Essays on Social Responsibility Research and Sustainability Reporting in the Portuguese Public Sector

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STATEMENT OF INTEGRITY

I hereby declare having conducted this academic work with integrity. I confirm that I have not used plagiarism or any form of undue use of information or falsification of results along the process leading to its elaboration.

I further declare that I have fully acknowledged the Code of Ethical Conduct of the University of Minho.

Ensaios sobre Investigação em Responsabilidade Social e Relato de Sustentabilidade no Sector Público Português

RESUMO

Os principais objetivos desta tese são: estudar, analisar e compreender o grau de divulgação e as razões para a divulgação voluntária da informação de Responsabilidade Social Corporativa (RSC), apresentada nos relatórios de sustentabilidade, elaborada de acordo com as regras da *Global Reporting Initiative* (GRI), de entidades do Setor Público (SP) português.

O primeiro ensaio estuda o processo de mudança da contabilidade e relatórios de sustentabilidade, sob as perspetivas das teorias institucional, da legitimidade e dos *stakeholders.* Este ensaio pode ser uma referência importante para os pesquisadores interessados em entender as relações entre cada teoria na investigação em contabilidade e no relato da sustentabilidade. Assim estas teorias ajudarão a compreender melhor os fatores que motivam a divulgação da RSC pelas entidades do SP.

No segundo e terceiro ensaios, analisamos o conteúdo de cinquenta e oito relatórios, referentes aos anos 2008 e 2012, usando a abordagem de investigação quantitativa. No segundo ensaio analisamos as práticas de RSC das entidades do SP português nos seus relatórios de sustentabilidade e os seus níveis de aplicação, conforme as diretrizes da GRI. Os resultados podem ser de interesse para académicos e profissionais, no sentido se entenderem porque a divulgação destas "Boas Práticas" ainda é tão incipiente. O terceiro ensaio tem como propósito demarcar os fatores determinantes das práticas de divulgação de sustentabilidade, com suporte nas teorias da legitimidade e dos *stakeholders,* contribuindo para novas evidências empíricas num contexto diferente, como é o SP português. Os resultados sugerem que o nível de divulgação da sustentabilidade está relacionado com o tamanho, setor, prémios e certificados recebidos e visibilidade.

No quarto ensaio, analisamos quinze respostas a um questionário aberto, usando uma abordagem de investigação qualitativa. O nosso objetivo é analisar e explicar os fatores institucionais que motivam a divulgação de sustentabilidade nos relatórios da GRI, de acordo com o quadro de respostas estratégicas de Oliver (1991). A nível teórico e prático contribuímos para uma melhor compreensão do comportamento organizacional em contextos institucionais sobre a prática da responsabilidade social, em entidades do SP.

Palavras chave: *Global Reporting Initiative*, relatórios de sustentabilidade, responsabilidade social corporativa, setor público, teoria institucional

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ABSTRACT

The main objectives of this thesis are: to study, analyze and understand the disclosure level and the reasons for the voluntary disclosure of corporate social responsibility (CSR) information presented in sustainability reports, elaborated according to the rules of the Global Reporting Initiative (GRI), in Portuguese public sector (PS) entities.

The first essay studies the process of accounting change and sustainability reporting, under the perspective of the institutional, legitimacy and stakeholders' theories. This essay can be an important reference for researchers interested in understanding the relationship among each theory in accounting research and sustainability disclosure research. Thus, these theories will help to better understand factors motivating CSR disclosure by the PS entities.

In the second and third essays, we analyze the content of fifty-eight reports, of 2008 and 2012, using a quantitative research approach. In the second essay, we analyze the CSR practices of Portuguese PS entities in their sustainability reports and their levels of application, according to GRI guidelines. The results can be of interest for academics and professionals to understand why the disclosure of these "Good Practices" is still so incipient. The third essay aims to line off the determinants of practices of sustainability disclosure, supported by the legitimacy and stakeholders' theories, contributing to new empirical evidence in a different context, such as the Portuguese PS. The results suggest the level of sustainability disclosure is related to the organization's size, industry, awards and certifications received and visibility.

In the fourth essay, we analyze fifteen answers to an open questionnaire using a qualitative research approach. Our objective is to analyze and explain the institutional factors which motivated the sustainability disclosure in GRI reports, according to Oliver's (1991) strategic response framework. At the theoretical and practical level, we contribute to a better understanding of organizational behavior in institutional contexts about social responsibility practice in the PS entities.

Keywords: corporate social responsibility, Global Reporting Initiative, institutional theory, public sector, sustainability reports

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ABBREVIATIONS

AdDP - Águas do Douro e Paiva, S.A.

AdZC - Águas do Zêzere e Côa, S.A.

APCER – Associação Portuguesa de Certificação

APDL - Administração dos Portos do Douro e Leixões, S.A.

AW - Awards

BCSD - Business Council for Sustainable Development

CAEAR - Comissão de Assuntos Europeus da Assembleia da República

CER - Certification

CERES - Coalition for Environmentally Responsible Economics

CFP – Conselho das Finanças Públicas

CMIN - Câmara Municipal Idanha-a-Nova

CMMG - Câmara Municipal da Marinha Grande

CMPN - Câmara Municipal de Proença-a-Nova

CMS - Câmara Municipal Sertã

CPR - Constitution of the Portuguese Republic

CSR - Corporate Social Responsibility

DGTF - Direção Geral do Tesouro e das Finanças / Directorate General of the Treasury and Finance

EMAS - Eco-Management and Audit Scheme

EMS - Environmental Management System

EPAL - Empresa Portuguesa das Águas Livres, S.A.

EU - European Union

FASBI - Financial Accounting Standards Board Interpretations

GAAP - Generally Accepted Accounting Principles

GBEs - Government Business Enterprises

GRI - Global Reporting Initiative

IAS - International Accountability Standards

IFRS - International Financial Reporting Standards

IND - Industry

IPNSSD - Implementation Plan National Strategy for Sustainable Development

IT - Institutional Theory

LIPOR - Serviço Intermunicipalizado de Gestão de Resíduos do Grande Porto

LT - Legitimacy Theory

ML - Metropolitano de Lisboa, E.P.E.

MNCs - Multinational Corporations

MNE - Ministério dos Negócios Estrangeiros

MP - Metro do Porto, S.A.

NGOs - Nongovernmental Organizations

NIS - New Institutional Sociology

No. - Number

NSSD - National Strategy for Sustainable Development

OECD - Organisation for Economic Cooperation and Development

OSD - Objectives of Sustainable Development

PAT - Positive Accounting Theory

PS – Public Sector

RD - Resources Dependency

RDT - Resources Dependency Theory

RSC – Responsabilidade Social Corporativa

SD - Sustainable Development

SDI - Sustainability Disclosure Index

SP – Setor Público

SPSS - Statistical Package for Social Sciences

SR - Strategic Responses

ST – Stakeholders´ Theory

STCP - Sociedade de Transportes Coletivos do Porto, S.A.

TBL - Triple Bottom Line

TRATOLIXO - Tratamento de Resíduos Sólidos, EIM, S.A.

TT - Grupo Transtejo, S.A.

UM - Universidade do Minho

UNEP - United Nations Environmental Programme

VIS – Visibility

W/out – With or Without

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CHAPTER ONE

Introduction

1.1. General Context and Motivation

The world economic development is facing social and environmental impacts from problems such as global warming, natural catastrophes, and pollution. These are the reasons why many organizations are taking responsibility for social, environmental, and economic issues (Suttipun, 2012). Concerns about corporate sustainability have increased over the last decades, partly because of a series of (highly disclosed) environmental disasters, social and environmental legislation and public pressures for a better behavior. As argued by Gao and Zhang (2006),

> corporate sustainability as a building ideology for rethinking business beyond corporate social and/or environmental responsibility activities towards holistic corporate sustainability requires systemic corporate cultural changes. That cultural change involves investing in the long term, engaging all stakeholders and building a sustainable society as part of it, not just a sustainable business in financial terms. (p. 724)

Corporate sustainability is a complex, dynamic, and multifaceted concept, which should be handled as a business strategic asset (Gao & Zhang, 2006). It is also extremely relevant for organizations' long-term survival and competitiveness (Williams, Wilmshurst, & Clift, 2011), implying and requiring a collective decision-making level for a common good (Gray, 2002).

