Just a passing fad? The diffusion and decline of environmental reporting in the Finnish water sector

Structured abstract

Purpose: The study seeks to add to our understanding of the diffusion and decline of environmental reporting practices.

Design/methodology/approach: Semi-structured interviews and municipal water utility publications are analysed to identify factors, which have influenced the diffusion and subsequent decline of environmental reporting practices within the Finnish water sector.

Findings: Our findings suggest a dynamic view of the diffusion and decline of environmental reporting, showing that a variety of forces operated jointly over time. The initial swift diffusion may be mostly explained from the perspectives of fad and fashion, whereas the subsequent gradual decline of such reporting appears to have been driven mainly by internal organizational factors and a lack of outside pressure.

Research limitations/implication: The paper relies on a qualitative dataset, implying that extensive care is needed when seeking to generalise or apply the findings to different contexts or organizational fields.

Practical implications: The findings presented here should prove interesting for public sector managers, who are considering how, if at all, their organization should engage in social and environmental reporting.

Originality/value: The paper provides new insights into public sector sustainability reporting and presents reasons for its decline. In addition, the analysis illustrates the applicability of Abrahamson's (1991) typology of innovation diffusion to the study of social and environmental reporting practices.

Article classification: Research paper

Keywords: social and environmental reporting, CSR reporting, sustainability reporting, diffusion, Finland, water sector

1. Introduction

> *'Well, it could be that this kind of reporting turns out to be an -ism [just like some previous management practices].'* (A2)

In this paper, we discuss the rise and fall of environmental and the subsequent corporate social responsibility (CSR) reporting practices in a public sector context. Despite its success and apparent institutionalization (Archel, Husillos and Spence, 2011; Etzion and Ferrero, 2010), the role of sustainability reporting in society has also been criticised (e.g. Milne, Tregidga and Walton, 2009). We contribute to the debate with this qualitative field study, in which we analyse the factors affecting the diffusion and subsequent reduction of environmental reporting practices within the Finnish water sector from the late 1990s onwards. In describing how the voluntary practice turned out to be mostly a passing fad, our findings provide a different perspective to the general setting, in which voluntary disclosure

practices enjoy widespread approval across society (KPMG, 2011; Dumay, Guthrie and Farneti, 2010; cf. De Villiers and van Staden, 2006).

Voluntary social and environmental reporting has become a prevalent innovation during recent decades, and currently most large multinational corporations provide such disclosures on a regular basis (KPMG, 2011). Further, in recent years, the general quality of the disclosures has improved, the breadth of topics discussed has widened and the comparability of the information has begun to improve through the adoption of voluntary standards, such as the Global Reporting Initiative. The emergence and rapid development of these practices has attracted increasing attention from researchers, and a broad range of studies have investigated how and why private sector corporations report on their social and environmental impacts (e.g. Gray, 2002; Owen, 2008; Parker, 2005).

However, several commentators have noted that this attention has almost exclusively focused on business entities, resulting in the public sector being overlooked (Guthrie, Ball and Farneti, 2010; Owen, 2008). This is curious because the public and not-for-profit sectors are large and highly significant in relation to sustainability (Ball and Grubnic, 2007). Moreover, when considering the fundamental differences between private and public sector services (Broadbent and Guthrie, 2008), it is clear that existing work on the motivation behind organizations' social and environmental reporting may not adequately explain the emergence of such reporting in local government organizations (Ball and Grubnic, 2007).

Moreover, while a wealth of research has focused on various factors associated with the adoption of social and environmental accounting and reporting (for a review, see Adams, 2002; Bebbington, Higgins and Frame, 2009), very little attention has been paid to the reduction or abandonment of such systems and practices. A rare exception is De Villiers and van Staden's (2006) study of the decrease in reporting in a developing country context, in which the phenomenon was explained in terms of legitimacy considerations. Such a gap in extant knowledge has also been identified, although on a more general level, in research into the diffusion of managerial innovations in both business enterprises (Sulaiman & Mitchell, 2005) and public sector organizations (Lapsley and Wright, 2004). This suggests that we do not yet have a completely balanced view of the broad spectrum of social and environmental accounting change, and more research is needed on the factors driving different types of change.

To answer the calls made in recent literature, this field study aims to add to our understanding of accounting change with regard to environmental reporting. To this end, we explore the diffusion of such reporting within publicly owned water utilities in Finland. We maintain that the Finnish water sector offers a particularly intriguing context in which to study this issue because, despite the global and national trends towards increasing sustainability reporting, some pioneering water utilities in Finland have considerably reduced the volume of their reporting or even discontinued the publication of such reports altogether. Our analysis utilizes Abrahamson's (1991) typology of innovation diffusion as a basis for theorizing because it offers a variety of possible explanations and explicitly considers both the diffusion and the decline of innovations. The two-by-two matrix developed by Abrahamson (see Appendix 1) divides the explanations for innovation diffusion and decline into four categories: efficient-

choice, forced-selection, fashion and fad. The categorisation of the explanations is based on their assumptions regarding the role played by outside influences and field-level imitation processes. The qualitative dataset utilized in the study includes semi-structured interviews with 18 individuals as well as the annual reports and different kinds of stand-alone social and environmental reports published by the water utilities between 1997 and 2010. In addition, supplementary insights were obtained by examining professional journals and event programmes published in that period.

This paper contributes to the literature on the diffusion of accounting innovations as well as on the body of knowledge on social and environmental reporting. First of all, it illustrates how Abrahamson's (1991) typology can be applied in order to advance the theoretical understanding of the diffusion and decline of environmental reporting in the public sector context. Secondly, the paper offers a dynamic view in which a variety of factors, at both organizational and broader levels, jointly affect the diffusion and decline of an innovation over time. Finally, the paper highlights how, despite their favourable reception by society in general, environmental reporting practices have turned out to be a passing fad within the water utility context. This development has received little recognition in research literature, thus the results should prove interesting for public managers contemplating whether to initiate CSR reporting.

The paper proceeds as follows. The second section reviews prior literature on the motivation for adopting social and environmental reporting in organizations and presents the analytical framework of the study. The third section briefly contextualizes the study and presents the methods utilized in the data collection and analysis. The fourth section contains the analyses of the reporting practices and the interviews. The authors' discussion and their conclusions end the paper.

2. Studying the diffusion of social and environmental reporting

2.1 Prior research

Scholars have long been interested in understanding why corporations choose to voluntarily publish social and environmental reports. In an approach to systematize the results of prior studies, Adams (2002; see also Bebbington et al., 2009) distinguished three types of organizational factors influencing corporate decisions to publish such reports: corporate characteristics, internal contextual factors and general contextual factors. Corporate characteristics, such as size, industry membership and country of origin have clearly exerted some influence on the willingness to adopt reporting practices (Bouten, Everaert and Roberts, 2012; Gray, 2006; Hackston and Milne, 1996). Moreover, numerous studies have examined the interplay between organizational social and environmental reporting and the external institutional pressures stemming from the general societal context (e.g. Cho, 2009; Laine, 2009; Tregidga and Milne, 2006). Organizations have been found to adapt their disclosures according to how they interpret external demands. Recently, however, the understanding of the factors motivating organizations has become more nuanced, especially as scholars have paid more attention to internal organizational factors. Organization-based case studies and field studies have highlighted, among other

things, the significance of organizational processes and internal champions in the initiation of sustainability reporting (Adams and McNicholas, 2007; Bebbington et al., 2009; Hopwood, Unerman and Fries, 2010).

