Organizational Engagement in Sustainability Practices and its Contribution to Sustainable Development: A Case from Sri Lanka

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Abstract
The aim of this paper is to explore why organizations engage in sustainability practices and how those practices contribute to sustainable development in a diversified manufacturing and service organization where sustainability reporting has been practiced over a number of years. This paper adopts the qualitative methodology and single case study approach. Data has been gathered through interviews and relevant reports. This study suggests that the purpose of long term survival and other institutional factors such as coercive and mimetic pressures have affected organizations to engage in sustainability practices. Organizations contribute to sustainable development using policies, actions, performance measurement tools which integrate with aspects of sustainability. Cost difficulty is a factor that has a negative impact when organizations try to achieve maximum sustainable performance. This study provides new theoretical merits such as the reasons for implementing sustainability practices other than the institutional reasons, how management accounting practices have become congruent with sustainability criteria in order to contribute to sustainable development.

Keywords. *Sustainability practices, Sustainable development, Management accounting, Performance, Institutional reasons.*

1. Introduction; Background of the Study

Survival of both the present and future generations depends on what we do today. Financial growth no longer remains an exclusive driver of business. Social and environmental facets play a very significant role. Engagement and partnership with stakeholders is the foundation of sustainable development (Daizy & Das, 2014). At present business organizations have become the most responsible parties who deal with sustainability practices since business activities directly impact on sustainable development. It is certain that sustainability is one of the main issues faced by business at present. Many organizations are attempting to develop sustainability accounting procedures and methods of measuring and reporting sustainability by using non-accounting techniques (Aras & Crowther, 2009). Therefore, sustainability reporting is a necessary part of corporate reporting today in order to explain how organizations perform in a sustainable manner while contributing to economic development and social and environmental protection. Sustainability reporting should consider each aspect of Triple Bottom Line (TBL)[2] in a more standardized way (Daizy & Das, 2014). Hence, sustainability reporting is crucial for businesses to show stakeholders that they are effective in meeting their own sustainability goals, future business growth and long-term success.

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Mistry, Sharma and Low (2014) reveal that management accountants of small-medium organizations play a limited role in accounting for sustainable development compared to larger organizations due to difficulties in the cost factor and the structure of the organization. Meanwhile, Arroyo (2012) states that management accounting change literature has not paid enough attention to the social constructivist roots of institutional theory and further proposed that how new management accounting practices are socially constructed during the course of organizational change, particularly in response to sustainability concerns. However, modern business management practices look forward to integrate sustainability practices into management control systems to measure their contribution to sustainability. Strategic management accounting tools such as Sustainable Balanced Scorecard (SBSC) has specifically been designed to reflect the issues and objectives of corporate sustainability, which can facilitate to incorporate sustainability reporting into their management control systems (Kerr, Rouse, & Villiers, 2015).

According to institutional theory, coercive isomorphism states that organizations tend to use specific practices due to pressures coming from stakeholders. Islam and Deegan (2008) indicated that, some industries and organizations embrace operating policies and codes of conduct that were similar in form to those embraced by powerful stakeholders. On a similar note, Theyel and Hofmann (2012) found that stakeholders such as community advocacy groups, employees, suppliers, customers, and the local media are influencing the adoption of sustainability practices. Abdalla and Siti-Nabiha (2015) reveal that, audit pressure and the non-governmental organization (NGO) allegations have affected to make changes in organizations. Likewise, management accounting practices of an organization are influenced by these factors. Imeshika and Rajapakse (2014) identify that environmental management accounting is used to take decisions regarding investment appraisals while using the quantified environmental information to confirm whether the company is complying with environmental legislations.

In certain past findings, cost and management accounting are criticized because of the dominance of financial accounting rules, including sustainability practices may narrowly focus on manufacturing costs (Çalişkan, 2014). In opposition, Bowers, 2010 indicated that one significant component of sustainability practices of organizations is the movement to provide specific measures of the cost savings and revenue growth resulting from sustainability activities. However, the accounting function contains reporting not only financials but also social and environmental information in annual reports (Çalişkan, 2014). Therefore, it is a responsibility of business entities to communicate their sustainability or none sustainability practices by determining, developing and operating proper mechanisms.

Prior studies find that organizations use sustainability dimensions, economic, social and environmental in different extents. The relative weightings afforded the individual elements of sustainability (economic, environmental, social, and cultural) differ between organization types depending on a range of factors. Many profit oriented organizations tend to use economic measures rather than social and environmental measures, whereas not-for profit organizations use more social and environmental measures (Tajbakhsh & Hassini, 2015). When organizations design a framework for evaluating sustainability practices, they are required to consider first, better organizational and institutional frameworks and second, proper measures

(Schwaninger, 2015). These studies further indicate that studies which looks into organization‟s contribution to sustainable development is still lacking and need to develop new frameworks.

According to the above contextual position, many business organizations engage in sustainability practices in different magnitudes. However, past researchers suggest that organizations engage in sustainability practices due to institutional reasons and their contributions to sustainable development is not established still and new frameworks are needed to measure the sustainability performance of organizations. Behringer and Szegedi, 2016, indicated that business contributions to sustainable development, creates a balance between economic interests, environmental needs and social expectations by integrating the spirit of sustainable development into the business strategy and it is important to examine the way how the largest companies in the world contribute to gaining sustainable development through their sustainability activities. Hence, to fill this gap, the current study was carried out to explore why Sri Lankan organizations engage in sustainability practices, and how those practices contribute to sustainable development. This paper consists of the structure as section one provides the background to this study and section two reviews past literature on sustainability practices under different criteria. Research context, methodology and theoretical framework are presented in section three and four. Findings are provided in section five whereas section six provides discussion on findings and conclusions.