In today's world, corporate social responsibility (CSR) is putting pressure on traditional organizations not only to supply financial information to their stakeholders but also to include nonfinancial information like social and environmental issues (Gray, 2006; Guthrie & Farneti, 2008; Bell, Soybel, & Turner, 2012; Berthelot, Coulmont, & Serret, 2012; Roca & Searcy, 2012; Suttipun, 2012; Cohen, Holder-Webb, Nath, & Wood, 2012). Thus, they meet their stakeholders' expectations by acting responsibly on diverse social, environmental, and economic pressures (Reverte, 2009). They believe that being seen as socially responsible will bring them competitive advantage (Branco & Rodrigues, 2006a, b). Organizations all over the world are encouraged to disclose CSR reports, communicating and convincing their stakeholders that they are open to social concerns. This is an essential tool both for a legitimation strategy and for managing corporate reputation (Huang & Kung, 2010; Othman, Darus, & Arshad, 2011).

In practice, there is a growing number of organizations all over the world informing about the three-dimensional impact (economic, environmental, and social) of business operations, alongside the internal mechanisms of governance (Skoulodis, Evangelinos, & Kourmousis, 2010). In recent years, sustainability reporting has significantly increased in most Western countries (Gray, 2006; Gray, 2007; Guthrie & Farneti, 2008; Farneti & Guthrie, 2009; Christofi, Christofi, & Sisaye, 2012). Despite a series of norms making organizations adhere to legislated norms of responsibility, corporate responsibility disclosure is usually accepted as voluntary (Deeley, 2012).

Several national and international organizations have developed guidelines on sustainability reporting so as to make social, environmental, ethical, and governance disclosure to stakeholders easier. The most prominent ones are in the Global Reporting Initiative (GRI) (Dumay, Guthrie, & Farneti, 2010; Moneva, Archel, & Correa, 2006). However, sustainability reporting is still at an initial phase (Dumay et al., 2010; Williams et al., 2011), especially as regards the use of GRI standards, which allows for enhancing the comparability, quality, accuracy, and utility of sustainability reports by reporting an organization's economic, environmental, and social performance (also known as triple bottom line [TBL]) (GRI, 2006). The GRI is the most recognized guidelines framework used to voluntarily disclose information on organizations' performance all over the business world (Gao & Zhang, 2006; Brown, Jong, & Lessidrenska, 2009a; Brown, Jong, & Levy, 2009b; Manetti & Becatti, 2009; Skouloudis & Evangelinos, 2009; Skouloudis et al., 2010; Nikolaeva & Bicho, 2010; Clarkson, Overell, & Chapple, 2011; Fernandez-Feijoo, Romero, & Ruiz, 2012; GRI, 2012), and it established international standards for nonfinancial information (Willis, 2003; Brown et al., 2009b; Skouloudis et al., 2010). It has been incorporated in the reporting routine of hundreds of big companies in several countries (Levy, Brown, & Jong, 2009). In public sector (PS) organizations, the GRI is also the predominant frame, offering a vision for sustainability development (Farneti & Guthrie, 2009; Milne, Tregidga, & Walton, 2009; Dumay et al., 2010; Legendre & Coderre, 2012).

Besides, transparency of governmental practices has increased all over the world, increasing public pressure to use resources more efficiently (Afonso, Schuknecht, & Tanzi, 2010). Sustainable development (SD) reporting by the PS creates an opportunity to supply information on the performance of ecosystems, regions, and countries, which may result in a remark on SD performance (Ball & Bebbington, 2008; Williams et al., 2011). The PS has a distinct profile and specific opportunities to promote and support society's search for more forms of SD (Daub, 2007; Ball & Bebbington, 2008; Haque, Pathrannarakul, & Phinaitrup, 2012). PS organizations that work properly offer quality public services, compatible with the citizens' preferences, and promote growth led by private markets

(Broadbent & Guthrie, 2008). However, these organizations' role on leading the accounting agenda of sustainability and accountability has been frequently forgotten (Ball & Grubnic, 2007; Larrinaga-González & Pérez-Chamorro, 2008).

Thus, PS organizations must integrate ways of thinking, acting, and learning about SD in their strategic planning, in which they may perform a critical role (Mazzara, Sangiorgi, & Siboni, 2010). In fact, PS entities have a great impact on the national and global progress toward SD, by their size and influence. They should give an example by publicly and transparently reporting their activities to promote sustainability (Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sancez, 2009).

This theme of corporate sustainability has been an object of interest in social sciences research since the mid-1900s (Christofi et al., 2012). Academically, sustainability reporting is a new challenge for accounting, a current research field that is continuously growing (GRI, 2006). But, Toppinen, Li, Tuppura, and Xiong (2012) notice a lack of empirical studies exploring corporate disclosure under the GRI guidelines. Also, according to Campbell (2007), little theoretical attention has been given to trying to understand why organizations act in a socially responsible way.

Many research studies on accounting have used the institutional (IT), legitimacy (LT), stakeholders´ (ST), and resources dependency (RD) theories, separately or together, to explain the motivations behind voluntary environmental and social disclosures (see Wilmshurst & Frost, 2000; Villers & Staden, 2006; Branco & Rodrigues, 2007; Cho & Patten, 2007; Branco & Rodrigues, 2008a, b; Gifford & Kestler, 2008; Bebbington, Higgins, & Frame, 2009; Ball & Craig, 2010; Chen & Roberts, 2010; Lynch, 2010; Escobar & Vredenburg, 2011; Legendre & Coderre, 2012; Lorne & Dilling, 2012; Rodrigues & Craig, 2012).

PS organizations do not assume sustainability reporting with the same enthusiasm as the private sector, but there is an opportunity to learn from using GRI reports in practice (Dumay et al., 2010; GRI, 2010). Related to a recent study supported by the GRI, Dumay et al. (2010) state that sustainability reports of PS organizations are in their "infancy," when compared with those in the private sector: only 1.7% of all GRI reports come from the PS (GRI, 2010). This is very low, especially when considering that, internationally, PS organizations alone represent about 40% of all the economic activities (Dumay et al., 2010; Lynch, 2010; Williams et al., 2011). Thus, they should lead in accounting practices on sustainability and accountability. This will offer public agencies an opportunity to communicate their organizational performance and their external public policies and measures related to SD (GRI, 2012).

"Sustainability reporting is a key tool for demonstrating the role of public agencies in advancing sustainable development. The GRI is continuing to encourage sustainability reporting in the public sector" (Lamprinidi & Kubo, 2008, p. 328). Thus, now is the time to act: PS organizations should foster and proceed with the agenda on sustainability reports as leaders (Williams et al., 2011).

There has been little research on disclosure issues in the PS. Scholars have neglected the theoretical research and in-depth investigation on sustainability practices in the PS. Also, little attention has been given to sustainability and accountability within the PS. In fact, there is a gap in sustainability reports (Ball & Bebbington, 2008; Guthrie & Farneti, 2008; Farneti & Guthrie, 2009; Gray, Dillard, & Spence, 2009; Dumay et al., 2010; Guthrie, Ball, & Farneti, 2010; Mazzara et al., 2010; Williams et al., 2011).

This way, Ball and Grubnic (2007), Sciulli (2009), and Bellringer, Ball, and Craig (2011) make a call to researchers to help understand the nature of sustainability reports accounting and accountability in the PS (Guthrie & Farneti, 2008; Dumay et al., 2010).

Most current literature is based on Anglo-Saxon countries (see Jackson & Apostolakou, 2010; Fifka, 2013). Other contexts must be added to provide evidence related to Portugal. In our country, despite some empirical research on environmental and social reporting in the private sector (Branco & Rodrigues, 2008a, b; Monteiro & Aibar-Guzmán, 2010), to the best of our knowledge there are no empirical studies on sustainability information disclosure, or studies on the explanatory factors of such disclosure in the PS.