Likewise, the popularity of sustainability reporting appears to be increasing in the public sector. Reporting frameworks have been established, including the public sector supplement for the Global Reporting Initiative's Reporting framework. Furthermore, predominant policy bodies like the Chartered Institute of Public Finance and Accountancy (CIPFA, 2005) have been active and have highlighted the importance of sustainability reporting in the public sector. Nevertheless, public sector sustainability reporting practices have received considerably less attention in the research than those in the private sector (Ball and Grubnic, 2007; Guthrie et al., 2010; Larrinaga-González and Pérez-Chamorro, 2008). Currently, researchers are showing increasing interest in this field, even though the knowledge base remains underdeveloped and scattered. In Australia, for instance, Williams, Wilmshurst and Clift (2011) indicated that many local governments in Australia report on some area of sustainability (see also Frost and Seamer, 2002), but Guthrie and Farneti (2008) showed that sustainability reporting is still in its infancy in public sector organizations. Farneti and Guthrie (2009) also presented an interview-based study on the views of the key preparers of sustainability disclosures within seven public sector organizations. One of their key findings was that the sustainability reports were mainly aimed at internal stakeholders.

However, it should be noted that the sheer increase in the amount of information does not necessarily change practices and thereby improve the social and environmental performance of organizations. In a study on the role of sustainability reporting in the context of waste management, Ball and colleagues (2006) highlighted the possible transformative potential of sustainability reporting within public sector organizations. They noted that sustainability reporting can direct attention to particular issues and thereby work as an enabling device that aids in changing organizations and organizational practices. Similar findings were reported by Adams and McNicholas (2007, p. 399), who argued that 'the process of developing a sustainability reporting framework did result in some organizational change'. Moreover, Ball and Grubnic (2007) maintained that disclosures that show how organizational policies and practices are linked to sustainability are key devices for developing a broader range of social and environmental accounting and accountability within public sector organizations.

Similarly as in the case of the public sector, only a few studies have explored sustainability reporting practices within water utilities. Larrinaga-Gonzalez and Perez-Chamorro (2008) investigated the sustainability reporting practices of nine public water companies in Andalucia, southern Spain and found that formal sustainability reporting was usually rare, apart from a couple of the largest organizations. However, they noticed those companies were simultaneously conducting significant informal reporting that was linked to real operational questions and, in particular, the targeting of consumers. Larrinaga-Gonzalez and Perez-Chamorro assert that their findings regarding the motivations and reporting media are in contrast to what is usually found in sustainability reporting research. Recently, Cooper and colleagues (2011) explored the development of climate change disclosures in the English and Welsh water industry. The authors argued that publicly listed water companies publish more disclosures, in

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order to respond to the demands of the national regulator, but that the quality of their disclosures needs to be improved.

Although the literature regarding corporate sustainability disclosures has expanded swiftly, the corresponding field within the public sector remains underdeveloped. Accordingly, in this paper, we seek to shed light on how such reporting practices have developed in the Finnish water sector. To answer the calls made in prior literature (e.g. Owen, 2008), we are not content with mere published disclosures, but also seek to investigate the views of the key individuals in the field. This approach has allowed us to gain a more comprehensive understanding of the phenomenon.

2.2 Theoretical framework

Due to their voluntary nature, social and environmental reporting practices may be conceived as managerial innovations rather than external reporting standards. Therefore, the basic ideas ingrained in Abrahamson's (1991) typology of innovation diffusion are taken as the foundation for the study. The typology is particularly appealing in this case, since it explicitly considers the factors associated with the decline of innovations and not just their diffusion. Decreases in social and environmental reporting have also been studied through the lens of legitimacy theory (De Villiers and van Staden, 2006). However, this study differs from that of De Villiers and van Staden (2006) by focusing on a public sector natural monopoly context in a country that is mostly free of corrupt practices[1]. Therefore, legitimacy-seeking did not seem plausible as the only motivation for reporting practices. The wide variety of potential explanations offered by Abrahamson's (1991) typology was thus considered more suitable for such a relatively underexplored topic.

Abrahamson's (1991) typology is a two-by-two matrix (see Appendix 1) which divides the explanations for innovation diffusion and decline offered by the different theories into four categories: efficient-choice, forced-selection, fashion and fad. *The efficient-choice perspective* is premised upon the beliefs that organizations are able to freely choose an innovation, that they possess some certainty over their objectives and are able to evaluate the efficiency of the innovation in terms of whether it enables the attainment of those objectives (March, 1978). According to this perspective, innovations are adopted in order to maximize the efficiency of operations and thus close the performance gaps caused by changes in an organization's operating environment. Correspondingly, innovations are rejected when they are no longer considered to be technically efficient for this task.

The *forced-selection perspective* assumes that certain outsider organizations, often political or other governmental bodies, are strong enough to impose their will on other organizations to the extent that those organizations adopt an innovation, regardless of whether it fits with their goals and interests. An innovation is correspondingly dismissed when the political organizations calling for its rejection are more powerful than those supporting its retention.

The *fashion* perspective is founded upon the assumption that uncertainty prevails with regard to an organization's objectives, environmental forces or the technical efficiency of an innovation. In such a situation, organizations seek to respond to uncertainty by imitating fashion-setting organizations, such as business schools, the business media or consultants (DiMaggio and Powell, 1983; Mintzberg, 1979). Fashion-setters influence imitating organizations not by authority, as in the case of forced-selection, but by their capability to inspire the latter's trust in their choice of technologies. In some instances, promotion by fashion-setters may cause adopting organizations to replace old technically efficient innovations with new ones. However, the fashion perspective also predicts that, in the long run, innovations that were adopted by imitating fashion-setting organizations will be rejected. This is because the use of such an innovation often only fulfils non-technical, symbolic functions and may turn out to be unsuccessful in fulfilling the hopes it originally generated. Moreover, the innovation will ultimately lose its novelty value and become part of the routine, meaning that it may no longer be used to flag innovativeness.

The *fad* perspective is also predicated upon assumptions of organizational uncertainty and assumes that this state of affairs impels organizations to imitate others. However, in this case, those to be imitated are not external fashion-setters, such as consulting companies, but belong to the same field as the adopting organizations. According to Abrahamson (1991), similar organizations' imitation of each other may be due to several reasons. First of all, the knowledge obtained from early adopters may reduce uncertainty over the technical efficiency of the innovation. Organizations may also choose to imitate their peers because they wish to appear legitimate and desire to conform to institutional norms – as suggested by institutional theory or legitimacy theory, or to prevent competitors from gaining a first-adopter advantage. Finally, imitation may be prompted by the particular characteristics (e.g. reputation) of early adopters, their sheer number or their proximity to imitators in terms of geographical location or direct communication. The fad perspective suggests that an innovation is rejected if the technology is found to be inefficient or if it loses its faddish appeal (Abrahamson, 1986). In addition, organizations may decide to reject an innovation if it has been adopted by so many others that its use no longer yields a competitive advantage, or if it has been predominantly adopted by organizations with questionable reputations.

When discussing the application of his typology, Abrahamson (1991) acknowledged that innovations and empirical circumstances may not always be neatly categorized into only one of the four categories, due to variations in uncertainty or the influence of outsider organizations. However, instead of an impediment, he argued that this is an opportunity for researchers to generate explanations applicable to particular innovations or contexts through the exploitation of paradoxes between the different perspectives, which can be achieved by either clarifying levels of analysis, taking time into account or introducing new terms (Poole and Van de Ven, 1989). Despite this exhortation, few accounting studies have, at least explicitly, taken up such a task. In the business context, one exception is Malmi's (1999) exploration of ABC diffusion in Finland, in which he illustrated how different perspectives may explain the diffusion of an innovation over time. In public sector studies, the terms fad and fashion have often been mentioned in passing (e.g. Caccia and Steccolini, 2006) but not been thoroughly explored, even

though the applicability of Abrahamson's typology for the study of public sector accounting innovations has been acknowledged (Lapsley and Wright, 2004).

