Sustainability Reporting in the Italian Public Sector: Motives and Influences

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Abstract

Purpose - This study investigates the sustainability reporting practices of organizations in the Italian public sector.

Design/Methodology/Approach – Using New Institutional Theory, we conducted semi-structured interviews with key informants from nine Italian public sector organizations. These nine organizations were finalists at the 2011 Italian National Award (Oscar di Bilanco), which recognizes excellence in financial, environmental, and social practices. Thematic analysis was used to analyze the interview data. We also referred to the relevant sustainability reporting guidelines issued by the GRI, by organizations in Italy, and the European Commission Communications.

Findings – We find that Italian public sector organizations face a number of pressures to produce sustainability reports, and as a result tend to legitimize their activities by have their reports evaluated by an independent and skilled third party. The internal push for reporting comes from individuals in prominent positions in the organizations who see the preparation of sustainability reports as a way of highlighting their achievements in bringing about change in the organizations. The external pressure for reporting comes from stakeholders (general population), who as a result of coverage of social and environmental topics on mass media have a better understanding of these issues. To enhance transparency, the preparation of these reports is therefore undertaken in a way where the key points can be easily communicated to stakeholders. Finally, we also find that the organizations that tend to be recognized for good reporting practices are those which were early adopters, thus highlighting the importance of experience and learning by the organizations.

Practical Implications - For the public sector, the findings of the paper identify the various stakeholders that seek information, and the way the organizations respond to these needs (both in terms of content of reports and the form of communication used). Our findings also have implications for governments that intend to introduce sustainability reporting by private and public sector organizations. The example of Italy shows that even though sustainability reporting is voluntary, initiatives, such as annual awards, can encourage private and public sector organizations to report and communicate their sustainable practices.

Keywords Sustainability reporting, Public sector, New Institutional Theory, Italy, Semi-structured interviews, Local governments

INTRODUCTION

The issue of sustainability reporting[1] has received much attention in the academic literature and the accounting profession since the mid-1990s (Gray, 2001). The emergence of ethical, social and environmental issues in accounting and reporting practices can be explained as a response to the growing awareness of these issues among various stakeholders groups that are demanding more transparency and accountability of how organizations undertake their business activities (Farneti and Siboni, 2011; Tagesson, Klugman and Ekstrom 2013). While there has been an increase in the number of studies investigating the reporting practices of firms in the private sector (Kolk, 2010), research on sustainability reporting by public sector organizations remains scarce (see Dumay, Guthrie and Farneti, 2010; Farneti and Guthrie, 2009).

The practice of sustainability reporting remains voluntary in many countries, however, many organizations produce such reports. Gray (2006b) argues that organizations will report their sustainable development activities if they believe that this will provide value to stakeholders. In the case of public sector organizations, stakeholders include many interest groups and individuals, and identifying the value these reports create can be difficult. We find the extant literature to be silent on explaining the motives for why public sector organizations produce sustainability reports. Italy provides us with one such example of a country where public sector organizations have been voluntarily reporting their sustainable development practices. We study the sustainability reporting practices of local government organizations within the Italian public sector to understand their motivations for preparing sustainability reports. In particular, this article answers the following questions:

  o What are the motivations for, and pressures faced by Italian public sector organizations to produce sustainability reports?

  o For whom are these reports produced, and how do the organizations communicate the content of the reports to the stakeholders?

The rest of the article is structured as follows. The next section details sustainability reporting issues in the public sector, followed by information about reporting practices in Italy. The article then explains the use of the New Institutional Theory lens in this study, and the methodology used to collect and analyze the data. We then discuss the findings of the study and the article concludes by providing practical implications for managers in public sector organizations.

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[1] For the purpose of this study, we use the term "sustainability reporting" to include social, environmental and sustainability reporting.

