1. Introduction

1.1. Motivation and scope

The report of the World Commission on Environment and Development from 1987, also widely known as the “Brundtland Report”, set an important milestone in an emerging discussion on sustainability and defined the notion of “sustainable development” as a “[...] development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development 1987). Ever since, sustainability is of mounting importance for politicians and societal stakeholder groups, but also an increasingly prominent topic on companies’ agendas (UNGC and Accenture 2013). Thereby, companies face and react to a catch cry for sustainable business stemming from a broad range of stakeholder initiatives who call for companies’ contribution to an overall sustainable development of the world. In particular, companies are increasingly under pressure to show efforts of improving their environmental footprint, take social responsibility, and have sound corporate governance structures in place. In this vein, stakeholders are particularly demanding companies’ accountability and transparency through a straightforward communication on its environmental, social, and governance performance. In this vein, at the Conference on Sustainable Development (“Rio+20”) in June 2012, the Member States explicitly emphasized the importance of corporate sustainability reporting and indicated that the general interest in this type of information will continue to grow, which is why companies should expect more initiatives and mandatory requirements related to sustainability reporting (United Nations 2012).

However, accounting for sustainability and making sustainability performance measurable, comparable, and transparent for externals is a tremendous challenge for companies and the accounting profession alike. HRH The Prince of Wales even stated that accounting for sustainability constitutes a major revolution in the accounting area comparable to the introduction of double-entry bookkeeping (HRH The Prince of Wales 2012). In a similar vein, Peter Bakker,
president at the World Business Council for Sustainable Development, announced at the Rio Conference that “accountants will save the world”, or at least have the potential to do so, if they find ways to tackle the issues related to reliability and relevancy of sustainability information (Bakker 2013).

Overall, the current debate on sustainability accounting shows that there is still room for improvement related to the reliability, relevancy, and comparability of information that companies provide in terms of their sustainability performance. In this vein, the Doctoral Thesis at hand aims at providing insights into major challenges related to sustainability reporting, sustainability assurance, and sustainability performance. It contributes to the current discussion with insights from different angles: (1) the sustainability assurance providers’ perspectives and their risk-management strategies related to a new field of business (paper 1), (2) the individual sustainability managers’ perspective and their opportunities, attitudes, and incentives to conduct fraud in their professional environment (paper 2), (3) the firm-level perspective analyzing rationales and ways to convince stakeholders of their sustainability performance (paper 3), and (4) the macro-economic/country-level perspective to compare the current state of sustainability reporting and assurance practices in Germany and the European Union (EU) (paper 4).

The first paper (‘Risk Management in a Voluntary Assurance Market: A Provider’s Perspective on Sustainability Assurance’) provides insights into the sustainability assurance market from a sustainability assurance provider’s point of view. It discusses whether and how sustainability assurance providers manage their litigation and reputation risks related to sustainability assurance engagements prior to accepting an engagement. The study thereby addresses the question of whether sustainability assurance providers ‘exploit’ a lack of regulation in the field of sustainability assurance and if they are prone to accept every engagement in such an environment. Our results suggest that overall sustainability assurance providers manage their risks and avoid risky clients. However, the analysis also reveals that tailoring assurance statements in terms
of scope and level of assurance provided is a commonly used mean to mitigate potential risks related to a sustainability assurance engagement in this largely voluntary assurance market.

The second article (‘Sustainability Departments as a New Playfield for Fraudsters? – An Exploratory Study’) takes the perspective of an individual sustainability manager and whether and to what extent this new professional environment is susceptible to fraudulent behavior. Based on the elements of the fraud triangle, I discuss possible pressures/incentives, opportunities, and rationalizations/attitudes for sustainability managers to commit fraud. The article suggests that sustainability managers face mounting pressure and have the opportunities to manipulate due to an immature control environment. However, it remains controversial whether a presumably morality-driven attitude may prevent them from easily rationalizing fraud. Thus, the study indicates that even though cases of fraud in sustainability departments are still widely unknown, fraud and manipulation in this environment is likely to occur at least to some extent – and presumably remains undetected. In this vein, the article raises concerns related to the awareness for fraud and manipulation related to sustainability in a corporate environment.

The third paper (‘Walk the Talk? – How Symbolic and Substantive CSR Actions Affect Firm Financial Performance Depending on Stakeholder Proximity’) give insights into the firm-level perspective on its external sustainability communication compared to its sustainability performance. The paper discusses how firms’ sustainability communication strategies and sustainability assurance practices depend on the presence of specific stakeholder groups. In this context, the third paper shows that substantive (‘walk’) actions/symbolic (‘talk’) actions in the field of sustainability have a positive/no impact on sustainable financial performance if directed towards high-proximity stakeholders, and vice versa if directed at low-proximity stakeholders.
The fourth paper (‘Assurance on Sustainability Reporting: Germany Only Ranks in the Lower Mid-range of the EU’) sheds light on sustainability reporting and assurance from a macro-economic/country-level perspective. The study examines and describes the status quo of sustainability reporting and assurances practices in Germany compared to other countries in the EU. Overall, the analysis reveals that with regard to assured sustainability reporting German companies only rank in the lower mid-range when compared with other companies in the European Union. In particular, the study sheds light on the heterogeneity of sustainability assurance statements in terms of scope and level, and shows country-specific trends and issues. Specifically, the study illustrates that the scope and level of assurance on sustainability reporting is extremely limited in Germany.

