Social Sustainability Reporting Readiness in Software Services: Drivers and Challenges

Bachelor Thesis

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ABSTRACT

Your abstract goes

Contents

List of Figures

List of Tables

1. INTRODUCTION

You have to **submit the Bachelor's thesis** on the submisson date to the department. This is the introduction chapter. Write your content here.

It should provide an overview of your research topic, the problem statement, and the objectives of your study. Discuss the significance of your research and how it contributes to the field.

1.1. Background

Provide background information on your research topic. Explain the context and relevance of your study. This section asd should help the reader understand why your research is important and what led you to choose this topic.

1.2. Problem Statement

Clearly articulate the problem that your research aims to address. Discuss the specific issues or challenges that exist in the current literature or practice. Explain why these problems are significant and worth investigating.

1.3. Objectives

The choice of 2023 as the temporal focus of this study is closely linked to the institutional context. While the Corporate Sustainability Reporting Directive (CSRD) formally entered into force in January 2023, companies are required to disclose in line with the European Sustainability Reporting Standards (ESRS) for fiscal years starting on or after January 2024. Thus, 2023 represented a preparatory phase in which firms faced rising institutional pressure, whereas 2024 marks the first mandatory reporting cycle. This transition reflects the increasing coercive institutional forces that shape companies' readiness for social sustainability reporting.

Social pillars include employment, labor relations, diversity, occupational health and safety, and human rights (Fiechter 2022; Edge 2022).

2. Literature Review and Theoretical Framework

2.1. Literature Review

2.1.1. Prior Literature on Social Sustainability Reporting

Sustainability reporting can be understood under various definitions, including corporate social responsibility (CSR), extended external reporting, and ESG reporting (Edge 2022; Fiechter 2022). As defined by Rasche (2017), CSR is the integration of social, environmental, ethical, and philanthropic responsibilities into business practice. Similarly, the ESG framework focuses on environmental, social, and governance. Across these approaches, the social dimension consistently emerges as a core aspect, covering issues such as labor relations, diversity and human rights (Fiechter 2022; Edge 2022).

Several regulations and standards have been developed to provide a basis for social sustainability reporting. Among these, the Global Reporting Initiative (GRI) is regarded as the most widely used framework by companies worldwide (Bais, 2024; van Oorschot, 2024). According to GRI 401-406, companies disclose social aspects covering employment, labor management relations, occupational health and safety, training and education, diversity and equal opportunity, and non-discrimination. Marking a significant step forward, the European Sustainability Reporting Standards (ESRS) broaden this scope and make disclosure mandatory. The European Commission adopted the ESRS in July 2023 under the Corporate Sustainability Reporting Directive (CSRD). These standards oblige companies to report on impacts concerning the workforce (S1), value chain workers (S2), affected communities (S3), and consumers and end-users (S4). Morais and Silvestre (2018) emphasize the need for a comprehensive approach to social sustainability reporting, highlighting the interconnectedness of these stakeholder groups.

Despite these regulatory developments, the literature indicates difficulties in the implementation of social pillar within sustainability reporting practices. According to Heldal et al. (2024), the social dimension has not received adequate attention. This can be explained by the findings of Morais and Silvestre (2018), who argue that the social pillar remains vague, difficult to quantify, and less prioritized than environmental issues. This view is reinforced by Berg et al. (2022), who demon-

strate lower inter-rater consensus on social indicators compared to environmental ones. Key own-workforce aspects such as training and development, worklife balance, respect and inclusion, remuneration and benefits, and worker participation receive limited coverage (Greig et al. 2021). While many large firms disclosed gender diversity data, such disclosures were often limited and linked to worse gender pay gaps, suggesting a reputational motive (Huang and Lu 2022).

2.1.2. Prior Literature on Readiness

In general, sustainability reports tend to convey predominantly qualitative information, with only limited quantitative or monetary data (Michelon 2014,).

2.2. Theoretical frameworks

This study employs theoretical frameworks to explain the current level of social sustainability reporting readiness in the software services sector and to interpret the drivers and barriers shaping firms' preparedness. Prior studies have highlighted the importance of theoretical perspectives in the study of sustainability reporting (Gesso 2023; Rezaee 2016; Lozano 2015). Within the wide range of theories applied in this field, Institutional Theory and Legitimacy Theory are among those frequently employed.

2.2.1. Institutional Theory

Institutional Theory is widely applied in sustainability reporting research (Campbell, 2007). This theory explains how organizations adapt to social, political, and economic environments through institutionalized practices (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). It emphasizes how coercive, normative, and mimetic pressures shape organizational behavior.

3. RESEARCH METHODOLOGY

4. FINDINGS AND ANALYSIS FROM EMPIRICAL RESEARCH

5. DISCUSSION AND IMPLICATIONS

6. SUMMARY AND CONCLUSIONS

REFERENCES

Lock, I. and P. Seele (2016). "The credibility of CSR (corporate social responsibility) reports in Europe. Evidence from a quantitative content analysis in 11 countries". In: *Journal of Cleaner Production* 122, pp. 186–200.