In this study, we apply Abrahamson's typology in order to increase our understanding of the diffusion and decline of a particular innovation—environmental reporting—in the context of a public sector monopoly. In doing so, we will also modify the typology by broadening the definition of performance to encompass environmental and social dimensions, in addition to financial performance, so as to increase the applicability of this typology in this particular setting. Consequently, this case study offers both theory illustration and theory refinement (Keating, 1995; Lukka, 2005).

3. Data and methods

3.1 Context: water services

In Finland, the majority of water services are produced by 400 municipally owned utilities, while the rest are small user-owned cooperatives and associations. The municipal utilities are organized in various forms, such as companies, enterprises and departments, which are subject to several regulations set by multiple authorities. All water utilities, regardless of their organizational form, are affected by the acts and decrees related to the protection of human health and the environment as well as those concerning pricing and cost recovery. The stipulations pertaining to environment and health contain strict numerical standards, and the utilities are required to give wide-ranging reports on their performance in these areas to the municipal, regional, national and EU authorities who regulate, monitor or otherwise follow drinking water quality and the degree to which harmful agents and substances are removed during wastewater treatment. As will be elaborated upon later, tables and graphs related to these standards feature extensively in the reports.

In addition to the detailed health and environmental regulation, there are stipulations pertaining to pricing and cost recovery. The Water Services Act (119/2001) states that customer charges should be reasonable and equitable and, in the long run, cover all the water utility's costs, including a reasonable rate of return on the owner's capital investment. Despite this stipulation, prices for water services in Finland are not subject to inspection by a regulatory authority as they are, for instance, in England and Wales. However, both academic studies (e.g. Vinnari and Näsi, 2008) and reports commissioned by ministries (Kaakkola, 2005; Vinnari, 2009) have pointed out the opacity of the financial information provided by municipal water utilities. Consequently, the high-powered Working Group on the Amendment of the Water Services Act (2010) leaned towards the establishment of an economic regulator and recommended the enactment of legislation that requires that water utilities publicly report figures and performance measures depicting the price level, efficiency, quality and profitability of their services. If such measures are introduced by the Finnish government, they would have a major influence on the utilities' reporting practices—an issue which several of our interviewees were already anticipating.

In this paper, we particularly focus on water utilities that are organized as municipal companies and municipal enterprises, and which differ from each other in certain aspects related to accounting and financial management. Municipal companies are subject to the same accounting standards as firms, including the requirement to publish annual reports with complete financial statements, cash flow statements and balance sheet information. Municipal companies are fairly independent in terms of financial decision-making, but, for the purpose of maintaining democratic control, they are governed by boards of directors whose members are appointed by municipal administrations. These boards of directors have been found to consist mainly of local politicians (Vinnari and Näsi, forthcoming).

Municipal enterprises[2], on the other hand, resemble municipal companies in the sense that they are governed by politically appointed boards (ibid.) and are subject to the same annual reporting requirements as business enterprises. However, municipal enterprises are more firmly connected to the municipal administration because their financial accounts are combined with those of the municipality at year-end and they are also presented as a part of the municipality's annual report – after the elimination of internal revenues, expenses, receivables and debts. Furthermore, although municipal enterprises are allowed to make their own investment decisions, municipal councils annually present them with binding financial and operational targets, which the enterprises must take into consideration when drafting their annual budgets.

While municipal companies and enterprises are the organizational forms of choice in large municipalities, medium-sized and small municipalities favour having their water services produced by departments. These departments are required to practice separate bookkeeping and produce financial reporting information, but such information is usually presented within municipal financial statements without any explanatory narrative. Therefore, water services utilities organized as municipal departments have been excluded from this paper.

3.2 Method: qualitative field study

To fulfil the aims of this study, five water utilities were studied. Utility A belongs to a municipal energy and water company, while Utility B recently became part of a multi-utility owned jointly by several municipalities. Utilities C and D are regular municipal enterprises, while Utility E is a municipal enterprise involved in developing energy solutions in addition to its main function of producing water services.

The selection of the utilities for this field study was based on an investigation of the social and environmental reporting practices of the water services sector in Finland. After examining the reporting practices of the water utilities in Finland's thirty largest cities (Authors, 2011), we approached those utilities which had been the most active in terms of reporting and proposed conducting interviews on their reporting practices. Five of the six utilities we contacted gave us a positive response. In each organization, we sought to interview the managing director (or equivalent), the financial manager and those individuals who either were or had been responsible for the preparation of the report.

Furthermore, to enhance our understanding of the developments in municipal water utilities, we interviewed a professional who is one of the leading consultants in the field of environmental reporting in Finland.

Our dataset includes interviews with a total of 18 individuals: the consultant as well as 17 people from five large water utilities in Finland (Table 1). All the semi-structured interviews (see interview guide in Appendix 2) were conducted between May and December 2011 on the interviewees' premises. Both researchers were present at all but two interviews; thus, both authors each conducted one interview alone. On the three occasions when two people were interviewed together, the arrangement had been suggested by the interviewees. The interviews lasted between 45 minutes and 1.5 hours and were recorded and subsequently transcribed verbatim.

Table 1. Information on the interviews conducted for the research.

Interviewee	Time of interview	Duration
Utility A		
A1. Divisional director and A2. Communications manager	June 2011	1.5 h
A3. Financial manager	June 2011	50 min
Utility B		
B1. Divisional director	May 2011	55 min
B2. Department head	May 2011	1 h 10 min
B3. Communications manager	May 2011	1 h 15 min
Utility C		
C1. Managing director	May 2011	1 h 05 min
C2. Department head and C3. financial manager	May 2011	1 h 35 min
C4. Quality officer	May 2011	1 h 05 min
Utility D		
D1. Managing director	May 2011	1 h
D2. Controller	April 2011	50 min
D3. Director, quality	April 2011	1 h 10 min
D4. Water services engineer	May 2011	45 min
Utility E		
E1. Managing director	May 2011	1 h
E2. Financial manager and E3. secretary	May 2011	1 h 20 min
Consultant A	Dec 2011	1 h 5 min

In addition to the interviews, our interpretations are based on the insights we gained by analysing the annual and stand-alone environmental and CSR reports published by these five organizations for the period 1997–2010. Furthermore, we examined all the issues of three relevant professional journals from this period and searched for articles related to water utilities' and municipalities' voluntary CSR reporting or communication in a more general sense. Likewise, we studied the programme leaflets of the annual trade fair for water professionals to see whether these issues had been discussed in any of the sessions held during the fairs.

For the analysis, both authors studied all the transcripts independently. The organizations' disclosures were used to contextualise the interviewees' recollections. Both authors made informal notes about how they had interpreted the interviewees' explanations of organizational practices and events. These memos were then shared, after which the authors had a meeting to compare and discuss their personal observations and interpretations. Subsequently, both authors returned to the collected data to independently refine, verify and reinterpret the observations they had made. This iterative process eventually resulted in the authors having a shared view on how the events in the water utilities had developed over time and within the social setting they were analysing. This joint interpretation is presented in this paper. Both the interview transcripts and all the published material are in Finnish and hence the quotations provided in this paper have been translated by the authors.

4. Diffusion and decline of environmental reporting

4.1 Reporting practices in Finnish water utilities

The findings illustrate how environmental and social responsibility reporting practices developed in the Finnish water utilities over a fifteen-year period. The practices first diffused swiftly to the majority of the largest utilities in the late 1990s, facilitated by two management consultants. Most utilities actively sought to keep their reporting format up to date with the latest developments, including the broadening of the scope to include social issues in the early 2000s. However, over the years, the emphasis given to such reporting has largely diminished. Utilities have ceased to publish stand-alone reports and instead they have combined the disclosures with their annual reports. In less than a decade, the volume of published environmental information has reduced significantly (Figure 1)[3]. Simultaneously, however, sustainability reporting practices have continued to develop swiftly and appear to enjoy more popularity than ever before both in Finland and elsewhere (KPMG, 2011). This contrast to the general trend is naturally of interest.