In 1992, the Rio Summit was called in Brazil by the United Nations Commission on Sustainable Development to find ways to deal with urgent demand for sustainability (Gray, 2002). In 2000, the Lisbon Strategy (2000–2005; 2005–2010) had the aim of transforming the European Union (EU), as the most competitive region in the world, with an economy based on knowledge and including as a priority, among others, social and environmental sustainability (European Commission, 2010; 2013). To pursue this strategy, the EU has issued a set of recommendations to encourage PS organizations to adopt sustainable behavior, while supplying a frame for implementing SD strategies (Mazzara et al., 2010). The National Strategy for Sustainable Development (NSSD) for the period of 2005 to 2015 in Portugal[1] (NSSD, 2005) is an example. In the EU, the publication of the green paper

[1]The Great Design that shapes the NSSD is considered to make Portugal, before 2015, one of the most competitive countries in the European Union in an environmental, cohesion, and social responsibility frame. The NSSD constitutes a political process aiming at making possible a harmonious integration of environmental, social, and economic dimensions in the design and implementation of different public policies, oriented in the medium and long term by the

(2001) by the European Commission has launched a wide debate on how the EU could promote social responsibility. With the approval of the Lisbon Strategy (2000–2010) and the Europe 2020 Strategy (2010–2020), SD became a priority (CAEAR, 2008; European Commission, 2010; 2013).

In Portugal, a European southwestern country, one of the least developed countries in the eurozone and a small country of the Organisation for Economic Co-operation and Development (OECD) (Lopes & Rodrigues, 2007; Branco & Rodrigues, 2008a), the Resolution no. 49/2007 of the Council of Ministers aimed to integrate new principles regarding information disclosure by public entities to citizens and taxpayers, namely, a sustainability analysis on economic, social, and environmental areas. Also, as mentioned before, the Implementation Plan for the National Strategy for Sustainable Development (IPNSSD) aims at guiding the development process of the country from a sustainability perspective. The IPNSSD is integrated in a global initiative and seeks for a more sustainable model for society's evolution (Resolução no. 109/2007). The Lisbon Treaty, which has been in force since December 1, 2009, aims to reinforce democracy in Europe, to enhance effectiveness of the EU action, and to develop the ability to face global challenges, such as safety, climate changes, and SD (CAEAR, 2008). The Decree-Law no. 169/2012 approves the Responsible Industry System, with a set of measures toward clear advancements and improvements in a solid SD of the national economy. With the Decree-Law no. 133/2013, the Portuguese government also establishes the principles and rules to apply to government business enterprises (GBEs) In the section "Good Governance Practices," article no. 49 (social responsibility), it is referred that GBEs should pursue aims of social and environmental responsibility (Decreto-Lei no. 133/2013, p. 5998–5999).

Lately, was disclosed the 2030 Agenda for Sustainable Development, based on seventeen Sustainable Development Objectives (ODS). Is an agenda with a universal dimension, to be implemented by all countries and is a transformative agenda for SD. The ODS are integrated, indivisible and balance the three dimensions of SD: the economic, social and environmental (MNE, 2017).

In this thesis, we aim to fill the gaps mentioned in previous literature related to the void of research on social responsibility in the PS. We believe that the PS has an important role in the future in the matter of sustainability. Thus, this thesis aims to explore the TBL disclosure indicators and the reasons that explain voluntary sustainability reporting practices, elaborated according to the GRI guidelines, in the Portuguese PS.

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vision of a modern Portugal, more fair, more convergent toward its European partners, committed to the European Union construction, with an active voice in initiatives looking for an international order promoting peace and sustainable development all over the world (NSSD, 2005).

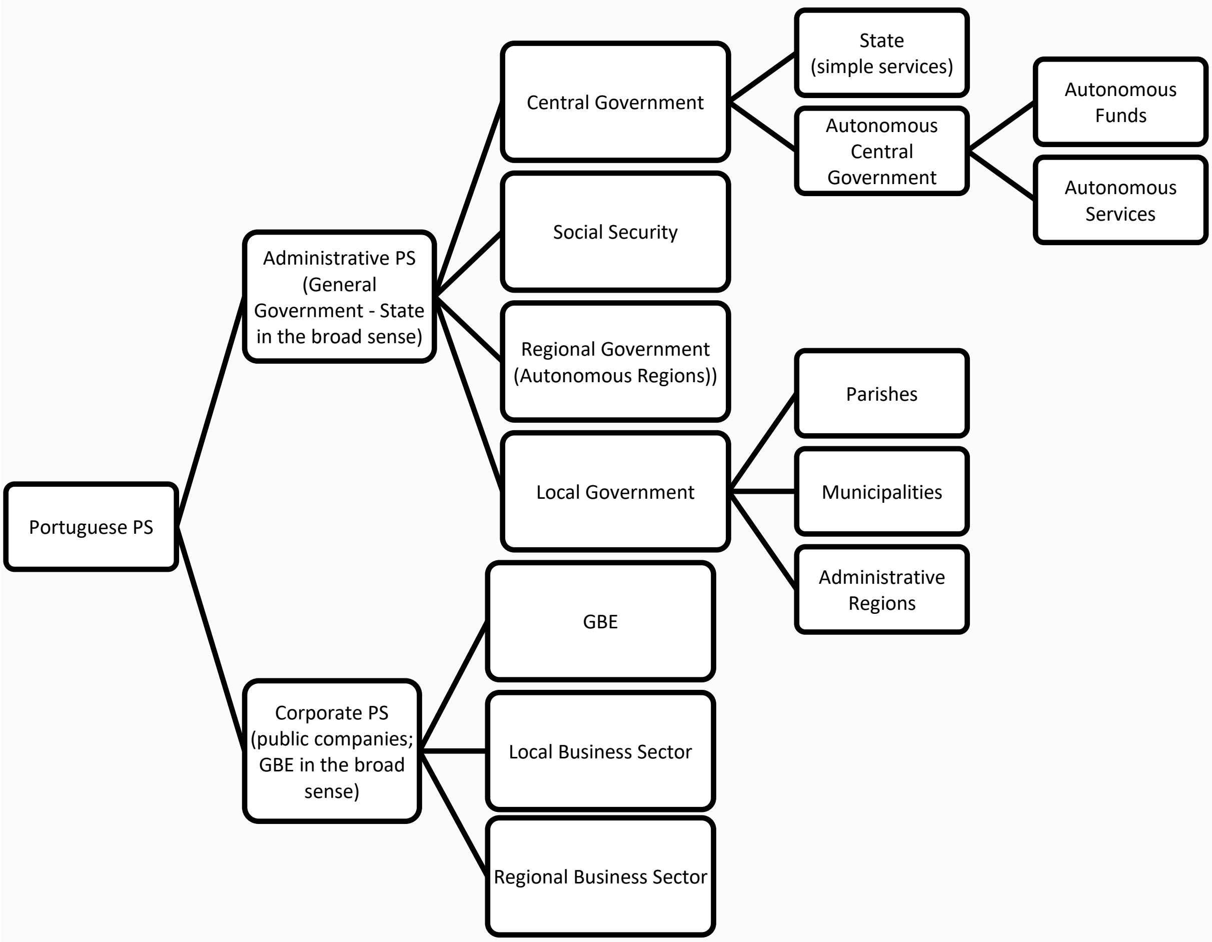
1.2. Characterization of the Portuguese Public Sector

In order to better understand the sample of our study, it is important to comprehend how the Portuguese PS is organized.

The Constitution of the Portuguese Republic (CPR), in article 81, refers as the State's priority tasks in the economic and social spheres: ''Promoting an increase in the social and economic well-being and quality of life of people, especially the most disadvantaged ones, as part of a sustainable development strategy'' and ''Ensuring the full utilization of the productive forces, in particular by ensuring the efficiency of the public sector'' referred to in point (a) and (c) respectively. In Article 82, paragraph 1, it guarantees the coexistence of three sectors of ownership of the means of production: the PS, the private sector and the cooperative and social sector. Article 2 (2) states that the public sector is made up of the means of production owned and managed by the State or other public entities (CRP, 2005).

In Portugal, and according to Franco (2004, p. 140), the PS ''is the set of economic activities of any nature exercised by public entities, these being, the State itself, associations and public institutions.'' Thus, and taking into account the activity that the State and Public Entities develop and the national normative, the structure of the PS in Portugal is shown in Figure 1.1. However, the commonly accepted designations are the division into two major sub-sectors: administrative PS and GBE.

Figure 1.1 - Structure of the Portuguese PS



Source: Caiado, 2002; Franco, 2004; Pereira et al., 2005; CFP, 2015, adapted

The administrative PS comprises the central government (public services, integrated or simple services, and the autonomous central government), the regional government (autonomous regions), local government (parishes, municipalities, and administrative regions) and social security.