SUSTAINABILITY REPORTING IN THE PUBLIC SECTOR

The issue of social and environmental reporting has received much attention in the accounting literature over the past two decades. The majority of studies investigating sustainability reporting have focused on the practices of the private sector (Guthrie and Abeysekera, 2006; Parker, 2005). However, the role of national governments, regulatory bodies, and public sector organizations in the development of sustainable practices has come under scrutiny, with researchers arguing for policies that deal with the issue of sustainable development and its reporting (see for example Frost and Seamer, 2002; Gray, 2006a). Recently, the European Parliament referred to the role of governments and legislators in providing guidance for organizations and the community (GRI, 2013a). The United Nations Conference on Sustainable Development (also known as Rio+20) highlights the challenges associated with sustainability practices and the role of the government in meeting these challenges:

"Given the scale of the challenges, the international community will not make meaningful progress without much greater action by governments in the coming years and decades" (Rio+, 2012, p. 23).

The emphasis on the preparation of sustainability reports by organizations reflects the growing awareness of social and environmental issues in the wider community. Researchers argue that traditional accounting and reporting practices do not provide sufficient information about an organization's social and environmental activities, and related outputs and impacts (Gray, Bebbington and Walters, 1993; Gray, Walters, Bebbington and Thompson, 1995; GRI, 2005). Therefore, organizations that wish to be transparent about their operations, and want to communicate their activities related to sustainable development should voluntarily adopt sustainability reporting practices. Sustainability accounting practices are seen to have evolved over time and are now considered to provide relevant information that assists organizations in their planning, management, control and reporting of the social and environmental impact of their operations and activities (Unerman, Bebbington and O'Dwyer, 2007).

While the extant literature on sustainability reporting provides us with a better understanding of the issues covered in these reports, few studies have attempted to explore the motivations for producing them, and the practices and related aspects of such reports, in the context of public sector organizations, even though they constitute 40 percent of global economic activity (Ball and Grubnic, 2007; Frost and Seamer, 2002; Guthrie and Farneti, 2008; Marcuccio and Steccolini, 2005). Ball and Grubnic (2007) call for the development of further studies that can increase our understanding

of the reporting practices of public sector organizations, as they face the challenge of communicating to stakeholders their policies, activities and initiatives related to sustainable development (Ball, Hughes and Milne, 2007). The Global Reporting Initiative (GRI) also suggests that public sector organizations have a responsibility in the delivery of goods and services, using for this purpose the resources available to meet the expectations of furthering sustainable development in the public interest (GRI, 2005). Therefore, in order to promote sustainability, the public sector must set a good example by reporting its activities in a transparent manner.

Farneti and Guthrie (2009), studying an Australian public sector organization, found that, from a preparers' perspective, disclosure of sustainability information in reports was focused on informing internal stakeholders., and the process was championed by key individuals within the organization. Other studies have found that coercive pressures from government regulations and legislation are often drivers for public sector environmental reporting (Lodhia, Jacobs and Park, 2012). Tagesson et al. (2013) state that public awareness and interest in social and environmental issues require related disclosure in public sector organizations too. They study the extent of Swedish municipalities' disclosure, finding that the extent of social disclosures is associated with size, tax base, tax rate, financial performance and political majority.

While sustainability reporting in the private sector rose steadily from the 1990s, the practice is still in its infancy in the public sector. A possible explanation for this is that in the past the absence of accepted practices for sustainability reporting, jointly with the absence of stimuli to promote changes in behaviour, led public sector organizations to ignore disclosing sustainability information. However, these organizations now have the choice to apply the various guidelines and frameworks that have been developed for social and environmental reporting (Yongvanich and Guthrie, 2006). Among these, the GRI provides perhaps the most internationally recognized guidelines that have been adopted globally. These guidelines have been established using a multi-stakeholder approach, and detail how an organization should prepare a sustainability report. The GRI was created to develop a framework that could be applied to businesses, non-profit organizations, public agencies and other organizations that want to provide voluntary sustainability reporting (GRI, 2006). The GRI's latest figures show that by early 2013, almost 5,000 organizations were producing sustainability reports using the GRI guidelines as compared to 1,000 organizations in 2008 (GRI, 2013b). The GRI also recognizes the importance of public sector organizations in sustainable development as being both service providers and consumers of resources, and are therefore believed to have an important role in national and global progress of sustainability issues. Thus, the GRI

expects that these public sector organizations will be an example in terms of reporting the development of their activities in order to promote sustainability (GRI, 2005). To encourage the spread of sustainability reporting in the public sector, the GRI has developed the Sector Supplement for Public Agencies (SSPA) (GRI, 2005).