In terms of Abrahamson's typology, it would seem that the underlying assumptions of several perspectives match those associated with the diffusion of environmental reporting in the water sector. First of all, as concerns uncertainty, it may be argued that contrary to prevalent notions regarding public sector organizations, Finnish municipal water enterprises and companies operating as natural monopolies possess a great deal of certainty over what their objectives are. As defined by current regulations, they are obligated to supply water services which meet strict quality standards and to price their services according to full costs. Thus, the utilities' main goal is not to maximize profits or expand

their market share, but simply to provide services, with cost limitations. Furthermore, in the absence of competition, the operating environment of such monopoly organizations is usually fairly stable; the only turbulence that emerged during the period investigated here was a debate about privatization, which will be discussed below. However, as is the case with most innovations, the water utilities could not have been certain about the efficiency of environmental reporting. Therefore, it seems that they are located somewhere between the extreme ends of the continuum of certainty. As concerns assumptions about outside influence, management consultants certainly had an interest in promoting environmental and then broader CSR reporting, whereas governmental organizations did not attempt to make such reporting compulsory or pressure the utilities to reduce it. This latter point effectively rules out the forced-selection perspective, while the efficient-choice, fad and fashion perspectives are ex ante considered for their potential to provide explanations of the phenomenon under investigation.
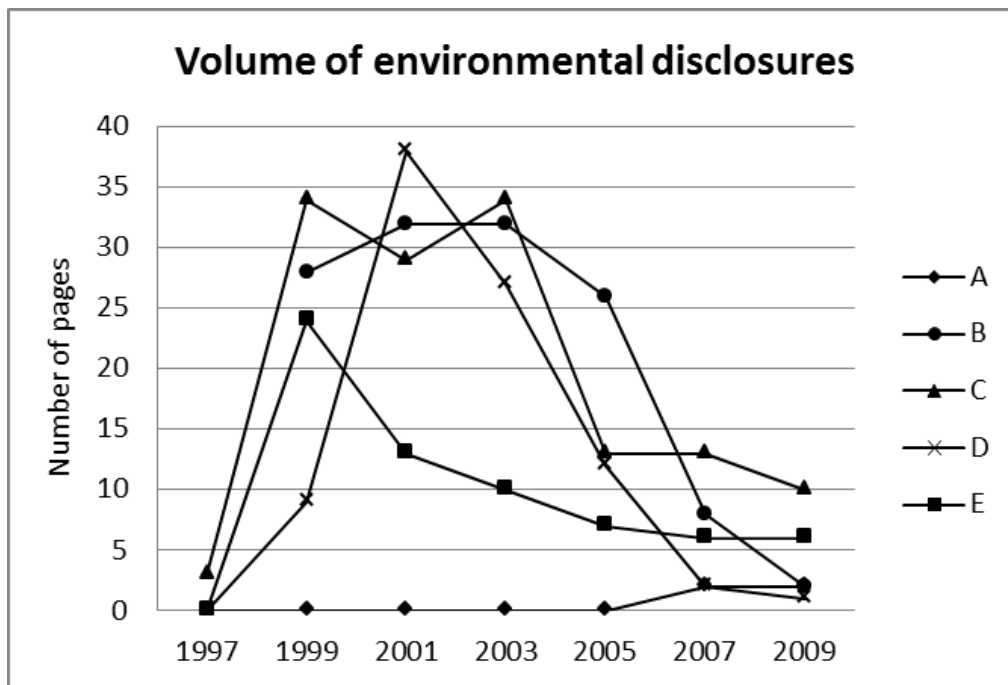

Figure 1. Volume of environmental disclosures published by the five organizations.

Thus, we will now turn to the analysis of the empirical evidence, with the particular purpose of identifying the factors that drove the diffusion of environmental reporting in the water sector and its later rapid decline in certain utilities.

4.2 The initiation and diffusion of environmental reporting

Based on the interviews, one starting point for the development of environmental reporting practices in Finnish water utilities can be seen to be the hiring of a new communications manager in Utility B. The management of Utility B believed that they had problems with its public image. They felt that they had an excellent product and that the utility worked well, but nobody knew or respected what they were

doing. Hence, the new communications manager was hired with the mission of raising the profile of the utility, and one of the means used to improve public relations was the initiation of environmental reporting.

Environmental accounting and reporting began receiving increasing attention across Europe in the early 1990s, in the aftermath of the United Nations Conference on Environment and Development, at which 178 countries adopted the principles outlined in Agenda 21 and the Rio Declaration on Environment and Development. Moreover, it was around this time that positive rhetoric regarding good environmental management became common in international business (Newton and Harte, 1997), and associated standards such as EMAS and ISO14001 were developed. Subsequently, in Finland, the annual competition on corporate environmental reporting was organized for the first time in 1996. Furthermore, in the same year, the first Finnish book focusing on corporate environmental accounting and reporting was published (Niskala and Mätäsaho, 1996; Laine, 2009). Meanwhile, Finnish water utilities began giving more thought to public relations and communications issues, which were prominently discussed in the water professionals' trade journal as well as at the national water utility trade fair held in 1997. Hence, 'the spirit of the times' (interviewee B3) was to highlight public relations in general and environmental communication in particular, and this was considered a suitable way to promote Utility B.

> *'There was this hype . . . this way of thinking started to emerge, these kinds of publications began to be published . . . this model fitted us well, as it was one way to promote our know-how.'* (B3)

Utility B also hoped that by offering a synthesis of the massive amounts of operational performance data it regularly collected, the environmental report would provide a comprehensive view of environmental issues and thus make operations more efficient:

> *'The development of an environmental reporting system began towards the end of the year. The aim is to enhance the systematic analysis of environmental issues throughout the water services process and produce concrete indicators to support the management of environmental issues. In this way [Utility B] is able to operate the region's water services in as financially and ecologically sustainable way as possible. As added value, this will also support the development of the image and business of [Utility B].'* (Utility B Annual Report, 1997, p. 36)

In addition, Stockholm Vatten, a large Swedish water utility with which Utility B fostered close contacts through, for instance, the Nordic Benchmarking Network, had also embarked upon environmental reporting:

> *'But the first motive for the report, which I can think of, was that Stockholm Vatten had done one the previous year.'* (B3)

Thus, in the case of the first adopter, Utility B, both the efficient-choice and fad perspectives appear to offer the most plausible explanations for the initiation of environmental reporting. Although the re-emergence of environmental issues in public discussions, followed by the consultants' active promotion of environmental accounting and reporting, are suggestive of a fashion, it seems that the first cue for such reporting came from within the organization. Utility B had carefully analysed its situation and was fairly confident of the efficiency of the innovation in closing the observed performance gaps. However, these gaps did not pertain only to financial performance; they were also related to the utility's broader economic, environmental and social performance. Hence, Utility B believed that environmental reporting would enhance its efficiency in communicating its importance to significant stakeholders, especially local decision-makers:

> *'It's good to maintain good relations with the owner [municipality] and to show, to build that trust. … [W]hen people trust you, you gain more independence and bureaucracy is usually reduced, and this need for useless reporting decreases.'* (B1)

The broader causal mechanism implied here seems to be that by adopting environmental reporting, Utility B expected to gain politicians' and regulators' trust and subsequently more freedom to focus on its main objective of providing services. Provided that the cost savings from the reduction of "useless reporting" would exceed the costs of environmental reporting, ceteris paribus, the utility could also expect to improve its operational efficiency.