Its purpose is to provide services to the population, either free of charge or half-free, that is, it does not act with the intention of making a profit. The resources used come mostly directly from the State itself or from other Public Entities which, in turn, are obtained through the other sectors of the national economy, which will allow the subsequent development of income redistribution operations. It comprises the "economic activity of the State and other public non-profit entities that perform a public activity according to non-entrepreneurial criteria" (Franco, 2004, p.140). This opinion is shared by the Public Finance Council (CFP, 2015).

The Law on the Budgetary Framework itself (LEO – Lei no. 151/2015, amended by Lei no. 37/2018), article 2, paragraph 1, considers "all the services and entities of the sub-sectors of the central, regional, local and social security, which do not have the nature and form of a company, a foundation or public associations" integrated in the administrative PS. In the National Statistical Institute (INE, 2017) we can find the entities that integrate administrative PS listed.

The corporate PS is made up of public companies and other companies, whose orientation, control, supervision depend on the government and central state administration (Franco, 2004). It comprises the GBE (integrates public companies and investee companies) and the local business sector and regional business sector (municipal, intermunicipal and metropolitan companies). It acts with the purpose of creating profit and it includes "activities dominated exclusively by economic criteria: the production of goods and services in order to generate surpluses -" profits "- from income over costs" (Franco, 2004, p. 140).

The Resolution of the Council of Ministers no. 49/2007 defines the "Principles of good governance of companies of the government business enterprises", in which it can be read that

> State-owned enterprises must fulfill its mission and objectives, in an economically, socially and environmentally efficient manner, taking into account demanding quality parameters, seeking to safeguard and expand its competitiveness, respecting the principles of social responsibility, sustainable development, public service and meeting the needs of the community which have been fixed for them. (Resolução no. 49/2007).

With the publication of Decree-Law no. 133/2013, the Government establishes the principles and rules applicable to the corporate PS, namely those applicable to the running of public companies. For the purposes of the provisions of the diploma, the corporate PS covers the GBE and the local business sector, and it establishes rules regarding corporate governance structures. Thus, GBE is made up of all the State's productive units, organized and managed in an entrepreneurial way and whose activity covers the most diverse sectors of activity and domains, constituting an important instrument of economic and social policy. It is responsible for the constitution and management of fundamental public infrastructures of an entrepreneurial nature and for the provision of essential public services (Decreto-Lei no. 133/2013).

On the website of the Directorate General of the Treasury and Finance (DGTF) we can find information about these companies. On PORDATA's website we can see in the statistical indicators the range of companies in the corporate PS and its evolution over the years, their average size, activity sectors, the number of public companies at central, regional and local government level, and of public financial or non-financial corporations, among others (PORDATA, 2018).

1.3. Purposes and Research Questions

Focusing our attention in GRI sustainability reports, it is our purpose to study the good sustainability practices of Portuguese PS entities. Thus, the general objective of this thesis is to analyze the TBL disclosure level presented in the sustainability reports, perceive which TBL indicators are reported, and understand the reasons for voluntary reporting of CSR, elaborated according to GRI rules by Portuguese PS entities.

To reach the main goal, some specific objectives were defined: to review the literature that adopts the institutional, legitimacy, and stakeholder theories as a theoretical framework in sustainability accounting studies; to review the CSR and corporate sustainability terms, the social responsibility disclosure instruments and the current practice of TBL disclosure using GRI sustainability reports; to verify the sustainability reporting practices in Portuguese PS entities; to analyze the degree of disclosure in sustainability reports according to the GRI rules in the Portuguese PS; to analyze TBL indicators disclosed in GRI sustainability reports; to identify the GRI application levels; to identify factors influencing the Portuguese PS to issue environmental, social, and economic information in its sustainability reports; to explore Portuguese PS entities' motivation for GRI sustainability reporting; to verify the strategic responses presented by Portuguese PS entities in the preparation of GRI sustainability reports (Oliver's model, 1991).

This thesis fills a gap in the literature by providing an analyzis and understanding of the TBL disclosure in sustainability reports in Portuguese PS entities and of the reasons for this kind of voluntary reporting, using the GRI guidelines. Thus, the main research question is:

> What TBL indicators do Portuguese PS entities report in their GRI sustainability reports and what are the reasons for this disclosure, using the GRI tool?

To conduct an in-depth study and to answer this main question, other complementary research questions arise:

Q$_1$ – Which is the theoretical framework that is being used in the explanation of social responsibility and corporate sustainability disclosure practices?

Q$_2$ – Which TBL indicators are disclosed by Portuguese PS entities in GRI sustainability reports?

Q$_3$ – What are the GRI application levels presented by the Portuguese PS entities in their sustainability reports?

Q$_4$ – What factors and motivations lead Portuguese PS entities to elaborate sustainability reports, produced according to the GRI guidelines?

Q$_5$ – What institutional pressures and consequent strategic responses, according to Oliver's model (1991), are presented by Portuguese PS entities to voluntarily disclose their sustainability in GRI sustainability reports?

1.4. Research Method

Having in mind the main aim of our thesis and trying to answer the questions asked in the several essays, we have carried out a literarture review on the research method to select the most adequate one to our study.

The opposition and debate between quantitative and qualitative methods goes back to social sciences foundation (Serapioni, 2000) and it is not easy to accurately limit boundaries between what is qualitative and quantitative research (Vieira, Major & Robalo, 2009). But the accounting as a social science, besides an objective reality, is also a subjective one, which must be understood and interpreted (Seale, 1999) and the choice between different methods used for research should depend on the research itself (Vieira et al., 2009).

Qualitative research methods have been developed by social sciences researchers, who were trying to study social phenomena (Vieira et al., 2009). Thus, qualitative research has an inherently literary and humanistic focus.

Qualitative research starts from and returns to words, talk, and texts as meaningful representations of concepts (Gephart, 2004). It adopts a holistic orientation, enabling to understand, interpret and in-depth explain social practices, where accounting practices are included. It adopts an interpretative philosophical position, in the broadest sense of the term, as it tries to explain how social phenomena are interpreted, understood, produced and constituted (Vieira et al., 2009).

This research method is concerned about the understanding of social phenomena in natural environments (Denzin & Lincoln, 2000) and it facilitates a comprehensive and detailed study of issues (Patton, 2002). There is a greater concern about the analysis and comprehensive explanation of phenomena (Vieira et al., 2009).

Interpretative paradigms assume a subjective vision of accounting phenomena, trying to understand the interaction among them (Vieira, 2009). The goal of interpretive research is to understand the actual production of meanings and concepts used by social actors in real settings (Gephart, 2004). It locates structures in the social setting and analyzes how these evolve over time, trying to understand the phenomenon under observation (Ryan Scapens, and Theobald, 2002; Vieira, 2009).

Quantitative research is grounded in mathematical and statistical knowledge. "Quantitative research codes, counts, and quantifies phenomena in its effort to meaningfully represent concepts" (Gephart, 2004, p. 455).

The major characteristics of traditional quantitative research are a focus on deduction, confirmation, theory/hypothesis testing, explanation, prediction, standardized data collection, and statistical analysis (Johnson & Onwuegbuzie, 2004). Quantitative research acts at reality levels and aims to bring data, indicators and observable tendencies to the light (Serapioni, 2000).

Quantitative, positivist research imposes scientific meanings on members to explain a singular, presumed-to-be true reality that nonscientists may not appreciate (Gephart, 2004). The positive research assumes the researchers' role is to study problems towards their resolution. Positivist paradigm tries to explain and predict phenomena based on implicit conotations of rationality and objectivity (Vieira, 2009).

Many scholars consider the quantitative analysis of qualitative data to be qualitative research. But it can be argued that quantitative analysis of qualitative data requires data to be quantified, and hence this is quantitative research (Gephart, 2004).

In this context, the methodology used in the research depended on the purpose of the investigation in question (Yin, 2003) and considering the specific objectives of our study, some objectives may be achieved through quantitative methods, which are usually used to measure and analyze the causal relationship between independent and dependent variables (Denzin & Lincoln, 2000), with final results presented using statistics (Johnson & Onwuegbuzie, 2004). But a qualitative approach also fits the study so as to understand the strategic responses of PS entities to their social responsibility practices using GRI sustainability reports. In this case, there has been (direct/indirect) interaction between researchers and social actors (respondents), contributing to the depth, openness, and detail of the questions on the topic.

Besides an in-depth analysis of the content of a lot of the literature on the topic analyzed in this thesis, and under a positivist and interpretive perspective, we followed a quantitative and qualitative approach for the study of the disclosure of sustainability information by Portuguese PS entities.