There are calls in the literature to undertake research to identify how to consider (and potentially reduce) the negative social and environmental impacts of organizational activity. However, there is little evidence to suggest which strategic and management practices should be followed or accounting practices adopted, especially in the public sector. This study attempts to address this issue by analyzing motivations, from the perspective of key individuals within Italian local government organizations that have been recognized for 'best practice' in sustainable management and reporting. We build on Gray's (2006b) study, and investigate the reasons why Italian local government organizations produce sustainability reports. We chose Italy for our study as the country's public sector, in particular the local government, has previously been found to prepare sustainability reports (Farneti and Siboni, 2011; Siboni, 2007). The country has also issued three guidelines to support sustainability reporting in the public sector, which we discuss further in the next section.

SUSTAINABILITY REPORTING IN ITALY

In Italy, the issue of sustainability reporting in the private sector was first studied in the 1980s (Matacena, 1984). More recently, there have been several studies highlighting such reporting practices in Italian public sector organizations (Guthrie, Ball and Farneti, 2010). Although sustainability reporting is not compulsory in Italy, organizations that wish to disclose their activities and prepare the reports can refer to the three guidelines that have been issued. These guidelines emphasize a transparent account of social and environmental matters with reference to the public sector. Two of these guidelines have been issued by public agencies: Presidenza del Consiglio dei Ministri, Dipartimento della Funzione Pubblica; and Osservatorio per la finanza e la contabilita`degli enti locali – Ministero dell'Interno, in 2006 and 2007 respectively. The the third is issued by Gruppo Bilancio Sociale (GBS) in 2005.

For the past decade, Italian researchers have addressed the issue of sustainability reporting with reference to national, regional, and local governments (Bartocci, 2003; Hinna, 2004; Mazzara, 2003; Steccolini, 2004). The majority of this research has proposed a normative model for Italian

local governments' social reports, which is often illustrated by the use of a case study, and proposes what the organizations should report (Hinna, 2004; Mazzoleni, 2005). However, these studies do not analyze the contents of the disclosures, the motivations for preparing sustainability reports, or the related organizational practices (Farneti and Siboni, 2011).

The first empirical study on sustainability reporting in the Italian public sector analyzed five social reports of local governments for the year 2002 (Formez, 2005). The study found that primarily the reports communicated information related to output indicators, statistical data and financial data, even if there was a desire to measure the impact of its actions and activities (outcome) and the effectiveness of policies. Other studies by Steccolini (2004) and Marcuccio and Steccolini (2009) focused on a content analysis of the sustainability reports of local governments, municipalities and provinces. These studies found that there was no common framework that organizations referred to when producing their reports. Despite the fact that the preparation of sustainability reports is voluntary, Siboni (2007) found that 14 percent of the municipalities and 38 percent of the provinces produced these in 2004. These reports referred mainly to the guidelines established by the GBS.

Farneti, Guthrie and Siboni (2011) in their study explored the contents of 17 sustainability reports produced by Italian local governments, and analyzed the disclosures with reference to the GRI guidelines. The researchers found that the level of disclosure was very low and these reports focused primarily on managerial information and did not disclose any social and environmental information. The study also found that local governments were using sustainability reports as a means of interacting with different stakeholders, and hence using the reports as a tool for legitimizing their activities.

