Sustainability reporting in public sector organisations: Exploring the relation between the reporting process and organisational change management for sustainability

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A B S T R A C T

Sustainability Reporting has become a key element in different organisations. Although there have been a number of academic publications discussing the adoption of sustainability reports in the public sector, their numbers have been quite low when compared to those focussing on corporate reports. Additionally, there has been little research on the link between sustainability reporting in Public Sector Organisations (PSOs) and Organisational Change Management for Sustainability (OCMS). This paper focuses on the contribution of sustainability reporting to OCMS. A survey was sent to all PSOs that have published at least one sustainability report based on the GRI guidelines. The study provides a critical analysis of the relation between sustainability reporting and OCMS in PSOs, including the drivers for reporting, the impacts on organisation change management, and the role of stakeholders in the process. Despite still lagging in sustainability reporting journey, PSOs are starting to use sustainability reporting as a communication tool, and this could drive organisational changes for sustainability.

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1. Introduction

The public sector represents an important part of international economic activities (Ball and Grubnic, 2007; Walker and Brammer, 2012). Public sector organisations (PSOs) are defined by the OECD (2015) as any organisation under government control that develops public goods or services, according to the Classification of the Functions of Government (COFOG). They are major employers, providers of services and consumers of resources (GRI, 2005) associated to significant aspects and impacts in the sustainability of the organisation. The public sector influence all other sectors given their size and related activities (Ball and Grubnic, 2007). The public sector is comprised of central and local government departments, agencies, trading funds and public corporations, and such organisations are usually associated with bureaucratic and hierarchical structures (Carter et al., 1992). The political nature behind the PSOs is the distinctive feature behind this sector (Lane, 2005).

There has been growing research on environmental and sustainability reporting initiatives in PSOs, for example on: the adoption of social and environmental reports by Italian local authorities (Marcuccio and Steccolini, 2005); voluntary Sustainability Reporting (SR) practices in PSOs that use the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (Guthrie and Farneti, 2008); motivations for SR in PSOs (Farneti and Guthrie, 2009); the applicability of GRI guidelines to public and third sector organisations (Dumay et al., 2010); environmental disclosure practices within annual reports from PSOs (Lynch, 2010); the current and future state of local SR in Australia (Williams et al., 2011); environmental reporting practices in PSOs (Lodhia et al., 2012); current performance measurement practices within government departments in Australia (Adams et al., 2014); and disclosure practices of sustainability information by European local governments of Anglo-Saxon and Nordic countries (Navarro Galera et al., 2014).
In spite of their advances, PSOs are still lagging behind in SR (Dumay et al., 2010; Guthrie and Farneti, 2008; Lodhia et al., 2012), when compared to, for example, companies and higher education institutions. According to Flynn (2012), public sector reports usually cover financial aspects and the compliance with standards, including the efficient use of financial resources and the compliance to internal stakeholders’ requirements; and the measurement and reporting of efficiency is a crucial part of public accountability.

SR has become key in supporting the assessment and communication of sustainability management practices and activities of organisations (Herzig and Schaltegger, 2011; Lozano and Huisingh, 2011). SR has been gradually adopted by organisations, such as business and academia since the end of 1990s (Hahn and Kühnen, 2011), mainly by multinational corporations in Europe (Kolk, 2008; Lozano, 2013a), where the GRI guidelines are considered the best option available to support SR (Hussey et al., 2001; Morhardt et al., 2002).

Worldwide, organisations report their sustainability activities through SR mainly to: i) assess the current state of an organisation’s progress towards sustainability; and ii) to communicate to stakeholders the efforts and progress made in the different sustainability dimensions (Dalal-Clayton and Bass, 2002; GRI, 2011). Other reasons for SR that have been reported in the literature are (see for instance Adams and McNicholas, 2007; Daub, 2007): i) the assessment of Sustainability Performance (SP); ii) benchmarking against other organisations; iii) facilitating transparency and external auditing; iv) becoming a leader in society; v) marketing sustainability efforts; and vi) fostering change in the organisation.