Regarding the aims of the research, and to answer the first question, the first essay presents a literature review on the process of accounting change and sustainability reporting.

To answer the other research questions, the second, third, and fourth essays follow the steps suggested by Ryan et al. (2002) and Yin (2003): first, to develop a research design; second, to prepare to collect data; third, to collect evidence; fourth, to assess evidence; and fifth, to identify and explain patterns. Some steps were followed in an interactive way and not in a sequential order.

Epistemologically, given the ontology of the reality of the phenomenon under study, a positivist research was followed in essays 2 and 3 and interpretative research in essay 4 (see Jensen, 1976; Burrell & Morgan, 1979; Hopper & Powell, 1985; Watts & Zimmerman, 1978, 1986; Ryan et al., 2002; Gephart, 2004; Goddard, 2010; Vieira, 2009).

Given the phenomenon under study, the second and third essays involve a quantitative approach, with a definition of the problem to investigate, literature review and formulation of questions/hypotheses, study design, sample, data collection, analysis, and results. This is an exploratory type study as an empirical research method in the TBL divulgation analysis of the entities of the Portuguese PS which published GRI sustainability reports in the years 2008 and 2012. Our study is also a longitudinal study because the research design involves repeated observations of the same variables over short periods of time. Longitudinal studies (or longitudinal survey, or panel study) track the same variables and make observed changes more accurate.

In the fourth essay, the qualitative explanatory study used a questionnaire that was undertaken in the "field work" (see Ryan et al., 2002, p. 146). After the literature review and the formulation of the research propositions, we defined the study design and the unit of analysis, linking data to propositions. Then, we interpreted the findings to understand the phenomenon under study in depth (see Perrone, 1977; Seale, 1999; Denzin & Lincoln, 2000; Serapioni, 2000; Gephart, 2004; Johnson & Onwuegbuzie, 2004; Vieira et al., 2009).

An initial search on the GRI database was conducted to determine which Portuguese PS entities have published a sustainability report. Next, we used the "google.pt" search engine and verified that besides the GBEs, some of the entities in the administrative PS published (in 2008 for the first time and again in 2012) sustainability reports, following the GRI guidelines. We chose the year 2008 because there was a significant increase of publications, including in the PS, and for the first time, there were publications from the administrative PS. The year 2012 was chosen as it was when, after a decrease, the number of publications rose again, and for the second time, there were publications with information from the administrative PS.

The sample of 58[2] reports of GBEs and administrative PS entities were "aggregated" in nine industries[3] (Table 1.1). We have used the content analysis as a methodology to collect data from the sustainability reports in 2008 and 2012, published in 2009 and 2013/2014 (Farneti & Guthrie, 2009; Dumay et al., 2010; Monteiro & Aibar-Guzmán, 2010; Legendre & Coderre, 2012).

In the statistical data analysis, conducted in the second and third essays, we have used the Statistical Package for the Social Sciences (SPSS) software. For the fourth essay, an e-mail was sent to all the PS entities that issued GRI sustainability reports. In the e-mail, after a brief presentation of the study, the entity's cooperation was asked to answer an open questionnaire by e-mail or arrange an interview. The questionnaire, with open answers, was elaborated based on the "research question" and "predictive dimensions" on the model of the "Antecedents of strategic responses" of Oliver (1991).

[2] In 2008, out of the 37 entities of the Portuguese PS publishing sustainability reports, only 32 fulfilled the requirements the GRI guiding lines (G3/G4). In 2012, it was verified that of the 32 entities emitting a sustainability report in 2008, 1 does not belong to the GBE, 1 did not have online access and 11 did not emit the report in 2012. There are also 7 new entities which did not emit a sustainability report in 2008. Concluding, in 2012 there were 26 entities of the Portuguese PS publishing sustainability reports using GRI guidelines

[3] Industries: the "transportation" industry includes terrestrial, railway, sea, and air transports and/or facilities; the "water and waste management" industry includes water and/or waste management; the "local government" industry includes city halls; the "tourism, urban management, and infrastructures" industry includes the tourism, urban management, and building intervention sectors; the "energy" industry includes the energy exploration, production, and distribution; the "communication and logistics" industry includes the communication and post logistics. Because of the small number of entities, the "financial," "agricultural," and "education" industries were not grouped and were included in a residual industry denominated as "others."

Table 1.1 - Sample of Portuguese PS entities with GRI sustainability reports

Portuguese PS	Industry	Entities	Years	
			2008	2012
Administrative PS	Local government	Câmara Municipal de Proença-a-Nova (CMPN)	X	—
		Câmara Municipal da Marinha Grande (CMMG)	X	—
		Câmara Municipal Sertã (CMS)	X	—
		Câmara Municipal Idanha-a-Nova (CMIN)	X	X
	Education	Universidade do Minho (UM)	—	X
GBE	Transportation	Administração dos Portos do Douro e Leixões, S.A. (APDL)	X	X
		Grupo Transtejo, Transportes Tejo, S.A. (TT)	X	X
		Metro do Porto, S.A. (MP)	X	X
		Metropolitano de Lisboa, E.P.E. (ML)	—	X
		Sociedade de Transportes Coletivos do Porto, S.A. (STCP)	—	X
		Rede Ferroviária Nacional – REFER, E.P.E.	X	X
		Instituto de Infra-Estruturas Rodoviárias, I.P. (InIR)	X	—
		CP - Comboios de Portugal, EPE	X	X
		CARRIS - Companhia Carris de Ferro de Lisboa, S.A.	X	X
		ANA - Aeroportos de Portugal, SA.	X	X
		APL - Administração do Porto de Lisboa, S.A.	X	—
		APA - Administração do Porto de Aveiro, S.A.	X	X
		Grupo TAP	X	X
		APSS – Administração dos Portos de Setúbal e Sesimbra, S.A.	X	—
	Water and/or waste	Grupo Águas de Portugal, SGPS, S.A. (AdP)	—	X
		Empresa Portuguesa das Águas Livres, S.A. (EPAL)	X	X
		Águas do Douro e Paiva, S.A. (AdDP)	X	X
		Águas do Zêzere e Côa, S.A. (AdZC)	—	X
		Águas do Algarve, S.A. (AA)	X	—
		AdTMAD – Águas de Trás os Montes e Alto Douro, S.A.	X	—
		TRATOLIXO - Tratamento de Resíduos Sólidos, EIM, S.A.	—	X
		LIPOR - Serviço I. de Gestão de Resíduos do Grande Porto	X	X
		SIMTEJO - Saneamento Integrado dos Municípios do Tejo e Trancão, S.A.	X	X
		VALORSUL - V. T. R. S. da Área Metropolitana de Lisboa (Norte) S.A.	X	X
	Energy	Grupo EDP	X	—
		Galp Energia, SGPS, S.A. (GE)	X	X
		Grupo REN – Redes Energéticas Nacionais, SGPS, S.A.	X	X
	Communication and Logistics	Grupo CTT	X	X
		Grupo Rádio e Televisão de Portugal, S.A. (RTP)	—	X
	Tourism, Urban Management and Infrastructures	Grupo Parque EXPO	X	—
		Parque Escolar (PE)	X	—
		Turismo de Portugal, I.P. (TP)	X	—
	Financial	CGD – Caixa Geral de Depósitos, S.A.	X	X
	Agriculture	Companhia das Lezírias, S.A. (CL)	X	—
		TOTAL (58)	32	26

1.5. Expected Contributions

This thesis is based on four related essays, although developed as independent contributions. After theoretical considerations in essay 1 (Chapter 2), the other three (Chapters 3, 4, and 5) try to answer the same general aim: analyze and understand the level of TBL disclosure and the reasons for Portuguese PS entities to voluntarily disclose their corporate sustainability in the sustainability reports, according to the GRI guidelines.

The main contributions of this thesis are to be a reference for researchers interested in understanding the disclosure of sustainability practices in the PS; to enable a better understanding of the applications and individual concept of each theory used in this thesis—IT, ST, LT—as well as the relationship among them in accounting and sustainability reporting research; to understand factors associated with the disclosure of sustainability reporting in the PS entities; to contribute to new empirical evidence in a different context, such as the Portuguese PS; to provide new evidence and explanations on why the disclosure of these "good practices" is still so incipient; and to enable a better understanding of the organizational behavior in institutional contexts about CSR disclosure in the PS by extending Oliver's theoretical framework to a different research context.