These studies suggest that the preparation of sustainability reports is gaining acceptance in Italian local governments. However, a closer look at these studies also reveals that the methods of reporting used and content of the disclosures have gradually evolved. Hinna (2004) and Marcuccio and Steccolini (2005) state that the increase in the use of sustainability reporting in the Italian public sector, is linked to the organization's emphasis on enhancing their public image, and seeking legitimacy for their existence and operations from the wider community. Farneti and Pozzoli (2005) warn against a self-laudatory intent of some public organizations that have adopted social reporting practices. Our study contributes to the literature by identifying the motives for why Italian public sector organizations produce sustainability reports, to whom they communicate the disclosures and

how, and whether they face any pressures to produce these reports. We use the New Institutional Theory lens to analyze our data and answer these questions.

NEW INSTITUTIONAL THEORY LENS

Institutional theory argues that organizations operating in a similar environment face pressures to adopt the same structures and processes in order to conform to norms, values and beliefs, and in doing so become homogenized (DiMaggio and Powell, 1983). According to Scott (1987, p. 498), organizations conform to these institutional pressures because "*they are rewarded for doing so through increased legitimacy, resources and survival capabilities*". DiMaggio and Powell (1983) refer to this process of homogenization as isomorphism, and identify its two forms: competitive isomorphism and institutional isomorphism. Competitive isomorphism occurs in organizations that face competition and free market pressures. New Institutional Theory (NIT) states that the institutional environment of organizations contains many external pressures that influence their structures and practices. Institutional isomorphism relates to the organization's political power, social fitness and institutional legitimacy, and the transformation that organizations experience in response to exogenous pressures (Blom-Hansen, 1997).

As our study relates to the Italian public sector, where local governments undertake the provision of services, in an environment of non-competition, our emphasis will be on understanding how institutional isomorphism occurs and how public sector organizations respond to pressures from the institutional environment. We also use NIT to study whether the sustainability reporting practices in the Italian public sector, and local government in particular, is a result of organizations adopting structures and processes that are seen to be appropriate organizational choices and socially acceptable (Covaleski and Dirsmith, 1988). The institutional isomorphic pressures for change are categorized as normative, mimetic and coercive isomorphism (Parker, 2007). In normative isomorphism beliefs and norms that are external to the organization are imported via the norms and values of particular groups within the organization. In mimetic isomorphism the organization chooses voluntarily to copy the strategies, behaviours, values, and/or structures of other organizations in the industry/sector. In coercive isomorphism, the organization tends to respond and adapt to external pressures, which it considers unavoidable. Thus, the organizations' decisions are a response to coercive pressures that they face.

Institutional theory is important in explaining accounting choice in organizations where relative power positions can limit effective control by self-interest maximizing actors (Tsamenyi, Cullen

and González, 2006). Carpenter and Feroz (2001) argue that institutional theory can be of particular use when explaining accounting choices in public sector. They state that non-economic factors such as organizational values, politics, and institutional norms may determine bureaucratic self-interest, and statutes often dictate the choice of accounting method (Carpenter and Feroz, 2001). This leads to organizational imprinting: a process by which an organization maintains practices that were adopted at the time of the organization's inception (Mezias, 1990).

There are several reasons for using NIT for this study. NIT provides us with an opportunity to investigate the reasons, beyond the legitimacy seeking behaviour of the Italian public sector organizations, for preparing sustainability reports. As these reports are produced voluntarily, we aim to use institutional isomorphism to understand the institutional environment and the exogenous pressures faced by the organizations, and to explain the motives for preparing the report and communicating the information with stakeholders. The public sector setting and voluntary nature of reporting allows us to explore the development of sustainable reporting practices over time and to ignore issues of regulations and statutes and organizational imprinting. We address these issues when reflecting on the findings of this study against the elements of the NIT towards the end of this article.

METHODOLOGICAL APPROACH

To investigate the reasons why Italian public sector organizations produce sustainability reports, we conducted semi-structured interviews with key informants for nine Italian local government organizations. These nine organizations were the finalists in the 2011 edition of the Italian National Award, Oscar di Bilianco. The Award was first introduced in 1954, and recognizes best practices in reporting, and the finalists and winners are considered to be organizations that display characteristics of excellence. The National Award is managed by the Italian Public Relations Federation, and is held under the patronage of the President of Italy. The Award is framed on specific categories of organizations, including the public sector, and rewards organizations that demonstrate transparency and accountability in financial and non-financial issues, including environmental and social issues (OdB, 2011). Under the public sector category, the sub-area of local government is divided into:

- local governments that are not capitals of provinces;
- local governments that are capitals of provinces; and

- local provinces.

