among these actors.

The analysis has also shown a conceptual barrier. A couple of interviewees, despite their familiarity with the GRI framework, were clearly mixing context with materiality (MP-3, CC-4). Such confusion is understandable, because contextual information is often used to identify material issues. However, as one of the researches noted, context manifests in forms other than "materiality" (RI-4).

Another interesting factor highlighted as a potential barrier to the evaluation of cumulative effects was the dynamic nature of socioecological systems (MP-3, RI-3). The GRI framework requires organizations to report material issues. But, because material issues are always changing, some disclosures may not be carried over to the future, thus adversely affecting the evaluations of cumulative effects.

In light of the many challenges and actors involved in the contextualization of performance, two interviewees questioned GRI's ability to standardize a technical protocol on this process (IC-3, RI-4). Their argument was that reporting organizations should be encouraged to find their own ways to do it. The real challenge is then to compel organizations to follow the *Sustainability Context* principle and what it entails. After all, GRI's current approach is not working (McElroy, 2008; McElroy, et al., 2008).

5.3.2 Barriers to a facility-level supplement

Barriers to promote facility-level reporting are less intimidating than those involved in the contextualization of performance. The best evidence to this fact is that some large companies are already doing it (M1-5 MP-4, and MP-5). The evaluation of sustainability performance at facilities is a necessary step towards the publication of the organizational-level document. Some companies, for the purpose being more transparent or meeting the information needs of local stakeholders, decide to disclose the source of their data. Nonetheless, few of these local disclosures are following the GRI framework. Facility-level reports usually come in the form of "annexes" in the organizational GRI-based report and carrying highlights and numerical data.

A barrier that may contribute to this "incomplete" approach is the unclear cost-benefit of robust local disclosures. As mentioned earlier, organizational-level reporting may already be perceived as a burden for large companies, so extending it to the local level needs to make some business sense. As one interviewee said, "Of course it would be great to have a GRI [report] at each site, but you have to be strategic as to where you are going to focus your capacity, your efforts. So it might not be through GRI reporting, but through community meetings, through one-on-one meetings, or non-traditional types of reports at all" (MP-3). One of the consultants corroborated this view while arguing that companies need to define a threshold or "size beyond which facility level reporting becomes mandatory" (IC-5), in order to avoid a very large volume of disclosed information.

Another hurdle in facility-level reporting is that it increases the exposure of companies and the need for information management. A significant part of the current GRI reporters are publicly listed companies whose financial health depends on the interpretation of their disclosures. They need to be careful when publishing sustainability information because it can affect their reputation and market value. One consultant shared an interesting case in which a Spanish-headquartered company prohibited one of its facilities in South America to continue with its

sustainability reporting, because it was damaging the company' image (CC-3). As opposed to building capacity in South America, the Spanish headquarters decided to interrupt its facility's disclosures.

5.3.3 Barriers to integrated sustainability performance indicators

The topic of integrated performance was difficult to discuss with interviewees. It became clear that, in the current practice of reporting, the term *integration* is often used to designate disclosures of sustainability performance along with corporate financial and strategic information. That is, the concept of integration is also being used to describe the "integrated management and reporting approach as making reporting part of an overall management scheme [to] improve corporate performance" (WBCSD, 2003, p. 4). Few of the interviewees were familiar with GRI-G2's previous call for integrated indicators.

One researcher claimed that integrated sustainability performance is what several financial analysts are already doing to evaluate risks and opportunities within publicly listed companies (RI-1). He cited several of these initiatives, such as the Dow Jones Sustainability Index, Transparency Index, FTSE KLD, and Asset 4. However, another researcher questioned this interpretation of "integration" by arguing that what these initiatives are doing is just "aggregation":

> *Aggregation you add pieces up. Do you think because you have some social reporting, ecological and economic, and you call it the triple bottom line, and you add those things up, you get integration? That's not integration! That's three different things added together as if they were equivalent. Maybe they are in some weird way. But it doesn't tell you how they interact. […] I am talking about interrelationships, the dynamics interrelationships about links that are important in integration. It is much more complex. (RI-2)*

The disputed and confusing discussions on integrated sustainability performance suggest that, for the purpose of advancing this requirement, a conceptual barrier needs to be overcome first. Integration currently means different things to those involved in sustainability evaluations and reporting. Only after the meaning of integration being used in this study was explained to interviewees, did it become possible to capture their perceptions on the challenges involved in implementing it.