2. Literature Review

2.1 Sustainability Practices Encompass Organizations

At present many organizations engage in sustainability practices due to various reasons. The top management of organizations take steps to include sustainability concept into the organization‟s culture and practices. Senior management is responsible for formulating a sustainable development policy for its organization, and for establishing specific objectives. Sustainable development means more than just „the environment‟. It includes social elements as well, such as the mitigation of poverty and distributional equity (International Institute for Sustainable Development [IISD], n.d.).

Senior managers have infused a sustainability culture within their organization by expressing a commitment to sustainability in communications and sustainability reports; adopting sustainability into their companies‟ missions; and developing priorities to provide a framework for sustainability (Adams & González, 2007). Galpin, Whittington, and Bell (2015) further indicate that there is an explicit inclusion of sustainability in the firm‟s mission and value statements. Authentic commitment to the strategic intent of becoming a sustainable organization requires the creation and nurturing of a culture of sustainability. This requires the creation of a set of human resource management practices that attract, select, socialize and provide the continuous development of employees who embrace the organization‟s commitment to sustainability. For this commitment to infuse into the organization, these practices must be reinforced through the organization‟s performance management systems.

When it is considered from the managerial point of view, past researchers suggest the existence of a demand for social environmental responsibility inside the companies. This demand has made managers think of strategies about not only shareholders but also to consider other stakeholders (Cruz, Pedrozo, & Estivalete, 2006). When sustainability practices are implemented by the organizations, managers make decisions on sustainability. Hence sustainability practices have become a major part of management accounting or decision making of the organization.

2.2 Sustainability Practices and Management Accounting

Sustainability practices have been included towards management accounting today. Therefore, management accounting plays a vital role in sustainability practices in an organization. According to the size of organizations, the management accountant‟s role in sustainability may vary. Management accountants of small and medium organizations play a limited role in accounting for sustainable development compared to management accountants of larger organizations (Mistry et al., 2014**)**. Based on this, another concept can be derived, that is the correlation between the type of organization and their overall goals for achieving sustainable development are closely linked to the roles the organizations‟ management accountants play in accounting for sustainable development (Mistry et al., 2014). The roles of management accountants in smaller organizations appear to be centralized around the traditional roles of management accountants. As found by Parker (2000), these include producing managerial reports, preparing cost benefits analysis, dispatch schedules, and etc. The main reason behind such a situation is the lack of resources of small sized organizations.

Even though many larger organizations follow sustainability practices, there are certain larger organizations which do not follow environmental accounting systems, but they act as facilitators for upper level management in sustainable development (Mistry at al., 2014). When organizations occupy sustainability practices, they can benchmark globally accepted sustainable initiatives and guidelines. However, when real world business organizations are observed, very rarely they use global benchmarking. According to Mistry at al. (2014) only one company was identified to utilize the reporting functions of the London Benchmarking. The use of the Global Reporting Initiative and London Benchmarking Group was ranked the lowest.

Finally, it can be concluded that larger organizations implement sustainability functions as they can gain tangible benefits and legitimacy from external stakeholders. However, in small and medium sized organizations, sustainability practices are difficult to implement in costing systems and organization structure and the cost of producing sustainability reports outweigh the benefits (Mistry et al., 2014).

Another issue found in management accounting towards sustainable functions is that, sustainability reporting gives more priority on financial accounting rules and gives narrow attention to the cost and management accounting. Therefore, some past researchers criticize the sustainability function. Cost and management accounting is criticized because of the arbitrary use of cost allocations, the dominance of financial accounting rules, a narrow focus on manufacturing costs and a focus on short-term decisions rather than strategic decisions (Çalişkan, 2014). In the same way, Opoku and Ahmed, 2014 revealed that increased capital cost is the most significant challenge facing construction organizations in attempt to adopt sustainability practices in the delivery of construction projects. However, at present sustainability practices have been integrated with performance measurement systems/ management control systems in an organization. In internal decision making, managers tend to consider sustainability practices as a strategic view.

2.3 Sustainability Practices and Management Control Systems

Management Control Systems (MCS) are formal, information based routines and procedures that managers use to maintain or alter patterns in organizational activities (Simons, 1995). Its desire is to provide information for planning, controlling, communicating, coordinating, evaluating performance and motivating managers (Drury, 2000). Organizations may use modes of management controls such as conventional Budgeting, Beyond Budgeting and Balanced Scorecard. At present sustainability reporting has been integrated into management control systems. Organizations that support values relating to sustainability and the satisfaction of a wider group of stakeholders are more likely to integrate the Triple Bottom Line (TBL) into MCS such as the BSC. This is likely to occur in organizations that have significant social and/or environmental impacts (Kerr at al., 2015).