In addition to such efficient-choice arguments, Utility B's initiation of environmental reporting appears to have had faddish features, as evidenced by the prominent role awarded to its Swedish counterpart. Stockholm Vatten was not just geographically close to Utility B but also belonged to the same benchmarking network, which meets regularly to discuss various aspects of performance. Information on environmental reporting from Stockholm Vatten may well have served to reduce Utility B's possible uncertainty about the efficiency of the innovation, since the former is known for having succeeded in what the latter aspired to do and established close relationships with its stakeholder groups.

After Utility B published its first environmental report in 1997, the phenomenon began to spread to other Finnish water utilities. By 1999, three of the other utilities investigated in this study had also published environmental reports either as separate sections within their annual reports or as stand-alone reports. This diffusion of environmental reporting among later adopters displays characteristics of both a fad and a fashion. The imitation of Utility B was mentioned outright by some utilities:

> *'We modelled the first report on Utility B. Pretty much copied it; there was no point in inventing something new, since a good one existed already.'* (D2)

Analogous to Utility B's imitation of Stockholm Vatten, the faddish diffusion here was most likely provoked by certain attributes of Utility B. At the time, it was the largest and most financially viable utility in the country; in fact, it was the only one that could afford to hire a person dedicated to communications, so it is not difficult to see why it would have been held as an example for the other

utilities. The diffusion was also facilitated by the special characteristics of the field: Finnish municipal water utilities have relatively similar missions, their ownership structure and governance systems are comparable and they share many operational practices. Further, the utilities engage in regular co-operation and knowledge sharing across organizational functions, in addition to which new practices and knowledge spread through a monthly magazine aimed at water sector professionals and the well-attended annual water utility trade fair.

In addition to Utility B's characteristics, the faddish diffusion appears in some cases to have been fuelled by legitimacy-seeking. Utility D first embarked upon environmental reporting by participating as a pilot unit in a municipality-wide project to produce an environmental account. Once the pilot phase was completed, the utility proceeded, on its own, to develop an entire environmental report to counter the perception of its environmental performance, which was seen as being related to poor operational performance, and also to influence the privatization discourse prevailing at that time:

> *'[O]ne primary reason [for initiating environmental reporting] was that, on the one hand, it was an act to regain our reputation. At the end of the 90s, our customers had lost faith in us because of water quality [problems] and we wanted to reposition ourselves. And the second reason was this decision makers' willingness to sell, their clear willingness to sell. We wanted to tell – mostly to our decision makers – who we are, what we do and why it would be worthwhile for the city to keep the water utility.'* (D1)

The interviewee was referring to a time when the European Commission published Communications in which it contemplated liberalizing so-called services of general interest. Although the European Parliament's Resolution in 2004 ultimately took a negative stance towards the liberalization of water and wastewater services, the mere discussion of the issue was enough to raise the interest of certain commercial actors who toured Finland, presenting municipal decision-makers with calculations of how much capital could be freed by selling the water utilities[4]. The emergence of the public-private debate has also been mentioned in several utilities' annual reports since the year 2000. Against the background of water quality problems and the privatization debate, Utility D's initiation of environmental reporting appears to have been an attempt to seek legitimacy in the eyes of its main stakeholders, customers and politicians.

Although the threat of privatization receded fairly quickly[5], there were also more permanent uncertainties that the utilities hoped to respond to with environmental reporting. Several interviewees emphasized the importance of having good relationships with political decision-makers, especially in situations where the water utility needed their approval, for instance, for increasing customer charges to prepare for major renovations, or when operational difficulties occurred, such as leaks from major pipes. Moreover, it was hoped that such a friendly spirit would also extend to the media and help moderate the tone of news coverage in the case of exceptional circumstances. Similarly, it was hoped that environmental reports would raise the awareness of municipal residents:

> *'It is clear that when people know who we are and what we do, then we have more clout and it's easier for us to operate; plus, of course, when they know that, they might also act so that our systems operate better and so this becomes kind of a positive circle.'* (E2)

The classic problem with water services provision is that the infrastructure lies beneath the ground, and consumers do not appreciate the service as long as it operates smoothly. Utility E's logic here seems to be that if water users were more conscious of the societal and environmental significance of water utilities, they would perhaps take more care not to, for instance, flush objects or substances down the toilet which then cause blockages in the sewer pipes. This justification also points towards an efficient-choice explanation because such improvements would then increase the reliability of the process and result in cost savings.

In addition to being a fad, the diffusion of environmental reporting among later adopters may also be characterized as a fashion because of the active involvement of management consultants:

> *'I think it was in 1999 … when we did this report for the first time, we had [Consultant A] and [Consultant B] here with us. We put quite a lot of resources into it, and, in my view, we managed to get a nice result.'* (E2)

In this emerging field, the number of experts was limited. It seems that in most cases, the water utilities collaborated with the same two consultants, who were seen to be the leading experts on environmental reporting.

> *'I cannot take much credit for the format; those guys were the gurus at the time.'* (E2)

The consultants' relationship with the water sector began in spring 1997 when Consultant A was invited to give a presentation about environmental accounting and reporting at the water utilities' annual fair. During the presentation, he offered examples of the environmental accounts and reports prepared by innovative English water companies such as Anglian Water and Thames Water. A few months afterwards, his company won a tender competition to prepare the first environmental report for Utility B, and thereafter he and Consultant B contacted other water as well as energy utilities to initiate further development projects.

The way in which the fad and fashion processes jointly affected the diffusion of environmental reporting is further illustrated by the development of a reporting construct called the environmental account. According to the interviewees, the initiation of environmental reporting depended to a great extent on the strong will of certain dominant individuals, usually top management. At Utility C, CSR reporting was initiated in connection with the development of an environmental management system, which was 'a matter really close to [the Managing Director's] heart' (interviewee C2). In Utility B, the ideas of a strong-willed internal champion were realized despite there being some doubts about it:

> *'At that time, [Utility B's] CEO was [name] and he was kind of a unique person. He dominated this [project] strongly and it was his idea that they do [an environmental report] and particularly that it must contain an environmental account.'* (Consultant A)

Neither the consultants nor the CEO knew what an environmental account was, but since it was mentioned in the call for tenders, the consultants needed to come up with a calculation. After lengthy discussions with the utility's CFO, they arrived at a solution in which income from wastewater charges was matched with associated costs and the bottom line result was the enigmatic environmental profit:

> *'[N]obody could interpret what this environmental profit meant, why it was calculated and what kind of concept it was, but that's the model that came about, and we were satisfied and [Utility B] as the customer was satisfied and published it in their report. The model spread from there to the other utilities.'* (Consultant A)

In addition to the role of committed individuals, the quotation above highlights how the consultants saw a business opportunity in promoting Utility B's idea of an environmental account to other utilities, and how those utilities unquestioningly adopted the environmental account template, even though it produced a useless figure. This imitation is also evident in the following excerpts from utilities' reports:

> *'[Utility E] has in its definitions [of environmental concepts] benefited from the example set by key organizations operating in the field.'* (Utility E, Annual Report 1999, p. 11)

> *'[Utility D] has in defining [environmental concepts] also benefited from the example set by key organizations operating in the field.'* (Utility D, Annual Report 1999, p. 27)

> *'In the public sector, very few environmental accounts have been produced, thus not many models or points of comparison exist. [Utility B] has, however, produced environmental accounts since 1997. The definitions presented here, for the sake of comparability, were made by applying the model of [Utility B].'* (Utility C, Environmental report 1999, p. 23)

Some of the water utilities' disclosures received praise in national environmental reporting competitions in the late 1990s and were selected as examples for university textbooks. Nevertheless, the initial enthusiasm to publish broad environmental and CSR reports as combined or stand-alone reports started to fade. Fifteen years after the initiation of environmental reporting, the practice has been scaled down in many utilities. The reduction of information might not be that significant if it had simultaneously resulted in a refocusing on core issues or activities. However, we argue that this is not the case here because some of the examined organizations no longer publish such reports at all, whereas some others have diminished the volume of disclosures to a negligible level. It also needs to be pointed out that the reduction was genuine: the information was neither shifted from one reporting form to another, nor did anything in the reports or interviews suggest that any initiatives regarding integrated reporting were reshaping the disclosures. We will thus turn to examining the factors behind this rapid reduction.