1.2. Summary and publications details

The Doctoral Thesis at hand is a cumulative work consisting of four individual papers related to sustainability reporting, sustainability assurance and sustainability performance. This section provides a brief summary of each of the individual papers. Moreover, co-authors are named and publication details are given. Please note that the individual papers are or soon will be in the review process of international or national journals. Therefore, it is likely that adoptions will be made to the versions presented in this Doctoral Thesis. Later versions of the papers will be available in the respective journals or at scientific platforms after publication. Thus, please make sure to only cite the latest versions of the papers.
Paper 1: Risk Management in a Voluntary Assurance Market: A Provider’s Perspective on Sustainability Assurance

This study examines an assurance provider’s risk-management strategies in a voluntary reporting and voluntary assurance setting. More specifically, we explore whether and how litigation and reputation risks related to voluntary sustainability assurance engagements affect an assurance provider’s decisions on the engagement acceptance and on the scope and level of assurance provided. We investigate whether an assurance provider utilizes flexibility arising from the absence of a regulatory corset to manage engagement related risks through tailoring assurance services in terms of scope and level. Using a unique dataset on sustainability reporting and assurance practices of firms from various industries in 20 countries over the period 2006–2011, we find that an assurance provider’s decision to visibly certify a certain scope and level of assurance to an assurance-seeking firm depends on the outcome of its engagement related risk assessments. Our findings suggest reputation risks are predominately addressed through the engagement acceptance decision whereas litigation risks are considered in decision which scope and level of assurance is provided. Our major analyses are accompanied by several additional analyses.

Co-authors: Jürgen Ernstberger, Katharina Sikora, and Michael Stich

JEL-Classification: M42, M14, M48.

Keywords: Sustainability assurance, assurance providers, risk-management strategies, litigation risk, reputation risk.

Publication details: A previous version of this paper was presented and discussed by the author of this Doctoral Thesis at the European Accounting Association Doctoral Colloquium 2013, Saclay, France. It was also presented at the 36th annual congress of the European Accounting Association 2013, Paris, France and at a Doctoral Seminar at the Ruhr University Bochum in June 2013.

Prospective submission to an international journal.
Paper 2: Sustainability Departments as a New Playfield for Fraudsters? – An Exploratory Study

While sustainability is largely associated with do-gooders, this article discusses whether and how sustainability departments might be a new playfield for fraudsters. More specifically, by transferring the concept of the fraud triangle to sustainability departments, I discuss possible pressures/incentives, opportunities, and rationalizations/attitudes for sustainability managers to commit fraud. Based on interviews with sustainability and forensic practitioners, my findings suggest that sustainability managers face mounting pressure and have opportunities to manipulate due to an immature control environment. Whether a presumably morality-driven attitude may prevent them from easily rationalizing fraud remains controversial. Even though cases of fraud happening in sustainability departments are still widely unknown, the interview analysis reveals that sustainability fraud is likely to occur at least to some extent – and presumably remains undetected. In particular, a lack of awareness for this topic aggravates the situation.

JEL-Classification: M14, M40, M50.

Keywords: Sustainability, sustainability manager, fraud, fraud triangle.

Publication details: Revise and resubmit at the Journal of Business Ethics (JBE).
This study examines the link between a firm’s Corporate Social Responsibility (CSR) and its sustainable financial performance combining neo-institutional and stakeholder theory. More specifically, we investigate whether and how a firm’s symbolic (“talk”) and substantive (“walk”) CSR actions, alone or combined, affect its sustainable financial performance depending on the main stakeholder group they are directed at. We find that substantive-symbolic CSR actions have a positive/no impact on sustainable financial performance if directed towards high-proximity stakeholders, and that the opposite is true in the case of actions directed at low-proximity stakeholders. Further, our results show that a gap between symbolic and substantive CSR actions directed at high-proximity stakeholders will be scrutinized, but rewarded in case of actions addressing low-proximity stakeholders as they have greater difficulties in identifying these gaps. Our results are based on an international dataset from Thomson Reuters’ Asset4ESG and Datastream for a period from 2002 to 2011.

Co-author: Laura Marie Schons

JEL-Classification: M14, L21, M30, M40.

Keywords: CSR, symbolic and substantive actions, decoupling, stakeholder proximity, financial performance.

Publication details: A previous version of this paper was accepted and presented at the 2014 Winter Marketing Educators Conference of the American Marketing Association (AMA). The paper was further presented to and discussed with professors at international universities (e.g., from the Zicklin School of Business or from the Drexel University's LeBow College of Business).

The paper has been submitted previously for review to an international journal.
Paper 4: Geprüfte Nachhaltigkeitsberichterstattung: Deutschland spielt derzeit lediglich im „hinteren Mittelfeld“


Co-author: Michael Stich

JEL-Classification: M14, M41, M42.

Keywords: Nachhaltigkeitsberichterstattung, Prüfung von Nachhaltigkeitsberichten, Deutschland, Europäische Union.

Publication details: Prospective submission to a German accounting/auditing journal.