Based on the extent or degree to which an organization focuses dominantly the profit or more stakeholder view is required to follow a more appropriate management control system. For organizations with a dominant profit motive (strategy), the generic BSC with the explicit hierarchy of financial at the top is appropriate. However, organizations with a broader stakeholder perspective require a more balanced approach (Kerr at al., 2015). The integration of sustainability reporting into MCS holds advantages for organizations to operationalize sustainability objectives, broaden stakeholder accountability as well as intensify interactions with stakeholders, formalize organization beliefs and improve communication of sustainability measures internally. While frameworks such as the balanced scorecard (BSC) can facilitate implementation of sustainability reporting, some organizations may choose to fully integrate the latter into their management control system (Kerr at al., 2015).

Imeshika and Rajapakse (2014) found that Environmental management accounting is used to take decisions regarding investment appraisals while using the quantified environmental information to confirm whether the company is complying with environmental legislations. However, sustainability reflects a multi-dimension view and organizations‟ gravity on these dimensions may vary.

2.4 The Gravity of Sustainability Reporting According to its Dimensions.

Sustainability can be found in many dimensions. Some authors classify the reviewed literature according to seven sustainability dimensions economic; environmental; social; valuable (uniting economic and environmental dimensions); reputable (uniting economic and social dimensions); equitable (uniting environmental and social dimensions); sustainable (uniting all dimensions) (Tajbakhsh & Hassini, 2015). These dimensions are graphically presented in Figure 1.

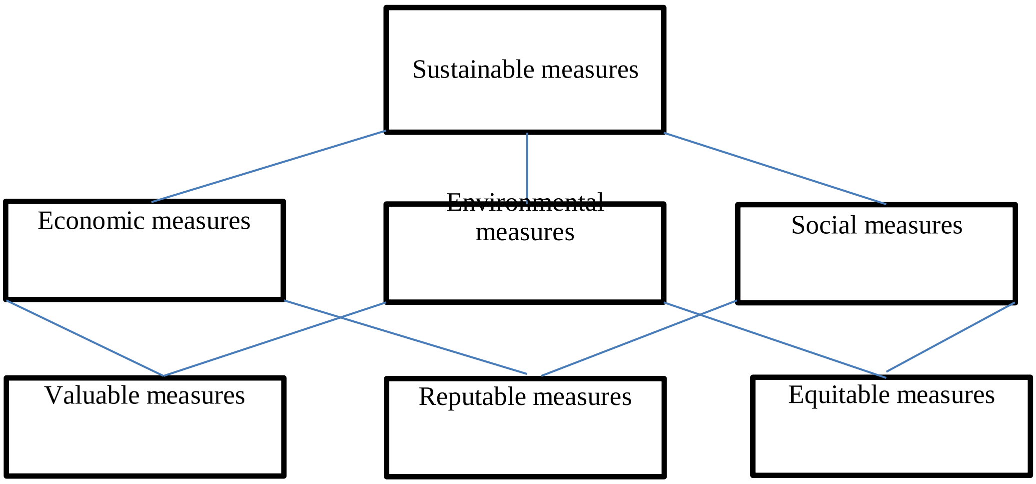

Figure 1. Seven sustainability dimensions. Developed by researchers based on Tajbakhsh and Hassini (2015).

It is found that social sustainability measures have not received the attention they deserve. According to past research findings reputable and valuable measures are more attractive for profit-oriented organizations as they both include the economic dimension in common. However, an equitable measure may be more attractive to not-for-profit organizations and public establishments. Implementation of valuable and reputable measures is expected to entail savings, but the equitable measures may result in additional costs to the supply chain partners.

In considering the applications of performance measures in sustainable supply chains, past researchers found that there was a lack of studies in the service sector, such as the healthcare and pharmaceutical sectors (Tajbakhsh & Hassini, 2015). On the other hand, past findings reveal that sustainable development at an organization level has different meanings for different kinds of organizations. The relative weightings afforded the individual elements of sustainability (economic, environmental, social, and cultural) differ between organization types depending on a range of factors. Some organizations embrace and implement wide-ranging and complex sustainability principles while others view sustainability in narrow terms – such as focusing almost exclusively on maintaining their own economic viability (Swanson & Zhang, 2012). The ultimate purpose of sustainability practices of an organization should be the contribution to sustainable development of the country. Organization can contribute to sustainable development using various practices.

2.5 Organizations' Contribution to Sustainable Development

The accounting function of an organization is responsible for both financial as well as non-financial reporting including social and environmental reporting (Çalişkan, 2014). Financial information contributes better decisions making when it is supported by non-financial information. Non-financial reports inform stakeholders and the general public about the firm"s activities including environmental, social, and governance (ESG) issues. (Aktaş, Kayalidere, & Karğin, 2013). The credibility of this information should be high and organizations are required to introduce proper mechanisms and improve skills for exercising sustainability practices. Stakeholders expect a balanced way of sustainability reporting practices from an organization. Hence, organizations should determine which information is provided. The credibility of this information should be secured through proper evidences.

When organizations design a framework for global sustainability, it is better to consider first, a proper organizational and institutional framework to make their contribution. Second, measures should be determined to enhance the awareness of persons and their capacity for becoming environment friendly (Schwaninger, 2015). For managers to develop a strategy for developing effective sustainable activities, they must first consider all of the challenges, opportunities and actors/agents involved in the envisioned sustainability practices. According to above mentioned findings, it can be concluded that, even-though organizations engage in sustainability practices and reporting, their contributions to sustainability is lacking and they are required to develop new frameworks.