The nine finalist organizations in our study included three organizations from each of these sub-local government categories.

The Awards provide the local governments the opportunity to showcase the work they have done and targets achieved, and to acknowledge and highlight the role of the organizations' officers and directors. Although preparation of sustainability reports is voluntary, local government organizations in Italy produce reports that not only address the needs of the local community but also incorporate communications from the European Commission.

We conducted semi-interviews with key informants from each of the nine organizations. These key informants were identified as people who were influential in the development of the organizations' sustainability reporting. The interviewees were contacted via email and phone and meetings were set up so the interviews would be conducted during the award ceremony period in Milan. As the key informants were travelling to Milan to represent the organizations in the Award, this provided the best opportunity to meet and interview these individuals in one location. Table 1 provides the position of the key informants in the organizations, but leaves them anonymous and indicates the organizations with the letters from A to I, in random order.

INSERT TABLE 1 HERE

The interviews were conducted in Italian. One member of the author team is a native Italian speaker and was able to conduct the interviews and translate the information into English. With the consent of the interviewees, the interviews were recorded and later transcribed, which aided the subsequent process of translation into English. Semi-structured interviews were appropriate for this study as they allowed us to ask both open and closed ended questions. On average each interview lasted 20 minutes. Interviewing these key informants provided us with the opportunity to ascertain the motives of those who have played a key role in the decision to participate in the Italian national Award in 2011, within the group of local governments considered, as well as reasons for developing sustainability reporting practices. Being finalists, these organizations are recognized for best practice and the interviews allowed us to better understand the changes these organizations had made over time to achieve these results. The questions asked during the interviews sought information about the organization's history in producing sustainability reports, the key drivers for

the reporting of sustainability practices, the identification of key stakeholders, the use of various guidelines and directives, and their use of various media to communicate their sustainable practices to the stakeholders.

We also analyzed the sustainability reporting guidelines issued by the GRI, the three sets of guidelines issued in Italy, and the various European Commission communications related to reporting. The sustainability reports published by the nine Italian organizations were downloaded and analyzed in relation to which sustainability guidelines were used in producing reports, the edition of the report they had published, verification of the reports by independent third parties, and statements that provided information about communication with stakeholders. For the purpose of this study, data analysis focused on the identification of themes and the development of associated categories that would help explain behaviours and relationships. The emergence of the patterns and themes indicated that something systematic is creating that pattern (Shank, 2006). The emergence, continuation, discontinuation, and re-emergence of patterns were identified across the whole period of analysis of the data (Hammersley and Atkinson, 1995). The themes and patterns were then categorized to the point where categories stabilized and subsequent attempts at categorization provided no new explanations (Fox-Wolfgramm, 1997; Glaser and Strauss, 1967). We used the block and file method and conceptual mapping to reduce data into meaningful groups (Grbich, 2007).

The developed categories were then refined through a process of comparison, where new data coded under a particular category were compared for similarities with, and differences from, data previously coded under the same category. This process allowed us to consolidate the category and to identify subsequent subcategories (Silverman, 1993; Strauss and Corbin, 1990). Consequently, we were able to identify themes that addressed our research questions. These themes are presented as four findings in this study.