According to Burritt and Schaltegger (2010), SR is a tool to help managers deal with sustainability decisions, which can take two perspectives: i) the “inside-out” perspective, driven by the company and its business strategy; and ii) the “outside-in”, driven by reporting and communication requests made by stakeholders. These perspectives were updated to “only external”, ‘mainly external’, ‘both internal and external’, ‘mainly internal’, and ‘only internal’ perspectives (see Ceulemans et al., 2015; Lozano et al., 2016).

Different factors motivate organisations to start publishing sustainability reports, such as their size and perceived corporate impact (economic, environmental, social) (Alonso-Almeida et al., 2014; Frynas, 2010). In particular, leadership has been identified as one of the internal drivers for corporate sustainability (Lozano, 2015, 2013b). For the organisations that have been publishing sustainability reports, usually only one department is designated for the developing process (Schaltegger and Wagner, 2006) and a key individual is the main responsible for pioneering the process (Farneti and Guthrie, 2009).

SR can help support the communication of sustainability initiatives throughout the company and can help to overcome resistance to organisational change (Hedberg and von Malmborg, 2003), in spite of its inherent challenges such as gaining knowledge, experience, and understanding of sustainability (Adams and McNicholas, 2007), and providing the extra resources needed to gather data and engage stakeholders (Lozano, 2006).

SR is one of the main drivers of change towards corporate sustainability (Lozano, 2015). Developing a sustainability report has the ability to influence change in state-owned organisations, for example by leading to the integration of sustainability issues into strategic planning (Adams and McNicholas, 2007), Lozano et al. (2016) found that in corporations SR can be a starting point for planning organisational change. These authors identified SR as one of the drivers of Organisational Change Management for Sustainability (OCMS), and organisational change processes can improve SR practices and processes. OCMS aims to help an organisation move from a certain status quo to a more sustainability-oriented state in a continuously iterative process (Lozano, 2013b, 2012). Ceulemans et al. (2015) identified factors that delay the organisational change potential of SR in higher education, such as the absence of external stakeholder engagement processes and the lack of institutionalisation of SR in the university system.

In the case of PSOs, the existing literature is focused on Organisational Change Management (OCM), not covering OCMS. For instance, Azzone and Palermo (2011) developed a qualitative analysis of change in order to understand which factors influence the enactment process of managers’ performance appraisal and reward systems in a PSO of the central public administration. Chen et al. (2006) proposed a customer-oriented model for organisational change in the public services and suggested that public organisations often face political and long-term resistance of executives in OCM; and van der Voet (2014), who studied to what extent transformational leadership and different change management approaches contribute to willingness to change in PSOs, and to what extent the bureaucratic structure of PSOs affects these relationships.

In spite of advances in research on SR and OCM, including the recognition of SR as an important catalyst for change towards sustainability (see Adams and McNicholas, 2007; Doppelt, 2003), there is still a lack of research linking the SR process with OCMS in PSOs. The main aim of this research is to explore the link between sustainability reporting in PSOs worldwide and OCMS.

This paper is structured as follows: Section 2 presents the methods used in this research; in Section 3 the results and findings from the survey are presented; Section 4 offers the discussion; and in Section 5 the conclusions of the study are presented.

2. Methods

A survey was developed for collecting data, using open-ended and close-ended questions. Close-ended questions were based on a Likert scale (Likert, 1932) from 1 to 5, allowing the respondents to indicate how strongly they agree or disagree with a specific aspect (Saunders et al., 2012). The Likert scale from 1 to 5 represented the following 5 categories: “strongly disagree”; “disagree”; “neither agree nor disagree”; “agree”; and “strongly agree”. The survey was completed using the online survey system (software) Qualtrics (2014). It was developed and managed (design, administration and analysis) by the research team. The data was collected between September and December 2014.

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1 According to the Stakeholder Theory developed by Freeman (1984), business creates value for its stakeholders (internal, such as employees and managers; and external, like users, the general public and suppliers). According to the same author, these groups are important for business, and collaboration is a key factor.
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