3. Research Context and Methodology

Research site selected for this study is a manufacturing and service company (Sigma[3]), which drives a business portfolio spanning twelve diverse sectors such as agriculture, BPO and shared services, constructions materials, consumer products, fiber, hand protection, leisure and aviation, plantations and tea exports, power and energy, purification products, textiles and transportation and logistics. Sigma Company commenced its operations in 1878 and was incorporated sixty one years ago. Sigma Company has manufacturing facilities in Indonesia and Thailand, and marketing operations in Australia, India, Bangladesh, Italy, Japan, Netherlands, United Kingdom and United States of America. Its products are sold in many countries. The company has won a number of awards on the areas such as quality, sustainability and governance practices.

Methodology is the general approach to studying research topics and it should be more relevant for addressing the research questions (Silverman, as cited in Ahrens & Chapman, 2006). This research has been carried out using a qualitative methodology and single case study as the research strategy. The central role of a case study appears to be that of exploration. The idea of an exploratory case goes beyond the mere description towards explanation (Otley & Berry, 1994). Use of an in-depth case study for this research has become more appropriate to address the research questions, why organizations engage in sustainability practices and how they contribute to sustainable development. Qualitative field studies have inordinate freedom to choose definitions and develop interpretations of data. However, the task of connecting data and the theory to compelling research questions is a source of great discipline (Ahrens & Chapman, 2006). Conversely, qualitative field studies hold greater potential for open- ended interaction between the researcher and researched. The researcher has less control over the researched, but has the opportunity to learn from their unprompted actions (Roethlisberger & Dickson, as cited in Ahrens & Chapman, 2006). However, the qualitative field researcher must be able to continuously make linkages between theory and findings from the field in order to evaluate the potential interest of the research as it unfold (Ahrens & Chapman, 2006).

[3] The real name of the organization is not revealed due to the confidentiality reasons.

The main data collection method for this study is in-depth interviews with appropriate persons/positions of Sigma Company. The treatment of interview methodology emphasizes that interviews should be understood as social and organizational phenomena rather than simply as a functionalist research method (Qu & Dumay, 2011). Even though very small numbers of actors are interviewed in a single case site, sufficiently detailed information is produced (Condie, 2012). In addition to in-depth interviews, managerial reports and annual reports were used.

Finally, all the data were triangulated to ensure the credibility of the study. As this is a qualitative single case study careful interviewee selection is more crucial. Hence the researcher has used a sustainability reporting group including General Manager and Assistant General Manager of the Group Sustainability, and the finance manager of Sigma Company as interviewees since this group represents the organization on sustainability practices. Finally, interview transcripts and documents were carefully analyzed to understand why organizations engage in sustainability practices and how they contribute to sustainable development. The time consumed for an interviewee is more than one hour (refer Appendix 1 for broad interview questions). Interviews conducted with managers were tape recorded and were transcribed afterwards. Supplementary, relevant managerial reports and annual report particulars were obtained during interviews.

As a final point, interview transcripts, managerial documents/reports and annual report particulars were carefully analyzed to understand why Sigma Company engages in sustainability practices and how it contributes to sustainable development. Important themes which arose from the field were identified, and these themes were further categorized to facilitate the analysis process (Irvine & Gaffikin, 2006). The broad themes and categories were related to the key theoretical concepts of institutional theory. Finally, data was analyzed and presented according to themes such as reasons for engaging in sustainability practices, policies and actions of the organization toward sustainability, performance measurements and KPIs used to evaluate sustainability performance, internal reports prepared on sustainability and internal decision making, management accounting and sustainability practices, and problems in sustainability practices and reporting from the organization‟s point of view.

4. Theoretical Framework; Institutional Theory

A theoretical framework is regarded as an essential starting point for any case study, but it is argued that it should be capable of being challenged and refined as result of the research process. Furthermore, such an approach is not seen as necessarily reducing the richness of existing theories or limiting the potential for critical dialogue (Humphery & Scapens, 1996).

Researchers have widely used theories such as legitimacy theory, stakeholder theory and institutional theory for their researches related to sustainability practices. Institutional theory emphasizes on how groups and organizations better secure their positions and legitimacy by confirming to the rules (such as regulatory structures, governmental agencies, laws, courts, professions, and other societal and cultural practices that exert conformance pressures) and norms of the institutional environment (DiMaggio & Powell, 1983). This study focuses why organizations engage in sustainability practices and how those practices contribute to sustainable development as a responsible institution in a society. Hence this study is based on the institutional theory.

The very important aspect of institutional theory is "Isomorphism" (adaption of an institutional practice by an organization). Isomorphism refers for the process that one unit in a population forces another units to face same set of environment conditions. According to DiMaggio and Powel (1983, p.149), isomorphism is "a process that forces one unit in a population to resemble other units that face the same set of environmental conditions." Based on that, three types of isomorphic processes can be identified, namely coercive, mimetic and normative isomorphism. Organizations have to maintain their institutional practices because of pressures coming from the stakeholders which the organization is dependent. There are some powerful stakeholders and they expect similar practices (conformity in practices) from other organizations as well.