LEGITIMIZING SUSTAINABLE DEVELOPMENT

Being recognized by the community and by their peers was seen to be the driving force behind the organizations' decision to produce sustainability reports and to apply for the Award. The interviewees explained that they wanted the stakeholders to be informed of the activities being undertaken by their local government and producing sustainability reports was a means through which they could communicate with them. The analysis of the interview data also revealed that the organizations sought legitimacy for their activities by seeking an independent and skilled third party

to audit and verify their sustainable development activities, and applying for the Award fulfilled this expectation. As one key informant explained:

> *I think it is important, here we are still in the motivations that led us to participate in this initiative, that we are not self-referential in public sector, therefore a comparison with others about what the organization is doing is useful/needed to be evaluated by third parties who are not directly involved in the administrative life and in the development of documents/reports that are at the basis of an administration, because the balance sheet expresses all the administration and throughout the year. I think it's an absolutely must to in order not to fall in self-referential activities that is what it takes to make mistakes in managing the relationship with citizens .... but I think that it is essential to have those inputs from citizens [stakeholders]. The process of social [sustainability] reporting is a process of two ways directions: from the organization and from stakeholders to the organization, out-going because the organizations gives information and marks; in-coming because we get inputs from stakeholders and this is very important to do all the needed corrections-* Interviewee, Organization A.

The organizations also used the Awards as a way of learning and improving. The interviewees explained that the organizations had invested a lot of time and effort into producing sustainability reports and the Award presented an opportunity to assess their performance and to identify improvement where required. Winning or reaching the finals of the awards meant that the organization and its key people received recognition within the sector and was seen as justification for the activities undertaken.

The third-party audit conducted as part of the process of participating in the Award was in addition to the independent audit process followed by the organizations. The analysis of the sustainability reports of the organizations revealed that nearly all organizations had their sustainability reports audited by an independent organization.

ACCOUNTABILITY OF SUSTAINABLE PRACTICES AND COMMUNICATION

The preparation of the sustainability report was seen as a way of communicating with the stakeholder, in particular the general population. The key informants explained that increased consumer awareness due to media coverage of issues such as climate change has put pressure on organizations to demonstrate that their activities consider social and environmental concerns. The reports therefore act as a way of communicating with the local population, as they pay relevant local government taxes and rates. The interviewees also acknowledged that balance sheet information is not sufficient for communicating information about sustainable development and

therefore more qualitative information is prepared, which the stakeholders can better understand. Stakeholder involvement was seen as the key and linked to the notion of legitimacy, with the interview data revealing that the communication was not just one-way. The feedback that the organizations received from the community were taken on board and incorporated into future reports:

> *To show/demonstrate what we believe is an example of good governance not only in financial terms (accounting regularity), but also to demonstrate transparency to communicate with citizens-* Interviewee, Organization E.

Another aspect of the stakeholder involvement is the medium for communication. The interviewees explained that they used a variety of media to communicate the sustainable development activities of the local government to the various stakeholders. This included things like making the report available on the website, or booking spots on public television to inform and educate the general population. The local government organizations faced the issue of trying to communicate with a community that is spread over a large area, and does not have access to all forms of media. Hence, by utilizing the various available media, the organizations can maximize their reach and spread their message.

> *... and then the aspect on which we rely, in terms of disclosure and transparency, has been to take advantage of new technologies. Therefore, we have an updated website, very dynamic, we are present with you-tube video, we use Facebook, we try to reach the citizen by any means, also because we know that the written document is read by certain age groups as opposed to the web- Interviewee, Organization H.*

From these statements it is clear how many other communication media for disclosure of the activities undertaken, including social and environmental, have been used. This observation is in line with that of a similar study, carried out on a group of Australian organizations, where it was noted that

> this kind of information was not available in the annual report a stand-alone sustainability report but was available publicly via strategy documents, operational plans, council minutes and publicly available scorecards: The annual report is going on it this year. But all of the other stuff - our monthly balanced scorecard, our quarterly reports on our operational plan performance, that's all available from our website (Farneti and Guthrie, 2009, p. 94).

The variety of different communication media has also been observed in the study conducted by KPMG in 2011, which shows that organizations rely on different means/media of communication, not only "stand-alone reports" in order to disclose the results achieved.

> Three years ago, 'stand alone' CR reports were still considered a leading practice. And while packaging CR reports in PDF format has - if anything - increased in popularity, it seems clear companies are increasingly leveraging multiple formats to effectively disseminate their reports (KPMG, 2011, 22).