Many interviewees noted that integrated indicators would probably face the same barriers associated with the contextualization of sustainability information, because the latter is necessary to build the former. Furthermore, they raised four main concerns about the process of weighing and aggregating social, environmental and economic data towards integrated indicators:

- Who should decide and participate in this process? (IC-3)
- How to deal with conflicting views on the potential weights of indicators? (RI-4)
- How to aggregate indicators across different geographical facilities? (MP-1, MP-3)
- How to aggregate qualitative data in connection with social performance? (MP-2)

These questions make it evident that integrating sustainability performance is teemed with subjectivity and practical challenges in the processes of weighing and aggregating data. One of the interviewees feared that, if integration was made a requirement by GRI, organizations would have the opportunity to manipulate data and also to promote the "weak" version of sustainability[4] (RI-5). To avoid this danger, integration would need to be accompanied by the definition of clear thresholds in connection with sensitive indicators, as well as with transparent mechanisms to deal with the tradeoffs among them (RI-2). However, knowledge on how to address such thresholds and tradeoffs among corporate sustainability indicators is very incipient.

Interviewees diverged on how to address these many challenges. Some suggested that GRI should not try to standardize this process, but simply encourage reporting organizations or other actors to do it (RI-1, IC-3). Others claimed that integration should be avoided entirely, because it would be too time consuming and not necessarily lead to reliable results (IC-1, MP-5).

5.3.4 Barriers to protocols on external assurance and stakeholder engagement

The main barrier to the implementation of additional guidance on external assurance and stakeholder engagement into GRI are, as discussed in section 5.1.4, motivational. GRI is not inclined to elaborate on those elements because they are believed to fall outside the institution's core mission. Assuming, however, that GRI or other partnering institution is motivated to develop further guidance on these requirements, a number of additional barriers need to be addressed.

Both external assurance and stakeholder engagement are teeming with knowledge gaps. For example, there have not yet been developed consensual methods to define assurance sustainability scope/verification criteria (FEE, 2006; Owen, 2007), nor to identify, select and engage stakeholders in the reporting process (Friedman & Miles, 2006; O'Dwyer & Owen, 2007; Perrini & Tencati, 2006; Unerman, 2007). Some interviewees, particularly the mining practitioners (MP-2, MP-3), commented that the current guidelines produced by other institutions to complement the GRI framework on these topics are not sufficient (e.g. AccountAbility, 2005, 2008; IFAC, 2004; IFC, 2007; Krick, Forstater, Monaghan & Sillanpãã, 2005; Partridge, Jackson, Wheeler & Zohar, 2005).

With respect to external assurance, the gaps are not only of knowledge, but also of human and institutional resources. Particularly in the United States, reporting organizations are having difficulties finding auditors and assurance firms with expertise in sustainability (CC-5). Globally, companies also face the challenge of identifying competent individuals and firms to provide these services. As opposed to financial assurance, which has been developing for centuries, sustainability assurance is just beginning. The needed competencies to provide these services are still unclear. The International Register of Certified Auditors is arguably the only institution that currently offers a certification program for Sustainability Assurance Practitioner (IRCA, 2009).

[4] Weak sustainability is a concept used in Ecological Economics to refer to a situation in which substitutions of natural and man-made capitals are allowed, as long as the total capital of the system is sustained (Gutés, 1996; Pearce & Atkinson, 1993). The weak approach is seen by many environmentalists as a dangerous path, because it may overlook the limits to substitution imposed by ecosystems' carrying capacities.

Yet this program is based on a particular standard (AA1000AS) that does not necessarily address all the complexities involved in the evaluations of sustainability disclosures. Professionals of various backgrounds in auditing and social and environmental disciplines are currently filling this gap.