4.3 The reduction of reporting

Based on the processes identified in the previous section, it would seem plausible that efficient-choice, fad and fashion perspectives would also offer explanations for the reduction of environmental reporting. However, it must be noted that while the reasons for diffusion vary considerably between the four perspectives of Abrahamson's (1991) typology, the suggested mechanisms of decline are in fact quite similar. Decline due to perceived inefficiency is, for instance, included in both the efficient-choice and fad perspectives, and this reason could also be argued to bear close resemblance to an innovation's failure to live up to expectations, which is suggested by the fashion perspective. Moreover, fad and fashion explanations are, to some extent, indistinguishable since both refer to the loss of appeal or novelty value as explanations for the decline in reporting. Therefore, in most cases, the forces driving the decline originate from within individual organizations. These considerations find support in the following analysis, in which inefficiency in one form or another seems to have been the main justification for the reduction of reporting.

Although the first-time publication of a stand-alone environmental or social responsibility report or a section dedicated to such issues is prominently featured in each utility's corresponding annual report, no justification for the reduction or discontinuation of such a practice could be found in any of the reports. In the interviews, the common rationale given by water utility representatives for the reduction in CSR reporting was the lack of resources:

> *'I was very keen to get us started again, but we had very few resources.'* (D1)

Faced with an economic downturn, water utilities have had to cut costs, and in this context, they have naturally preferred to save on the salaries of administrative personnel in order to be able to hire water technology professionals to operate and maintain the systems. In some of the examined utilities, circumstances have changed markedly, and committed individuals whose enthusiasm had fuelled CSR reporting have moved on. Utility B, for example, has had to devote a considerable amount of personnel resources to a politically determined organizational restructuring in which it has become part of a multi-utility. In the context of this merger, a considerable CSR knowledge base has been lost, as the enthusiastic communications manager left to work for another organization. These reasons for the reduction in reporting best match the efficient-choice and fad arguments, since they are due to financial and political changes in the organizations' operating environment, which have rendered the innovation inefficient in financial terms.

Another reason for reducing the amount of environmental reporting also corresponds to the efficient-choice and fad perspectives and is related to the fact that the utilities are suspicious of the efficiency of the innovation in terms of improving how their overall performance is perceived. Utility B, for instance, had hoped that with the help of CSR reporting it would gain independence from municipal bureaucracy and political pressures. Instead, the utility ended up being merged against its wishes into a multi-utility, in which water services are overshadowed by the other service sectors.

> *'[I]n a way, they [politicians] thought that our operations could be made more efficient, and our message was that they already are really efficient. In this context, we considered it necessary to highlight different themes each year [in the report], such as how many cents per cubic meter water costs for a resident, with them [the politicians] in mind. But somehow [a colleague] and I wondered, when there was this merger and the water [utility] became kind of a pawn in a bigger municipal game, how that [merger] proceeded so easily. In the final phase, we got the feeling that we had not quite succeeded.' (B3)*

Comparing the utility's situation to that of its counterparts in neighbouring countries, the interviewee saw considerable room to improve the utility's connections to political decision-makers. However, he acknowledged that the establishment of such confidential relations could not be achieved only through CSR reporting, but required active networking by utility management.

Similarly, Utility E's hopes for environmental reporting in terms of politicians and customers resulted in disappointment. In an early report, the utility maintained that 'the environmental report plays an essential role in enhancing customer satisfaction' (Utility E, Environmental Report 1999, p. 17). Subsequently, however, it turned out that despite several years of environmental reporting, the customer satisfaction scores regarding the utility's communication skills remained on the same mediocre level. In addition, the utility feels that municipal administration has not ceased to interfere in its decision-making. Prompted by such difficulties, the utility recently introduced an innovation of its own—a regular customer discussion forum which includes representatives from housing companies and associations, large industrial water users and municipal administrators:

> *'This is CSR at its best. [...] It is a discussion forum where we tell what we do here and what kind of future visions we have, and they [forum participants] can express their own views, if they think something is wrong or the prices are too high. [...] Now that these issues are discussed, we no longer need to read from [name of newsletter] that Utility E has screwed up. On the contrary, there are good pieces of writing about [name of treatment plant project] and … how cheap tap water is compared to bottled water.'* (E2)

The representatives of Utility E felt that during the forum's short period of existence it had significantly reduced the amount of negative press coverage and also reduced the number of complaints about price hikes, since customer representatives are informed and consulted in advance. Therefore, the reduction in Utility E's environmental reporting could also be explained by the efficient-choice perspective, although only time will tell if the new innovation is a complement or a substitute.

Other utilities were also uncertain about the efficiency of the innovation in terms of reaching stakeholders. Utility D, for instance, considered that it had succeeded in avoiding privatization, although it is unclear how much of the success was actually due to CSR reporting, since all the other water utilities in Finland have remained under municipal ownership as well. In contrast, Utility D felt that its message was neglected by at least some stakeholder groups:

'I don't think that we have actually succeeded in relation to customers...' (D1)

The water quality problems, which played a significant role in the initiation of environmental reporting at the utility, had proved difficult to solve because of the geological conditions of the region. According to the Director of Quality (D3), water quality issues frequently made front-page news in the local newspaper — and did so on the day of the interview. Such recurring concerns can hardly be alleviated with an environmental report. Therefore, it appears that Utility D discontinued the practice because the reporting was seen to have failed to meet the utility's expectations in terms of regaining legitimacy in the eyes of the public.

Utility A, in turn, harboured suspicions that nobody actually read its reports:

> *'That is why we stopped printing them, because we felt that it had become a sort of an inner circle thing, that we just exchange reports among ourselves [the water utilities]. […] We stopped sending it out [to our stakeholders] and waited to see whether or not anyone would complain. No one did. Thereafter, we made an online version and stopped producing a long report. Now we are listening again.'* (A2)

The lack of stakeholder complaints directed at Utility A is not surprising, considering that the target audience of most utilities, and the eventual readership of the published disclosures, seems to have been somewhat unclear from the beginning. Utility B is a clear exception:

> *'We carefully thought about who we are preparing [the report] for. […]. We created a categorization of the different groups. […] First, there were the regular customers, but we decided not to prepare the report for them. The second group, whom this report was prepared for, consisted of our collaborators.'* (B3)

This is in stark contrast to the other utilities, for which a distinct picture of the audience does not seem to have existed. In several cases, the interviewees working for the same utility gave different answers regarding the audience for the utility's report. The confusion over the target readership is also reflected in the report contents published. The reader is supplied with an abundance of information in the form of tables and graphs, and the text accompanying the tables contains detailed explanations in which the processes of drinking water acquisition and wastewater treatment are addressed in a highly technical manner, with a particular focus on methodology. This kind of jargon is, in all likelihood, unintelligible to municipal residents and politicians; on the other hand neither do the process descriptions offer anything new to employees and other professionals in the field.

Prior research has suggested that in addition to the external communication function, the sustainability disclosures contribute to the internal decision-making processes (Adams and McNicholas, 2007; Hopwood et al., 2010). Hence, the reports may be useful, even though their significance to external stakeholders may be limited. However, this is seldom the case in Finnish water utilities:

> *'From my own perspective, I can say that we do not use that report too much. We have completely different figures and tables that we use ourselves.'* (A1)

Based on the interviews, it seems that the CSR reports were not perceived as decision-making aids, but rather as data repositories from which employees could quickly check facts when preparing a presentation about CSR issues. Such a lack of internal use was also noted by Consultant A:

> *'I think that … if [CSR reporting] remains a communication experiment, then it's just about the organization's image. Then it's enough that you have the report; it doesn't matter what it contains. And the trajectory takes the path that once a year you collect figures, which are not necessarily reliable and comprehensive, and put them in the report and tell fancy stories and flavour them with case examples. The idea behind such a report is that you have something to read, someone reads it, someone doesn't . . . But the utilization of the information for management control has remained a half-measure.'* (Consultant A)

Thus, part of the reason why social and environmental reporting has declined might be that, especially among the later adopters, the reports have only served a symbolic function as image management devices, which is suggested by the fashion perspective. The continued existence of environmental reporting is thus much harder to justify when committed individuals leave or the organization undergoes restructuring.