The use of these different media leads us to consider that these local governments communicate through different channels than those traditionally used in order to reach a wide audience of stakeholders with their information. This behaviour is in line with conduct aimed to make visible/understandable the need to legitimize their work (Marcuccio and Steccolini, 2009).

KEY INTERNAL DRIVERS FOR CHANGE

The third finding of this study relates to the key people within the organization who are driving change and are promoting sustainability practices and reporting within the organization. The interviewees explained that the people who encouraged participation in the Awards and promoted sustainability practices within the organizations were in key positions and held strong beliefs about social and environmental issues:

> *The initiative/idea to participate in the national competition stems directly from the people involved who have prepared the sustainability/social report and have directly worked in that. Therefore, on their request to participate to the national award we, of course, agreed ... It means that the participation to the national award is based from the direct operators, from who works on the sustainability report daily-Interviewee, Organization A.*

Participation in the national award was then usually led by a manager with a very important role, as the Chief Executive of the Province, the Mayor, etc. and involved not only the sector that prepared the sustainability report, but all those who participated to varying degrees. Furthermore, often the one who decided to participate in the national competition is the person who played a key role deciding to undertake the sustainability/social report.

However, one could argue that the decision to participate in the Awards and to implement change in the organization may not be merely linked to individual beliefs. As discussed earlier, these awards recognize the organizations and the key people driving this initiative. Therefore, it is possible that the decision to produce the reports and to seek legitimacy and recognition through award participation may also be linked to self-interest maximizing actors, who may be using the organization to build their own reputation for promotion to higher positions within the local government sector.

EXPERIENCE AND REPORTING QUALITY

Our final finding relates to the quality of the reports and the number of years the organization has been producing such reports. Our findings reveal that the majority of the nine organizations had been preparing sustainability reports for a number of years, and with experience their reporting practices have evolved. The reports incorporate the feedback they received in previous awards and highlight the organizations' ability to learn. The key informants explained that in some cases organizations had expanded their reports to cover gender issues as well:

> *The local government in which I work really believes in this form of reporting [sustainability reporting] and for 5 years already we started the path of social reporting and this year we have expanded social reporting with the gender and sustainability reporting. With the opportunity of the national competition we wanted to accept this challenge and we wanted to participate. It is thus a logical consequence of a process that began long ago-Interviewee, Organization B.*

In essence, the majority of respondents' organizations had been on the path to social/sustainability-reporting for some time, and the achievement in being selected for the Award reflects the benefits of learning and experience gained over the years

> *Having started since 2005 to frame and develop the social/sustainability report and having improved that year after year, particularly the refinement of the indicators of what are the reports to try to say, explaining what comes out from the resource invested to the people, tell to the people what a policy that has allocated resource was able to make it, and evaluate it… then we thought we had a complete report. We are now working on the identification of macro-indicators to further simplify the communication, and we are already to a mature stage of our instrument –Interviewee, Organization D.*

DISCUSSION

This article explores the motivations for the preparation of sustainability reports by Italian public sector organizations. The findings of our study show that organizations in local government view the preparation of sustainability reports and participation in the Award as a means of gaining legitimacy for their activities from the wider community. This assurance seeking behaviour is consistent with the findings of previous studies in which the number of organizations reporting their sustainable development activities has increased, and subsequently these organizations have sought the services of auditing firms to verify their reports (O'Dwyer, Owen and Unerman, 2011; Park and Brorson, 2005).

Analyzing the findings of the study in light of NIT reveals that the organizations have experienced institutional transformation and isomorphism over a number of years. Although the preparation of these reports is voluntary and organizations do not necessarily face pressure for change or compliance from regulatory bodies, our findings show that the pressure for change comes from the wider community. The increased awareness of the general population in relation to environmental issues has forced organizations to respond by preparing reports and communicating their activities to taxpayers and the general public. The organizations in the public sector have the added pressure of having to address the sustainability concerns of a diverse range of stakeholders, and therefore prepare the reports to communicate the impact of their activities in a transparent manner and to ensure that the taxpayers see 'value' for the tax money they are contributing. Here we see the change in reporting practices of the organization through coercive isomorphism, which is driven by the general population.