1.6. Structure of the Thesis

After this chapter (Introduction), the thesis is structured in the following way: in the Chapter 2, "Sustainability disclosure practices: theoretical considerations" (essay 1), we make a review of the theoretical frame followed in accounting and sustainability reporting. Thus, in this essay, the aim is to explore and analyze whether the IT, the LT, and the ST overlap and whether they explain the reasons for sustainability disclosure. Thus, we make a literature review to assess these theories' suitability in explaining factors leading PS entities to voluntarily disclose their CSR, using GRI sustainability reports (Q_1). This analysis offers a wider theoretical understanding of how these theories may support and promote research on accounting and sustainability reports.

In Chapter 3, "Analysis of GRI sustainability reports issued by Portuguese public sector entities" (essay 2), we aim to verify whether Portuguese PS entities reflect good CSR practices in their GRI sustainability reports, trying to answer questions Q_2 and Q_3. Thus, we approach the CSR and corporate sustainability terms, we identify the social responsibility disclosure instruments, and we analyze the current TBL practices of Portuguese PS entities, using GRI sustainability reports. To address these questions, we used the case of Portuguese PS entities that issued sustainability reports according to the GRI guidelines. It is anticipated that the results will be of interest for practitioners and academics.

In Chapter 4, "The determinants of sustainability reporting of Portuguese public sector entities" (essay 3), using GRI sustainability reports, we aim to analyze the reasons for voluntary sustainability disclosures by the Portuguese PS (Q_4). To answer this question, a set of hypotheses will be tested, using the LT and the ST, focusing PS entities and their accountability. We conclude that these organizations present a socially responsible image before their stakeholders, legitimizing their behavior and influencing the external perception on their reputation. The empirical evidence analysis of Portuguese PS entities on sustainability disclosure aims to set out the determinant factors of this disclosure. The results suggest that the theoretical frame supports the formulated hypotheses, and the disclosure level is related to the organization's size, industry, awards, and certifications received and visibility measured in terms of consumer proximity.

In Chapter 5, "Strategic responses of public sector entities to GRI sustainability reports" (essay 4), we have combined the IT and the RD theory as suggested by Oliver to determine the institutional factors that explain the strategic responses of Portuguese PS entities to disclose their sustainability in GRI sustainability reports (Q_5). Ten propositions were raised according to the strategic responses of passive conformity proposed by Oliver's model in an attempt to determine what institutional pressures, active resistance, or passive conformity lead these entities to disclose their social responsibility practices. Results support Oliver's model and suggest a variety of strategic responses, from conformity to resistance when adopting voluntary disclosure practices of social responsibility. At the practical level, we contributed to a better understanding of organizational behavior in institutional contexts about social responsibility disclosure in PS entities.

We finish the thesis, presenting the main conclusions and contributions of the thesis, limitations, and some directions for future research.

CHAPTER TWO

Sustainability disclosure practices: theoretical considerations

(ESSAY 1)

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Abstract

This study analyzes the perspectives of the institutional theory (IT), the legitimacy theory (LT), and the stakeholders' theory (ST) in the accounting changing process and sustainability reports. The objective is to explore how these theories are used in corporate social responsibility (CSR) disclosure. Through this analysis, it is provided a better theoretical understanding of these theories, which may support and promote the research on accounting and sustainability reporting.

This chapter begins with a detailed analyzes of each theory and the relationship among them. Guided by the institutional theory, as the explanatory theoretical framework of the sustainability disclosure, it is concluded that, although the legitimacy theory is more followed in the research on accounting and sustainability reporting, it is related to the other ones, and both, complementarily, explain these sustainability businesses phenomena. Its selection and application will depend on the study focus.

Keywords: accounting, institutional theory, legitimacy theory, stakeholders' theory, sustainability reports.

2.1. Introduction

With the growing integration of the social and environmental dimension in the economy, consumers and markets are increasingly more demanding for sustainable products/services. Consequently, and according to Owen (2003), the last decade has testified a remarkable growth in the number of European organizations publicly reporting their environmental and social performance, even though information is rather rudimentary and usually qualitative. Sustainability reporting offers stakeholders quite a lot in terms of transparency regarding environmental and social performance issues.

The present business language takes for granted that no business may be successful without the approval of its stakeholders as a socially and environmentally responsible entity (Gray, 2010). Therefore, there is a greater awareness and concern about the organization's activity and its effects in the environment (Sciulli, 2009). Economic development, through an open and fair world trade system, is essential to fight poverty and ensure a safer world for everyone, both now and for future generations (Aguilera, Rupp, Williams, & Ganapathi, 2007).

The voluntary disclosure of this social, environmental, and economic variable, known as triple bottom line (TBL[4]), in the operational strategy of organizations should be seriously and responsibly perceived, as a citizen´s organization develops sustainable products and services and assesses its own contribution to society and the planet. Accordingly, Elkington (1998) suggested combining the social and environmental reports with the traditional financial report to achieve an excellent TBL performance for which new types of economic, social, and environmental partnerships are necessary.

Accounting literature has shown a significant growth of concern for sustainability matters and its functions in the accounting practice (Bebbington & Gray, 2001). Sciulli (2009) considers that the phrase *environmental and social accounting research* has been replaced by the term *sustainability reporting*. Thus, accounting researchers perceive "accounting as a social and institutional practice", rather than as a mere technical practice (Miller, 1994, p.5). Consequently, growth and interest in accounting and sustainability reports[5] are the stage for businesses and accounting debates.

Literature has also given extensive attention to the "new public sector." During the 1990s, many services of the advanced economies of the "new public sector" were under pressure to become more efficient and effective to reduce their demands from taxpayers, while keeping the volume and quality of the services provided to the public. To attain it, diverse techniques and means of the private sector were introduced (Brignal & Modell, 2000; Ryan & Walsh, 2004). The effective performance of the public sector (PS) is fundamental to create the institutional conditions for the market economies, safe and productive populations, and democratic political systems in developing countries. This performance capacity is an important focus for development initiatives (Grindle & Hilderbrand, 1995).

This study, particularly, looks into (better) understanding that accounting is not a mere daily sustained and due practice, a result of years of habits and self-indulgence (Vieira, 2009), but that it also involves and brings about social and institutional pressures that lead entities to take certain measures

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[4] This term was introduced in 1997 by Elkington for the disclosure, in a single report, of tripartite results: economic dimension, environmental dimension, and social dimension.

[5] In the area of accounting and sustainability reports, the terminology for these communication and disclosure reports varies greatly. We may have reports with the following titles: social and/or environmental, corporate social responsibility, sustainable development, towards sustainability, among others. As it is stated in the GRI (2006), the expression "sustainability reports" is inclusive and is considered a synonym of other words and terms used to describe the communication of the economic, environmental, and social impacts, that is, triple bottom line, corporate responsibility reports, and so on.

and decisions in behalf of those institutions' legitimacy (Hopwood, 1983; Hopwood & Miller, 1994), which originates constant shifts and changes, not only at the accounts level, but also at the technological and social levels.

But how far do the institutional, legitimacy, and stakeholder theories offer different explanatory perspectives of similar sustainability phenomena and overlap each other, or not? We will attempt to analyze the perspectives of these theories, which, according to Chen and Roberts (2010) have been applied and taught separately and which may inform and be built one over the others and provide a broad theoretical understanding for the research advancement in social and environmental accounting. Therefore, based on a literature review and having the IT as a background, the aim of this study is to explore the IT relation with the accounting shift processes, as well as the forms of institutional pressure influencing decisions to adopt/resist adoption of accounting practices and sustainability reports. The drivers of change and the reasons for those changes will be made known according to the new institutional sociology (NIS) (DiMaggio & Powell, 1991), as well as the institutional processes inherent to the organization and relationship with sustainable accounting.

This paper will be a reference for researchers interested in understanding the applications and individual concept of each theory and the relationships among them in accounting research and sustainability reports. Citizens and users of accounting information are entitled to know the present sustainable accounting practices, namely, in the sustainability reports of an organization, and analyze their feedback—that is, the positive impact on society and on results, or otherwise.

The results enable us to conclude that it is possible to make compatible interpretations of theoretical evidence under different perspectives, according to Gray, Kouhy, and Lavers (1995a) and Chen and Roberts (2010).