Finally, a more indirect reason for the rapid decline in reporting could be that the water sector differs fundamentally from most of the other industrial and commercial sectors within society, with regard to environmental impacts (Larrinaga-González and Pérez-Chamorro, 2008).

> *'[T]his water utility, the reason we exist, is that we take care of the environment, unlike a business company… these kinds of operations are not about producing something which then causes environmental impacts, but it is society which needs a water utility like this, which takes care of the water courses that are on the discharging side of the wastewater treatment plant.'* (C2)

The utilities also stress the fundamental environmental significance of their operations in their reports:

> *'The activities of [Utility A] have very significant positive environmental impacts.'* (Utility A, Environmental Report 2001, p. 8)

There is no reason to negate this assertion, visible proof of which is a figure inserted in the report of Utility B which illustrates the notable reduction in the pollution of Finnish water systems due to wastewater treatment becoming compulsory at the end of the 1970s. Overall, the water industry conceives of its activity from the opposite point of view to that of business enterprises: water utility operations are not perceived as harming the environment, but as helping protect it from deterioration

(Von Schwedler, 2011). This suggests that a lack of pressure to seek legitimacy may be one motive for Finnish water utilities reducing CSR reporting.

An example of such a lack of pressure can be seen in the events stemming from the so-called Nokia crisis, which involved a water utility employee in the municipality of Nokia accidentally letting wastewater flow into the drinking water pipeline through an illegal vent, causing hundreds of people to fall seriously ill. As the events unfolded, it was discovered that such illegal technical solutions were fairly ubiquitous in Finnish water utilities and public outrage was directed at the whole sector. Yet, even after such a major incident, no public demands were made for transparency or broader CSR. Instead, emphasis was placed on requiring the improvement of the water utilities' preparedness for crisis communication and unexpected events (Accident Investigation Board, 2008; Seeck, Levanto and Hakala, 2008).

In brief, the practice of CSR reporting required considerable investment, but produced little in return. With the exception of a couple of prizes from reporting competitions, the reports yielded very little feedback from any of the possible recipient groups.

5. Discussion

In terms of findings, it seems evident that the swift initial diffusion and the subsequent gradual fall-off of environmental reporting in the Finnish water sector were influenced by both broader level forces as well as organization-specific factors (Bebbington et al., 2009; Adams, 2002) (Figure 2).

The initial adoption of environmental reporting may be explained in terms of both the efficient-choice and fad perspectives. The innovator utility had noted gaps in how its overall performance was perceived and actively sought ways to improve this. Such efficient-choice considerations coincided with faddish aspects, such as finding out that the innovation was being successfully used by a foreign utility, which indicates knowledge gained through shared communicative networks. In addition to the factors suggested by Abrahamson's (1991) typology, we noted other internal organizational forces that facilitated the diffusion. Utility B emerged as an early innovator at least partly due to the existence of strong internal champions for environmental reporting. Sufficient resources and the enthusiasm and contacts of the communications manager also made it possible to develop reporting more swiftly and to make conscious choices regarding communication avenues, target audiences and the content of the reports.

		Imitation-focus dimension	
		Imitation processes do not impel the diffusion or decline	Imitation processes impel the diffusion or decline
Outside influence dimension	Organizations within a group determine the diffusion and decline within this group	**Efficient choice** *Forces promoting diffusion:* Perceived social, environmental and financial performance gaps (e.g. tight political control; customers' ignorance of the importance of water services; costly bureaucracy)	**Fad** *Forces promoting diffusion:* Nature of industry (small, stable, tightly networked) Uncertainty in political environment (e.g. privatization debate)
		Promotion by internal champions	
		Forces promoting decline: Lack of financial and knowledge resources Inefficiency of the innovation to close performance gaps (e.g. persistence of political control; lack of readership)	*Forces promoting decline:* Nature of industry Reduced environmental uncertainty (e.g. abating privatization debate) Inefficiency of the innovation to help in regaining legitimacy (e.g. persistence of customer and media dissatisfaction)
		Departure of internal champions, organizational change, introduction of another innovation	
	Organizations outside a group determine the diffusion and decline within this group	**Forced selection** *Forces promoting diffusion:* Pre-existing reporting requirements	**Fashion** *Forces promoting diffusion:* Environmental hype (e.g. Agenda21, Rio Declaration, emergence of environmental management standards and reporting frameworks) Promotion by consultants
		Forces promoting decline: Absence of forcing pressures (legislation, public demands etc.) Environmental impacts less tangible then those in e.g. the energy sector	*Forces promoting decline:* Symbolic use only, disconnected from managerial practice Inability to fulfill hopes

Figure 2. Forces driving the diffusion and decline of social and environmental reporting in public water utilities.

The subsequent diffusion of the reporting among later adopters mostly corresponds to the perspectives of fad and fashion, indicating that it was driven by the utilities' wish to imitate the practices of the innovator organization and the influence of two pioneering consultants, who promoted the practice in various contexts. In this particular context, fad and fashion can be seen to have worked in tandem: the new innovation diffused swiftly within the small and tightly networked organizational field promoted by internal champions, but this process was facilitated by an emerging social fashion. The innovation was also adopted without certainty as to its usefulness to the organizations, as manifested in the copy-paste

application of the environmental account and the lack of consideration about who the target groups were, which further corresponds to the fashion and fad perspectives.

Some elements of regulation and public policy also had likely effects on the emphasis and tone of the water utilities' reporting. Even though many of these elements were not significant as individual items and cannot be said to represent forced selection, we argue that in combination they played a role in the development of CSR reporting. Among such elements are the strict environmental and health regulations which oblige the utilities to report regularly to various authorities. This effect is especially evident in the detailed tables which contain numerous indicators reflecting, for instance, drinking water quality and the efficiency of wastewater treatment. These factors, at the very least, served to facilitate the initiation of reporting, since all the necessary information was already compiled and only needed to be inserted into the appropriate sections of the reporting format.

The reduction of social and environmental reporting seems to have come about as a result of economic pressures and the perceived inefficiency of CSR reporting in alleviating political pressures or yielding any kind of benefit. In one instance, such reporting was noted to be of little help for the organization in terms of regaining legitimacy (De Villiers and van Staden, 2006). These inefficiency perceptions were supported by internal events (Bebbington et al., 2009; Adams, 2002), such as organizational change, the loss of internal champions and the introduction of another innovation in order to achieve the intended aims. Moreover, the voluntary disclosures did not have a major role in and were clearly insignificant for the water sector organizations themselves (cf. Adams and McNicholas, 2007; Ball et al., 2006). With limited resources and no external interest, the environmental disclosures seem to have become routine practices, which also swiftly became disconnected from the actual management of the organization. The reporting was evidently largely independent from management control systems or integrated management information systems, and thus lacked close links to organizational strategy, performance targets and reward systems. As the initial enthusiasm faded, there was little to justify the continuation of the rather separate reporting practices.