Our findings also highlight the role of key individuals driving change within the organizations. These individuals are not only leading the push to produce reports but also taking the initiative to enter the National Award. Hence, individuals who believe in the importance of social and environmental issues drive the change from within the organization. However, we also argue that the decisions by these individuals may be for the maximization of their own self-interest and winning the Award may be the key for them to secure a higher position within the local government structure. There was no mention about how these reports assisted in managerial decision making, which should be one of the main aims of producing such reports (Burritt and Schaltegger, 2010).

The participation in the awards is a new practice for many of the local government organizations. This transformation is in response to what other public sector organizations had initiated in relation to emphasizing sustainability. We argue that this change reflects the normative isomorphism where

organizations in the European Union are gradually moving towards publishing their sustainability reports using guidelines provided by GRI and other bodies. Therefore, these Italian organizations reflect the changing paradigm in the private and public sectors where organizations are now reporting sustainability practices to engage with stakeholders. This reflects Gray's (2006b) emphasis that organizations will produce sustainability reports as long as they can show some value being created for stakeholders.

Finally, we conclude that this isomorphism and transformation has occurred over a period of time, in which the organizations have learnt from experience and from other organizations in the sector and are now seen as organizations that are recognized for excellence and which produce reports that reflect best practice in the sector. Our analysis of the organizational reports revealed that organizations that have been producing reports for a longer period tend to prepare these reports using local and international guidelines. The reports are therefore of a better quality as they cover the various issues of transparency, stakeholder engagement and other key requirements. However, organizations that have only recently started preparing such reports tend to use only domestic guidelines. We therefore conclude that commitments made by organizations over time to produce sustainability reports results in a better coverage of the relevant issues in the reports.

CONCLUSION

There are several implications that emerge from this study. The findings of this study highlight the pressures faced by local government organizations and managers to report their sustainability management practices. This implies that sustainability issues have to be actively considered within an organization's strategic plans and practices and should be detailed in their reporting practices. Gray (2006b: 794) states that sustainability reporting involves: *"involves raising and communicating a range of issues which are not, arguably, part of the usual argot of mainstream accounting"*. To respond to these pressures for social reporting, organizations need to assist managers to improve their understanding and knowledge about social and environmental issues. In our view, the academic community has to be part of this process of knowledge creation and dissemination.

In relation to the dissemination of information, our findings reveal that stakeholders access information through various media, and organizations need to utilize these various options to report their sustainability practices. It is predicted that in the future more reports will be published online,

and various media options, such as social media sites, online blogs, and YouTube could be used by organizations to engage with stakeholders and to complement their conventional reporting practices.

This study also revealed that the increased awareness of citizens in relation to environmental issues and sustainable business practices has resulted in increased stakeholder activism. This in particular affects the public sector, which utilizes public resources to provide services to the community and is expected to operate in a manner that promotes sustainability (Dumay et al., 2010). For managers this stakeholder activism highlights the changing nature of sustainability reporting and suggests the need to prepare for future potential requirements that might soon arise, such as considering the need for integrated reporting and the possibility that it might be compulsory to adopt in the near future. The issue of integrated reports with financial and non-financial data is emerging in Italian local government organizations that were analyzed for this study. This implies that the public sector in some countries has already commenced the process of moving towards an integrated reporting system, and other countries would be expected to follow. Thus, we find that traditional accounting, although still pivotal, is not sufficient and organizations have to consider disclosing information that addresses social and environmental aspects.

Table 1: Organizations and the position of the interviewees

Organization	Position of the interviewees
A	Mayor
B	Manager/Responsible of Financial Sector
C	Mayor
D	Mayor
E	Balance-sheet Councillor with finance proxy
F	General Manager (Chief executive)
G	General Manager (Chief executive)
H	Financial Services Manager
I	Planning and Controlling Manager

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