Coercive drivers involve those in powerful positions (large retailers/supermarkets) exerting pressure on other smaller organizations across the supply chain (Glover, Champion, Daniels, & Dainty, 2014). Imeshika and Rajapaksha (2014) identified that coercive pressures, especially supplier and customer relationships are the influencing factors to adapt environmental management accounting in an organization. Islam and Deegan (2008) indicated that, some industries and organizations embrace operating policies and codes of conduct that were similar in form to those embraced by powerful stakeholders. On a similar note, Theyel and Hofmann (2012) found that stakeholders such as community advocacy groups, employees, suppliers, customers, and the local media are influencing the adoption of sustainability practices. Abdalla and Siti-Nabiha (2015) indicated that, there were external and internal pressures exerted on the company to adopt sustainability practices. Mainly the foreign partner‟s audit pressure and the non-governmental organization (NGO) allegations have affected to make changes in organizations.

Organizations may imitate other organization‟s practices to acquire competitive advantages and to reduce uncertainty. Organizations within a particular sector adapt similar practices to those adapted by leading organizations–enhances external standards perceptions of the legitimacy of the organization. Joo, Larkin, and Walker (2017) indicated that managers have a strong tendency to adopt CSR tactics that have been successfully practiced both locally and internationally. There is a positive relationship between coercive pressures and pressure to mimic others. However, some studies found that mimetic pressures as not influencing the intra-organizational factors such as institutionalized governance, management competence, and their honest environmental practices were identified as other influencing factors to adapt environmental management accounting practices. Mimetic isomorphic drivers result in supermarkets and other large organizations attempting to replicate publically available information on green successes for imagery purposes (Glover et al., 2014).

Organizations adapt particular institutional practices due to pressures from "group norms." Joo et al. (2017) revealed that normative pressures where generally accepted values (e.g. stipulated CSR) and trends contributed to the pattern of organizations behaving quite similarly. Particular groups with particular training will tend to adapt similar practices. Then non-compliance could result in sanctions being imposed by "the group". Normative drivers are reflected in organizations wishing to appear to have a sustainability agenda through integrating new rules and legitimate practices within their own organization (Glover et al., 2014).

Organizations formally and publicly engage pronounce these particular structures and practices to show their adherence. However their actual organizational practices may quietly differ from publicly pronounced ones. When it comes to sustainability reporting, organizations may try to build an image through the adherence to sustainable development using sustainability reports and other disclosures. However, actual managerial imperatives may be maximization of profits or shareholder value.

Although some organizations wish to pursue a sustainable agenda through integrating new rules and legitimate practices within their own organization, the dominant logic appeared to be one of cost reduction and profit maximization. There was also evidence that supermarkets and other large organizations attempt to replicate publicly available information on green successes for image purposes. It can be conclude that the dominant logic of cost reduction is so well (Glover et al., 2014). Glover et al. (2014) found that smaller enterprises tend to take a less strategic approach than larger ones, but still are interested in reducing energy, in the majority of cases because of cost reduction but also because it is the right thing to do. Therefore, these findings further confirmed that organizations involve in certain practices due to a variety of reasons other than traditional institutional reasons.

However this study focuses on why organizations engage in sustainability practices and how those practices contribute to sustainable development. According to institutional theory, organizations engage in sustainability reporting practices due to isomorphism. Even though they report sustainability practices in different extents, whether they actually contribute to sustainable development is questionable. Since sustainability reporting is the organization‟s reflection of sustainable development of a country, the ultimate result should be sustainable development.

5. Findings

5.1 Reasons for Engaging in Sustainability Practices

According to institutional theory, organizations use particular practices (Isomorphism). To use these practices basically three reasons may affect (types of isomorphism) namely, coercive, mimetic and normative factors. However, Sigma Company is engaging in sustainability practices mainly due to the purpose of long term survival. The General Manager of the group sustainability and communication commented as;

> Without sustainability practices, like saving energy, saving water, giving people proper training and looking after them well, we will not have a business in the future.

In addition to that, Sigma Company engages in sustainability practices due to coercive and mimetic factors such as pressures coming from customers, to face the competition well and to acquire the competitive advantages. Further, the Assistant General Manager of the sustainability group explained,

> Most of our products are eco based (that is agricultural products). Therefore, we get lot of resources from planet earth. Some directions come from our customers

> to change certain practices. All the industries today are becoming more competitive, to get competitive advantages. Hence, we have to adapt with sustainability practices".

Humphrey and Scapens (1996) indicated that the value of empirical enquiry, giving due recognition to the temporal nature of accounting knowledge, and appropriately positioning the role of case studies as important vehicles for challenging existing, and for developing new accounting theories. By confirming this argument Sigma Company has added new features to the existing institutional theory because it engages in sustainability practices mainly due to the purpose of long term survival. They believe that without contributing to economy, society and environment, they cannot continue their operations. Therefore, in addition to coercive and mimetic reasons, Sigma Company mainly considers the purpose of long term survival to engage in sustainability practices.