The paper presents a literature review starting with a general insight over the IT and the institutionalization process, going through an analysis of the theoretical line of NIS in the process of change and investigation in accounting, focusing on the institutional isomorphism and accounting pressures. Finally, it approaches the IT as an answer to accounting issues and sustainability reports, based on isomorphism, the LT, and the ST. It closes with a discussion and conclusion in an attempt to understand the relationship among these theories and their importance in accounting research and sustainability reports. Final considerations, limitations, and recommendations for future research will also be presented.

2.2. Institutional Theory and Accounting Practices

2.2.1. Responsible Accounting

The economic activity is producing a growing number of social and environmental consequences (Gray, Owen, & Adams, 1996). Consequently, there has been a growing number of empirical studies in social and environmental accounting, despite most of them approaching the private sector (Deegan, 2002; Yongvanich & Guthrie, 2006; Farneti & Guthrie, 2009).

Traditional financial accounting and reports are unable to explain and present complexities associated with several issues of public interest. They do not adequately foresee the measurement of social and environmental impact given that social issues may not always carry monetary values. The social and environmental report pays more attention to the social and environmental impact of organizations. Consequently, there is a need for broader sustainability reporting in organizations (Gray, Owen, & Adams, 1996; Yongvanich & Guthrie, 2006; Farneti & Guthrie, 2009).

Accounting, in its broadest sense, may be considered a record and control system by which the "elements of civil society, the state and the market define, articulate and monitor the behaviours by which they will be judged and held accountable". "Social accounting is concerned with exploring how the social and environmental activities undertaken (or not, as the case may be) by different elements of a society can be – and are – expressed" (Gray & Laughlin, 2012, p. 240). Thus, the disclosure of the social impact of an organization is important, and the disclosure of accurate and relevant information on corporate behavior may bring stakeholders, organizations, and society some benefits (Golob & Bartlett, 2007). Hence, disclosure is a way through which companies may present their CSR (Huang & Kung, 2010).

Recently, attention has turned to the content and development of stand-alone sustainability reports, such as the Global Reporting Initiative (GRI) (see Moneva, Archel, & Correa, 2006; Tregidga & Milne, 2006; Unerman & O'Dwyer, 2007; Guthrie & Farneti, 2008, Farneti & Guthrie, 2009; Milne, Tregidga, & Walton, 2009; Brown, Jong, & Levy, 2009b; Manetti & Becatti, 2009; Nikolaeva & Bicho 2010; Fernandez-Feijoo, Romero, & Ruiz, 2012).

The GRI, developed in cooperation with the United Nations Environment Programme (UNEP), is particularly well-known and challenging (Owen, 2003; Golob & Bartlett, 2007). It came forward in 1999 as an answer to the lack of a unified system of CSR reports' standards (Nikolaeva & Bicho, 2010), following the USA's financial system model for disclosure (FASBI) (Brown et al., 2009; Nikolaeva

& Bicho, 2010). The GRI offers a set of principles for the CSR report and a structured content with indicators for the social, environmental, and economic domains, with the mission of developing and globally spreading guidelines applicable to sustainability reports, enabling organizations to voluntarily report their activities in those dimensions (GRI, 2006; Golob & Bartlett, 2007). Becoming an internationally recognized reporting framework, the GRI has also developed specific guidelines for specific industries and the PS (Sciulli, 2009).

The pressure on governmental agencies to act in a more collaborative and integrated manner is increasing, which is a challenge for traditional reporting models in the PS. The international tendency in public management is toward a greater collaboration in the PS to provide reporting guidelines, to improve their transparency in discharging their accountability obligations (Ryan & Walsh, 2004). There is also an increasing pressure on the PS to lead the way to sustainability practices and take on this challenge for future generations to have the chance of a sustainable life (Dumay, Guthrie, & Farneti, 2010).

2.2.2. Overall Vision on the Institutional Theory and the Institutionalization Process

In the mid-1970s, the dominant rational theories of organizations were subverted by a paradigmatic revolution, and the "first shots were fired when three new theories—institutionalism, population ecology, and resources dependency"—challenged rational principles such as the efficiency and profits maximization in several degrees (Budros, 2001, p. 222). Budros (2001) also states that Meyer and Rowan (1977) and DiMaggio and Powell (1983) articles represent the founding statements of the influent IT and the DiMaggio and Powell's conceptual framework (1983) dominates the empirical studies of the organizational change.

The IT is used to study and analyze the establishment of accounting practices in an organization. By studying the reasons for adopting certain accounting practices rather than others, and who the players are in the establishment of such practices and their reasons, it may answer some questions influencing institutional social choices (DiMaggio & Powell, 1991; Williams, Lueg, Taylor, & Cook, 2009). In other words, the IT traverses over economic, social, and political phenomena, which affect accounting acts and practices within an organization (DiMaggio & Powell, 1991).

The main impulse of the IT is that organizations operate in a social network, whose organizational practices are caused and influenced by golden social rules and norms accepted as granted on what is an adequate or acceptable behavior in the environment they operate in (Scott, 1987;

Oliver, 1997; Carpenter & Feroz, 2001). As a result, the social reality becomes the guideline for social behavior (Scott, 2004). Thus, norms, values, beliefs, rules, and activities the external environment has adopted have become institutionalized when they were approved and accepted by other organizations within the same environment. That is, the external environment creates pressure so that other organizations accept what is institutionalized, explaining what is and what is not, what can be put into practice and what cannot (Abernethy & Chua, 1996; Williams et al., 2009).

Organizations conform to institutional pressures for change because they are rewarded for doing so through an increasing stability, legitimacy, resources, and survival capacity (Scott, 1987; Carpenter & Feroz, 2001; Chen & Roberts, 2010). The IT has a sociological vision of reciprocal interactions between institutions and society (Amine & Staub, 2009), and according to Scott (2001, p. 48), "institutions are social structures which have gained a high degree of resilience."

Thus, the IT focuses particularly on the pressures and constraints of the institutional environment and "illustrates how the exercise of strategic choice may be preempted when organizations are unconscious of, blind to, or otherwise take for granted the institutional processes to which they adhere" (Oliver, 1991, p. 148). It limits organizational choices and focuses the cultural and social environment influence on organizations (DiMaggio & Powell, 1983).

The theory has changed and now there is less emphasis on institutionalization, as a distinct process of social realities, and more focus on the organization's behavior pattern and consistency to the pattern (Scott, 1987). The institutionalization and institution concepts have evolved through time, from the creation of the social reality to accept social concession (legitimacy). The institutionalization concept has come up with Berger and Luckmann (1967), who have approached the nature and origin of social order. They argue that social order is fundamental on the basis of a shared social reality, and it is created in social interactions and interpretations (Chen & Roberts, 2010). Social rules work as powerful myths as they are rationalized and institutionalized (Budros, 2001).

Institutionalization (of management practices) may be seen as "a process entailing the creation of reality" (Scott, 1987, p. 505; Carpenter & Feroz, 2001, p. 569). Berger and Luckmann (1967) have identified institutionalization as a central process in the creation and perpetuation of lasting social groups (Tolbert & Zucker, 1994). Scott (1987) defines the institutionalization process as one by which actions become repeated over time and are interpreted as having similar meanings among society members to communicate and establish social order. The institutionalization process is closely related to the idea of an organizational field built with a purpose (Frumkin & Galaskiewicz, 2004).

Although institutionalism (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) has become the most influential new theory, it has been misunderstood (Budros, 2001). Ironically, according to Tolbert and Zucker (1994, p. 1), "the institutional approach is not highly institutionalized." Organizational institutionalism defines institutions as formal rules, taken-for-granted cultural structures, cognitive schemes, and routine reproduction processes (Campbell, 2006).

The institution, institutionalization, and institutional environment concepts have been defined in several ways, and there is not one but several IT lines (Scott, 1987; Abernethy & Chua, 1996); and this is the knowledge principle in the IT approach: to recognize from the start that there is not one but several variants and approaches (Scott, 1987).

Scott (2001) has identified three different systems or "pillars" of social support to institutions, namely, the normative, the regulative, and the cognitive. In the regulative system, formal and informal rules are defined, monitored, and applied if necessary, through laws, regulations, and governmental policies that promote or restrain behaviors within a country. The normative system is constituted by normative rules that introduce a prescriptive evaluative and mandatory dimension for social life. In opposition, the cognitive system recognizes the shared conceptions that constitute the social reality nature and the frameworks through which significance is made. So, individuals' cognitive structures and social knowledge are combined to represent a notion of a cognitive environment (Amine & Staub, 2009).