Precisely as Abrahamson (1991) suggested in the case of fashions, and to some extent fads, environmental reporting seems to have been reduced because its use had been mostly symbolic as opposed to instrumental, it no longer signals innovativeness and it has failed to meet the utilities' expectations. In addition, reducing the emphasis on the disclosures was easy for the water utilities as similar decisions were being made in other utilities. Likewise, there is a clear absence of forced-selection factors regarding the voluntary CSR reporting of the water utilities. This is in contrast to Cooper and colleagues (2011), whose study showed that English and Welsh water utilities are producing more climate change disclosures to meet the demands of the national regulator. In Finland, however, disclosures are not mandated through legislation or any other regulation, nor have the organizations faced any kind of public call for more reporting, even after the major wastewater incident. Moreover, and as also noted by Larrinaga-González and Peréz-Chamorro (2008), due to their position as natural monopolies, public water utilities do not have similar incentives to report for the sake of their reputation as private enterprises have.

We found Abrahamson's (1991) typology useful, since it enabled the simultaneous consideration of both the industry-level and organizational forces driving the diffusion and decline of environmental reporting among water utilities, and thus it provided a comprehensive overview of the phenomenon. Nevertheless, the typology is not completely without problems. Its focus is clearly on diffusion, whereas the suggested reasons for the decline of innovations are less elaborate and very similar in the efficient-choice, fad and fashion perspectives. Hence, it was essential to acknowledge the relevance of both the organizational and industry-levels in the process of identifying the factors related to the decline of the reporting practices. Overall, we consider it important to highlight the efficient-choice perspective, since the diffusion of public sector accounting innovations has often been portrayed from the perspective of only fad or fashion, which implies that public sector actors were merely imitators of business organizations or consultants' puppets, incapable of rational thinking (e.g. Christensen, 2005; Caccia and Steccolini, 2006). This applies to both the diffusion and the decline of new reporting practices.

6. Conclusions

In this paper, we sought to understand why Finnish water utilities engaged in environmental and, subsequently, CSR reporting and why, in contrast to the general trend, they subsequently reduced the extent of such reporting. We applied Abrahamson's (1991) framework of innovation diffusion to analyse a longitudinal dataset of Finnish water utilities' reporting practices together with a set of interviews with key personnel at five leading organizations. Our findings suggest a dynamic view (Malmi, 1999) of the diffusion and decline of CSR reporting, in which a variety of forces operated jointly over time. The very first adoption of the innovation was driven by forces which came from within the adopting organization, whereas the subsequent diffusion was impelled by forces from both within and outside the adopting organizations. The decline of the innovation took place more gradually, driven mainly by internal organizational factors, such as a lack of connection to management control systems, and a lack of outside pressure.

On the whole, this paper contributes to the literature on the diffusion of accounting innovations as well as to the body of knowledge on social and environmental reporting. First of all, it illustrates how Abrahamson's (1991) typology may be applied and modified in order to advance the theoretical understanding of the diffusion and decline of social and environmental reporting in a public sector context. In particular, it shows that the efficient-choice perspective is applicable in such a setting, provided that the concept of performance is defined broadly enough to encompass not only financial but also environmental and social performance. Second, the dynamic view offered in the paper adds internal organizational factors to the list of forces which drive the diffusion and decline of an accounting innovation. Finally, the paper highlights how, despite their apparent success in society, social and environmental reporting practices have turned out to be a passing fad within the water utility context. Such developments have seldom been described in the literature (although see De Villiers and van Staden, 2006).

As for practical implications, the findings presented here should prove interesting for public sector managers that are considering how their organization should engage in social and environmental reporting. In particular, the results suggest that in order to take full advantage of a managerial innovation like a CSR report, the organization needs both to have sufficient resources and a high knowledge base to tailor the innovation to suit its own needs (Adams and McNicholas, 2007). Furthermore, it would seem worthwhile to consider how CSR reporting could be linked to internal decision-making. In the broader perspective, our findings illustrate how, at least in this particular context, the initial high enthusiasm for environmental reporting turned out to be a passing fad. It remains to be seen whether this will be the case in a wider context.

The limitations of this paper are that it relies on a qualitative dataset, which means that extensive care is needed when seeking to generalize or apply the findings to different contexts or organizational fields. Further research is thus required to explore how the role of these disclosures develops over longer periods, in different contexts and in different organizational fields. A particularly fruitful area for further study would be the connection between social and environmental reporting practices and management control systems.

Endnotes: [1]: According to Transparency International (2012), Finland is the least corrupt country in the world; ranked in terms of perceived corruption. Finland shares this position with Denmark and New Zealand.

[2]: The term municipal (or public) enterprise is usually understood in public administration literature to comprise various organizational forms (see e.g. Yeung, 2005). In this paper, the term enterprise is utilized to denote a particular organizational form which is a hybrid of a municipal company and department.

[3]: The graph describes the combined volume of environmental disclosures published by the organizations in their annual reports and environmental/CSR/sustainability reports. As environmental issues formed the majority of the disclosures, we excluded disclosures regarding social and economic responsibility. Furthermore, it should be noted that there is, at times, only a thin line between environmental and "non-environmental" disclosures. The figures presented here only include disclosures which explicitly discuss environmental issues. For instance, a mere technical discussion of waste water purification methods has not been included, unless presented from an environmental viewpoint. We acknowledge prior work which has discussed the challenges related to the measurement of disclosure volumes (Beck, Campbell and Shrives, 2010; Milne and Adler, 1999). Indeed, emphasis needs to be placed on measurement issues when aiming to analyze disclosures through statistical methods. Here, however, the disclosures have not been analyzed in such a detailed manner because we argue that a more general approach sufficiently well describes the trend in the volume of environmental disclosures in the Finnish water sector and is thus sufficient for the purposes of this paper.

[4]: This is not just the interviewee's perception. The first author has also seen such calculations in reports that a senior colleague has been asked to evaluate.

[5]: Even though a few Finnish water utilities have subsequently been corporatized in order to remove their assets from the municipal balance sheet (Vinnari & Näsi, 2008), the municipalities have thus far remained the sole or majority owners in all cases.

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APPENDIX 1: Abrahamson's (1991) typology of innovation diffusion.

		Imitation-focus dimension	
		Imitation processes do not impel the diffusion or rejection	Imitation processes impel diffusion or rejection
Outside-influence dimension	Organizations within a group determine the diffusion and rejection within this group	Efficient-choice perspective	Fad perspective
	Organizations outside a group determine the diffusion and rejection within this group	Forced-selection perspective	Fashion perspective

APPENDIX 2: Interview guide

General information of the interviewee: name, position in organization, employment history within organization etc.?
- What is your role in matters related to social responsibility and environmental issues?

Please describe how social responsibility shows in your organization's activities.
- How is it linked to the general aims of your operations?
- How does it show in your daily work and/or decision-making?

Please describe your organization's social and environmental reporting practices.
- History within the organization
- In general: how do you do you construct the reports?
    o From where and how did the reporting format emerge?
    o Who in your organization conducts the reporting in practice?
    o Who has the responsibility for the report? Who has the power to decide? Who takes the initiative?
        ▪ Why exactly these individuals?
    o How do you decide which matters you will report on (and which will be omitted)?
    o What is the reporting process like? On what kind of a schedule do you operate?
- What is the role and significance of social and environmental reporting for your organization?
    o In particular, why do you report?
    o Have you achieved the aims you set for the reporting? (What are the aims you have set for the reports?)
- Who are the reports aimed at?
    o How have you taken your target audience into account when developing your reports?
    o How does your target audience use your reports? (Do you know whether anyone actually reads them?)
    o What kind of feedback have you received from different groups inside and outside your organization? (Do your organization's employees read the reports?)

- How do you use the report within the organization? What kind of impacts does it have on decision-making?
- How are you going to develop your reports in the future? How would you like to develop them?
- Have you sought external independent assurance for your reports? How do you see the significance of such an assurance practice?

How would you describe the relationship between financial reporting and social and environmental reporting in your organization?