5.2 How the Practices Contribute to Sustainable Development

5.2.1 Policies and Actions of the Organization Toward Sustainability

To achieve a variety of objectives organizations set policies, take actions and use performance measurements and KPIs to evaluate the performance. The concept of sustainable development needs to be incorporated into the policies and processes of a business if it is to follow sustainable development principles (IISD, n.d.). In Sigma Company, documentary policies toward sustainability could not be found in a straightforward manner, but when they implement particular actions, they have to fulfill certain non-documentary policies and accepted standards of the company. When they buy materials, suppliers must fulfill certain requirements. When persons are recruited, there are specific standards to fulfill. About this matter the General Manager of the sustainability group answered as;

> We don"t have any documentary policies, but when we implement some actions we have to complete certain standards, for an instance when we buy materials, the suppliers must have proper license, proper environmental and ethical behaviors. To increase the recycling, some sectors of our group recycle more than 80 percent back to the process. Disposal water of the hotel sector is essentially backed to the gardening and we try to reduce the wastage.
>
> When we recruit persons, we should give opportunities for people who are in other provinces of the province which is in the company been located. So, more than 75 percent of employees have recruited from other provinces. The other thing, women employment must also be maintained at a higher level. To achieve this, the company currently is maintaining a 45 percent of women employees among total workforce. Thereby, the women represent 25 percent in executive positions of the company.

Adams and González (2007) found that senior managers have included sustainability into organization"s mission statements and develop priorities on sustainability. Even though Sigma Company does not have documentary policies regarding the organization"s sustainability practices, it implements activities based on specific policy requirements determined by the top management. Therefore Sigma"s sustainability practices are based on specific policies and standards.

5.2.2 Performance measurements and KPIs used to evaluate sustainability performance

The concept of sustainable development must be integrated both into business planning and into management information and control systems. Senior management must provide reports that measure performance against these strategies (IISD, n.d.). Development towards sustainability accounting can lead to corrections to the conventional accounting systems and the managerial perspective engages in developing such tools of sustainability accounting (Burritt & Schaltegger, 2010). Sigma Company uses a strategic framework to evaluate sustainability performance of the entire organization in a holistic view. This framework uses key strategic priorities/pillars and uses a variety of KPIs that are aligned with economic, social and environmental aspects of sustainability. Figure 2 indicates key strategic priorities/pillars of Sigma Company in sustainability performance. According to Company Sigma‟s framework, four pillars could be identified as sustainability dimensions. Growth, sustained profitability, corporate responsibility, and inspired team (employees) are their main pillars. These four pillars can be linked with general sustainability dimensions as growth and sustained profitability represent economic aspects, inspired team and corporate responsibility represent social and environmental aspects. The link between strategic pillars/ priorities, KPIs and sustainability dimensions of Sigma Company is diagrammatically illustrated in Figure 3.

Growth	**Corporate responsibility**
Satisfied customers Deeper relationships New markets Product innovations	Product responsibility Business conduct, values and ethics Nurture the planet Empowering people
Sustained profitability Efficient production Supply chain management Working capital management Managing inputs	**Inspired team (Employees)** Employee productivity Rewards and recognition Employee relations Employee engagement Health and safety

Figure 2. Key strategic priorities/pillars of Sigma Company in sustainability performance. Adapted from annual reports of Sigma Company

Assistant General Manager of the sustainability Group of Sigma Company further explained their strategic framework as;

> Our sustainability framework focuses on streamlining and combining the effects of the group‟s diverse business sectors to encourage strategic and robust sustainability initiatives across the group companies. Our approach is based on three pillars of our sustainability strategy.

To evaluate the performance of above the pillars the company uses KPIs shown in Figure 3.

Sustained profitability & Growth	Corporate responsibility	Inspired team (Employees)
• Sustainable growth in profit over years • Percentage of shareholder returns over years • Revenue expansion • Customer acquisition • New markets entered and new products developed	• Investment in corporate social responsibility (Expenditure on corporate –social responsibility) • Carbon footprint (measured in terms of metric tons of CO2) • Energy consumption • Water consumption	• Head count of employee • Employee productivity (Profit Rs. Per employee) • Training hours for employees

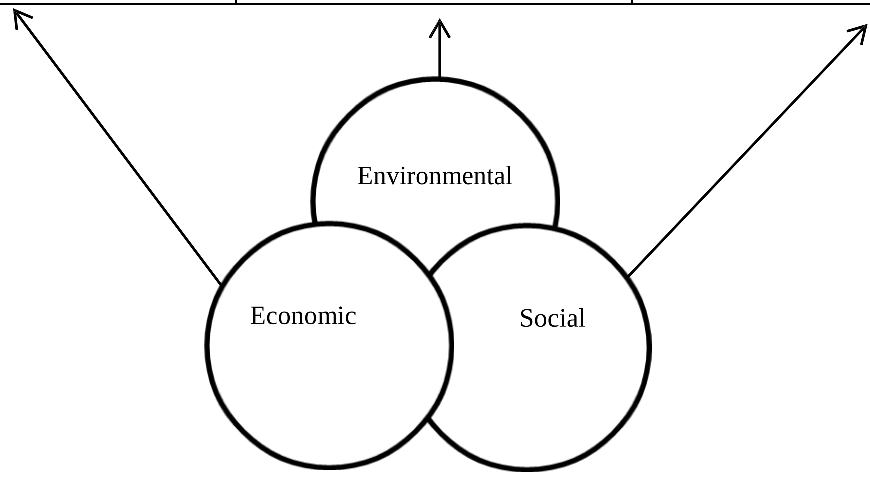

Figure 3. The link between strategic pillars/priorities, KPIs and sustainability dimensions of Sigma Company. Developed by researchers based on Sigma company KPIs.