Stakeholder engagements are an essential part of reporting, because "sustainability performance is a function of what a company impacts on vital resources relative to the need for those resources by people who rely on them" (RI5). Stakeholders provide companies the information they need to determine "what" should be reported. Yet, as mentioned above, there are several questions as to how to undertake this process:

- Which stakeholder groups should be considered? (RI-5)
- How to identify representatives of stakeholder groups? (MP-1)
- How to empower stakeholders so that they feel motivated to participate? (CC-4, RI-4)
- Who should mediate and analyze the engagements? (IC-2)
- How to deal with conflicting perceptions of materiality over the same issue? (MP-1, MP-3)

Because the answers to these questions are still unclear, reporting organizations have had substantial room to come up with their "particular" approaches. To one of the consultants, this is a problematic situation that can lead to manipulation of the process. As he said,

> *I've been around the block long enough to know that it is also incredibly easy, in fact far easier, to manipulate a stakeholder process than it is to manipulate a verification process. So you can certainly stack the deck in terms of who you get into the room, far easier than you could stack the deck with regards to the physical measures of the emissions coming out of a particular pipe. [...] Companies can hack that [stakeholder engagement] system too easily by creating their own NGO groups for example. That happens, as we all know. NGOs get created and financed by industry sectors behind two or three levels of anonymity. So it takes a long time for people to figure out that the new group is financed by the companies, and that they are critiquing in a soft way to draw attention from the hard stuff. Things can get very subtle and sophisticated. (IC-1)*

6 Conclusion

This paper sought to identify barriers to overcoming seven guidance gaps in the GRI-G3 framework. It followed a grounded theory approach informed by literature reviews and interviews. A tentative diagram of the various motivational, generic and specific barriers to filling those gaps was identified and discussed, thus bringing more texture to the burgeoning debate about the limitations of the GRI-G3. Scholars have been concerned about the potential negative consequences of sustainability reports based on that framework.

This paper corroborates Nola Buhr's argument that sustainability reporting is "an admirable target to work toward," even though this pathway might be "disputed and much longer than many would like" (2007, p. 57). Several of the identified barriers in this study cannot be overcome in the short term, as they depend on the generation of new knowledge and partnerships between the various parties involved in sustainability reporting. Yet the findings also suggest that the current regulatory and cultural reporting environment work is a disincentive to further

advance that knowledge and partnerships. For example, if GRI were to promote effective contextual and integrated sustainability performance, this would inevitably lead to the publication of less comparable geographically based reports, which go against GRI's current focus on the promotion of standardized organizational-based disclosures.

Unlike the ISO standards that address more specific and bounded social and environmental management systems or issues, the GRI framework has a much more complex scope. This study has shown that a single institution or standard-setter may not be sufficient to address this challenge. The many guidelines that are being created to fill GRI's gaps are starting to indicate a future where the GRI framework will become the centrepiece of a tapestry of mutually reinforcing reporting guidelines. A number of future studies will be needed to help establish effective linkages among these initiatives.

This paper has highlighted specific thematic areas that need further research as well. Among others, these include the following: mechanisms to share responsibility over the generation of contextual data, methods to integrate sustainability performance, qualifications needed in external sustainability assurance and processes for mediating stakeholder engagements. Knowledge on these issues is essential to the design of more effective frameworks in the future.

There are, however, a number of practical actions that GRI can already take to strengthen its framework. The most obvious is to confirm and recognize the discussed gaps, so that it can set up a strategy to move towards the "ideal" framework. Several approaches, ranging from incremental to transformational, can inform such a strategy (Dunphy, Griffiths & Suzanne, 2007). It will be, of course, up to the GRI institution to assess how equipped it is to address the many barriers. And, for this purpose, more studies will be necessary. The identification and discussions of the barriers in this paper reflect the sample of interviewees and literature reviews.

In spite of its limitations, this paper has provided a better sense of how strong the many barriers to strengthening the framework can be. For example, while the standardization of contextual and integrated sustainability performance may not be feasible in the near future, a revision of GRI's Application Level System can be rapidly and easily done. A simple recalibration of what GRI regards as "advanced" or A+ level report could translate into higher quality in sustainability reporting. Likewise, the limitations of organizational-level sustainability performance could be more rapidly overcome if the GRI framework were more effective in encouraging organizations to publish facility-level reports as well.

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