The implementation of sustainable development objectives, and the preparation of meaningful reports on performance, requires appropriate means of measuring performance (IISD, n.d.). The General Manager of the group sustainability explained the manner they use to measure sustainability performance as follows;

> We measure, track and report sustainability performance through standardized and pre-defined objectives across all sectors of the company. So, our corporate sustainability group provides the leadership.

5.2.3 Internal Reports Prepared on Sustainability and Internal Decision Making

Directors and senior executives use internal reports to measure performance, make decisions and monitor the implementation of their policies and strategies. The directors and senior executives are accountable for achieving financial, social and environmental objectives (IISD, 1992). The sustainability reporting group of the company prepares reports separately for each sector of the company based on economic, social and environmental areas. According to performance evaluations, the company prepares reports and notifies the management by conducting meetings. Then all matters regarding the performance are discussed. Finally recommendations are prescribed to remove the variations. To comment on this, the Assistant General Manager of the sustainability group exclaimed;

> We prepare reports quarterly on comparison of each sectors‟ sustainability performance by highlighting red (key) concerned areas. These internal reports are circulated among all sectors of the group of companies and presented in the meetings called G1 (General management committee) meeting. Managing Directors and other responsible persons from all the sectors must participate in this meeting.

Further he explained,

> In this meeting, we discuss significant variations and in order to determine what actions must be taken to avoid the variances. For an instance, if one sector‟s electricity or water consumption has shown a significant increase, what actions are required to avoid is discussed.

Table 1

Internal report structure of sustainability performance variances and identification of reasons[4]

Particular	Performance: present year	Performance : past year	Variance	Reasons
Economic performance (Revenue, Profit before interest and tax, Profit before tax, Profit after tax, Total assets, Total debts, Return on capital employed)				
Social performance Head count of employees, Employee productivity, Training hours, Investment in supplier development, Beneficiaries of supplier development programmes				
Environmental performance Material usage, Energy consumption, Solid waste, Carbon footprint, Compliance (No of incidents)				

Note. Developed by researchers based on Sigma company annual reports and interview transcripts.

[4] Particulars under each sustainability criteria are evaluated separately

Table 1 indicates the internal report structure of Company Sigma for the comparison of sustainability performance over two years along with identification of variance and reasons.

5.2.4 Management Accounting and Sustainability Practices

When organizations engage in sustainability practices, their cost is affected by sustainability activities. In small and medium sized organizations, sustainability practices are difficult to implement in costing systems and the organization structure (Mistry et. Al, 2014). Sigma Company is also affected by costs when they implement sustainability activities. However, the company implements increased cost activities short term, but strategically they believe that it generates benefits to the company. The assistant manager of the group commented on this as,

> Some organization‟s practices on sustainability are not financially viable. For an example, our recycling system is not easy to run cheaply. There by, within 100 percent of environmental concerning, we can‟t go for other pillars of the sustainability. We buy some raw materials from overseas vendors. So different rules and regulations, inflation are affected. Due to these issues it is difficult to manage sustainability practices. I think we want to achieve a middle of economic, environmental and social areas.

5.3 Problems in Sustainability Practices and Reporting from Organization's Point of View

To be more reliable most corporations have followed guidelines for corporate sustainability reporting. The well-known set of voluntary guideline is the Global Reporting Initiative (GRI). The guideline basically focuses on the context of corporate sustainability reports, corporations‟ sustainability vision, their performances, and objectives towards sustainability (Aktaş et al., 2013). Sigma Company is committed to the annual communication of sustainability related performance through the Global Reporting Initiative (GRI) and the United Nations Global Compact (UNGC) principles. According to GRIs, organizations are required to follow a balanced (one principle of GRIs) method for communication of sustainability information. Evidence strongly indicates that corporate managers often have strong incentives to delay the disclosure of bad news, "manage" their financial reports to convey a more positive image of the firm, and overstate their firm‟s financial performance and prospects (Choi & Meek, 2011). A total of 90 per cent of the significant negative events were not reported, contrary to the principles of balance, completeness and transparency of GRI reports. Moreover, the pictures included in these reports showcase various simulacra clearly disconnected with the impact of business activities (Boiral, 2013). Some firms reveal more information than others, but in general, firms do not disclose many indicators voluntarily (Aktaş et al., 2013).

Sigma Company follows a balanced way to communicate their sustainability practices and justified as follow by the General Manager of the sustainability reporting group;

> We communicate both positive and negative impact on sustainability because we want to find reasons for that and avoid negative impact again. On the other hand, adverse effect does not always say under performance". For an instance, during the current year the overall training hours of employees may be less than past year‟s training hours. A stake holder who does not know well about the reasons

> behind this impact may make wrong judgment based on that. The real reason may be some departments do not need trainings every year. Therefore, the adverse effect is not always bad. So when stakeholders refer sustainability reports their knowledge and awareness of the overall situations of the company is important.

However when organizations follow a balanced method to communicate sustainability practices, they can give a correct picture about their organizations. Sometimes, the reasons for negative impact on sustainability may be reasonable. The Finance Manager further explained about losses they have to suffer when they follow a balanced way to communicate their performance.

> We have experienced when we reported adverse performance, that we suffered huge losses. We lost our customers and some sectors of the group declined up to a considerable level. Sometimes reasons for such a situation would be external factors such as change of market requirements, change of global requirements, and new laws.

6. Discussion and Conclusions

The aim of this study is to identify the critical factors of why organizations engage in sustainability practices, and to explore how these practices contribute to sustainable development. According to the empirical evidence gathered for this study, it can be concluded that Sigma Company engages in sustainability practices mainly due to the purpose of long term survival of the company. In addition to that, some institutional factors such as directions from customers and pressures coming from competitors in order to acquire competitive advantages motivates Sigma Company to engage in sustainability practices.

When it comes to how organizations contribute to sustainable development, this study identifies that, Sigma Company has set certain standards, takes actions, uses performance measurements, KPIs and finally prepares reports for internal decision making. According to Kerr et al. (2015) some strategic management accounting tools such as Balanced Scorecard (BSC) can facilitate implementation of sustainability practices and fully integrate into their management control systems. Even though the researcher could not find documentary policies toward sustainability practices in Sigma Company, it was found that there are certain non-documentary policies, standards and requirements to complete when the business functions are implemented. For an example, Sigma company follows specific sustainability related standards and requirements. When they buy materials from suppliers, suppliers must be proper licensed, fulfill environmental and ethical standards. Thereby Sigma Company uses efficient environmental practices such as Reduce, Re-use (Disposal water in the hotels directly backs to gardening) and Re-cycling policies (practiced a recycling system which recycled in some sectors more than 80 percent of disposals). To contribute to distribution of employment opportunities among different areas in the country, Sigma Company uses a policy to recruit persons from outside provinces of the company been located. To generate gender equality, Sigma Company maintains a policy to recruit females for permanent cadres more than 40 percent.

To evaluate the sustainability performance of the organization, Sigma uses a framework/performance measurement tool under three pillars those are highly aligned with sustainability aspects economic, social and environmental. Finally this framework uses sustainability measurement criteria and KPIs to assess the overall contribution of the company towards sustainable development.

Sigma Company consists of a variety of sectors. Hence, to achieve overall sustainability, sector wise performance measurements are crucial. Therefore, the sustainability group of the company prepares internal reports for each sector under each sustainability areas namely economic, social and environmental. Finally all the variances are highlighted and those are discussed in a meeting. All the responsible persons including general managers of each sectors of the company are required to participate for this meeting. After the discussions, possible reasons for variances are identified and they take steps to ensure that the discrepancies are not repeated by responsible parties.

When Sigma Company contributes on sustainable development, cost difficulties are also experienced. Mistry et al. (2014) revealed that small and medium sized organizations find it difficult to implement sustainability practices within their cost systems. Sigma Company currently practices a recycling system, but it is not financially viable. Sigma indicates that trying to achieve 100 percent of one area of the sustainability may destruct other areas of sustainability. Hence, they further justified that achieving a middle score in each sustainability area will enable the company to run smoothly.
Stakeholders of the company are aware about the company‟s sustainability performance when the company communicates its performance in the sustainability report. However, if organizations report only positive impacts of sustainability, stakeholders cannot get a correct picture about the company. According to GRIs organizations are required to follow a balanced method. If organizations communicate sustainability performance, stakeholders can make correct decisions. To correspond to this, Sigma company follows a balanced method. The main reason for this balanced way is that, the company needs to find reasons for this negative effect from the company‟s responsible parties.

Based on Sigma Company, the researcher could recognize that there are some issues relating to a balanced way of sustainability reporting. One problem is adverse performance is not always feeble. There are some justifiable reasons for that and it may be favorable for the better contribution of sustainability performance. The other problem, is that companies may show adverse impacts on sustainability due to some external factors such as changes of global market conditions, changes of laws, rules and regulations, inflation and these factors are unavoidable. However, if stakeholders are not properly aware of these reasons they may make wrong decisions. Therefore, the knowledge and awareness of stakeholders are crucial when they make judgments on company‟s sustainability performance.

7. Limitations and Directions for Future Researchers

The current research provides important inferences for future researches. This study was conducted as a single-case study and future researchers can implement multiple-case studies to offer comparative insights of the extent of contribution to sustainable development. Such a comparison could be done between variety of organizations such as large and small sized organizations, manufacturing and service organizations, multinational organizations and domestic organizations.

On the other hand, this research primarily focuses on why organizations engage in sustainability practices and how those practices contribute to sustainable development. It has identified several problems faced by Sigma Company when it engages in sustainability practices and reporting. Hence, future researchers could also explore why organizations face problems and how organizations adapt to such kind of issues.

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Appendices 1- Interview questions

01. As the business organization in the world, can you explain why your organization is engaging in sustainability practices?

02. What are the policies of your organization towards sustainability? Can you explain them with its relevant aspects such as economic, social, environmental and etc.?

03. To implement these sustainable policies what actions are carried out?

04. To evaluate sustainability performance, what kind of performance measurement tools and KPIs are used?

05. Do you prepare any internal reports on sustainability practices to notify the top management to use in internal decision making? If so, can you explain the structure of these reports?

06. How do you use early mentioned reports to make decisions on sustainability?

07. What benefits could be obtained when your organization implements sustainability practices?

08. What are the disadvantages or difficulties faced when your organization engages in sustainability practices?

09. When you report sustainability practices, which way you follow;

- Report only positive impact on sustainability. (If so, why?)
- Report both positive and negative impact on sustainability. (If so, why?)