The IT is urged by the question of why different organizations, operating in such different environments, are so often similar in their structures (Tolbert & Zucker, 1994). Leaptrott (2005) realizes that the IT offers explanations for the differences and similarities in the family and business structures, and it may be used to answer questions regarding the influencing role in institutional social choices (DiMaggio & Powell, 1991; Williams et al., 2009).

The institutional perspective suggests that a lot of elements of the organizational structure, as accounting case-mix systems, may play a significant role in the establishment and perpetuation (not merely of support) of the legitimacy social structure itself, reflecting both a necessity of complying with the expectations of society's acceptable practice and a technical imperative to promote rationality (Covaleski, Dirsmith, & Michelman, 1993).

The IT may facilitate a broader representation of accounting as an object of institutional practices, and offer a better coordination of the role of accounting in the institutionalization process (Dillard, Rigsby, & Goodman, 2004). The contemporary IT (NIS) has attracted the attention of a wide range of scholars in the social science areas, and it is followed to analyze the systems which range from the micro to the macro global framework of interpersonal interactions (Scott, 2004). The main premise of the IT, which DiMaggio and Powell (1983) have related to voluntary corporate disclosures, is that it may help explain why organizations tend to act and communicate in a homogeneous way in the organizational field (Sciulli, 2010).

The IT has generally been associated with a dependency and inertia path and has been used as an explanation for the supposed continued divergence of the national system in international corporate governing (Chizema & Buck, 2006). However, the IT is becoming one of the dominant theoretical perspectives in the organization theory and is increasingly applied in the accounting research to study the accounting practice in organizations (Dillard et al., 2004). It emphasizes the survival value in compliance with the institutional environment, which derives, for example, from an increased stability, legitimacy, and access to resources. Adhering to the IT endorses the external rules and norms (Ball & Craig, 2010).

Despite public and private companies having more similarities than differences, the PS has not been subject to the same type of pressures, though it plays an important role as an institutionalization driver (Frumkin & Galaskiewicz, 2004). Actually, professionals, the state, and public opinion produce norms and structures that are the basis of complex rules and institutionalized behavior frameworks, which are rationalized myths, which specify the necessary procedures to accomplish a certain purpose (Touron, 2005).

2.2.3. The Use of New Institutional Sociology in the Organizational Pratices

In the 1960s and 1970s, the IT evolved because, according to authors such as DiMaggio and Powell (1991), organizations were seen as closed systems, depending on themselves, and had no relationship with their institutional environment. After acknowledging the importance of the institutional environment for organizations, this theory gained a preponderant role in understanding the existing phenomena in the life of organizations (Major & Ribeiro, 2009).

The institutional framework explains the mechanisms through which organizations attempt to align the perception of their practices and characteristics to the social environment and how such practices are institutionalized in private organizations. The IT, specifically the NIS, is particularly useful to often complete functional explanations of accounting practices (Deegan & Unerman, 2006).

The two-main precursor works of the NIS (new IT) are Meyer and Rowan (1977) and DiMaggio and Powell (1983). The NIS applied to accounting started around the 1970s, by the investigator Anthony Hopwood, with publications in scientific magazines such as *Accounting*, *Organizations*, and *Society* (Vieira, 2009). The NIS is founded on the premise that organizations answer to their institutional environment pressures and "adopt structures and/or procedures that are socially accepted as being the appropriate organizational choice" (Carpenter & Feroz, 2001, p. 569). According to the NIS, accounting practices are the result of the institutional nature and of the economic pressures from their institutional environment, operating in an open system, opposing to the other stream, which sees accounting practices as an economic, rational, and logical result (Major & Ribeiro, 2009).

Actually, DiMaggio and Powell (1991) hold that the NIS in the organization of sociological theories comprises a rejection of the rational actors' models, standing up for an interest in institutions as independent variables. For such, they attempt to give cognitive and cultural explanations to those models.

The NIS is employed to obtain proposals about the general governance change. Because of the globalization, modern organizations can choose different elements of any system suiting their needs. The timing differences for firms to adopt institutional changes show the potential value of the NIS to predict circumstances that make the adoption of an institutional innovation likely. Here, the key element is the organizations' insertion degree in traditional institutions (Chizema & Buck, 2006). According to the NIS, "organizations use formal structures for purposes of legitimization, independently of consequences in terms of efficiency" (Touron, 2005, p. 852). The NIS adds a greater consideration of legitimacy, of insertion in organizational fields and classification centrality, of routines, routes, and schemes, often motivated by the emergence of the necessity to answer to environmental pressures (Leaptrott, 2005).

Kostova, Roth, and Dacin (2008) have developed a set of teasers to contest the validity of the traditional "new institutionalism" in multinational companies' context, concluding that, in international management, scholars generally adopt a narrow sight of the IT, exclusively drawn from "new institutionalism" (see DiMaggio & Powell, 1991; Meyer & Rowan, 1977; Scott, 1995), using the organizational field concepts, legitimacy, isomorphism, and mechanisms of institutional pressure.

The NIS model holds that organizational survival is determined by the alignment degree with the institutional environment, comprising a mandate of institutional elements, enabling organizational actors to depict the organization as legitimate (Kostova et al., 2008; Schultz & Wehmeier, 2010). The

NIS puts emphasis on the influences of the institutional environment, molding the social and organizational behavior, thereby reducing ambiguity and uncertainty (Scott, 1995; Scott, 2001; Gifford & Kestler, 2008).

Regulative processes (which involve state agencies and professional bodies) disclose and reproduce coded prescriptions and social reality. Deviations from such prescriptions cause some distress and trigger attempts to justify legitimate deviations to the social norm. Institutional processes can, for some time, convey an appearance of stability to an organizational field, though misleading, as fields are not static and evolve as organizations respond to deinstitutionalization (Gifford & Kestler, 2008).

In all the NIS research, there is a commitment to see how organizations seek practices that may have little to do with the efficiency maximization and with the understanding that a structure may be dissociated from the organizational mission. Organizations do not always adopt strategies, structures, and processes to enhance their performance; instead, they react and look for ways to accommodate external and regulative pressures, seeking legitimacy before their stakeholders (Frumkin & Galaskiewicz, 2004; DiMaggio & Powell, 1983).

Oliver (1997) notices that the legitimacy achievement acquired by social acceptance, together with the economic optimization of the structure and processes, contributes to organizational success and survival. The IT supplies a basis for analyzing the nature of the messages of organizational communication, determining how far companies seek competitive advantage, legitimacy, and responsiveness to ecological reasons (Milne & Patten, 2002).

As Scott states (2004), the IT has a long past and a promising future. It is a widely positioned theory to help face questions such as the similarity and differentiation foundations of the organization, the relationship between structure and behaviour, the role of symbols in social life, the relationship between ideas and interests, and the tensions between freedom and order.

"Organizational fields rich in myths and ceremonies are constructed when pressure is exerted on organizations by forces in the surrounding environment" (Frumkin & Galaskiewicz, 2004, p. 285). The organizational field, as a model within the organization, tends to become infused with a quality taken as certain, where the actors unconsciously accept the model as prevailing, good, and adequate (DiMaggio & Powell, 1983). It is in this sense that the IT is usually used, to account for the similarity and stability of organizational arrangements within a certain population or organization field to which compliance standards have followed (Jamali, 2010). Isomorphism is a key element of the IT (Rodrigues & Craig, 2007).

Organizational change is not so much due to efficiency and rivalry competitiveness but rather due to bureaucracy reduction and organizations' attempt to become more identical with each other to achieve legitimacy in the market and in their organizational context, and not necessarily to become more efficient (DiMaggio & Powel, 1983). Usually, the IT is not considered an organizational change theory but an explanation to the similarity (isomorphism) and stability, although recently, the NIS has attempted to answer the emerging questions on changing (Ball & Craig, 2010), and some argue that organizations are strategic in their answers to imposed institutional pressures (Oliver, 1991).

While national institutions are path dependent, according to the traditional IT, and organizations tend to behave the same way (that is, displaying isomorphism), the NIS's intraorganizational dynamic "precipitate and facilitate organizational change, and the adoption of governance elements that the organization finds efficient and/or legitimate" (Chizema & Buck, 2006, p. 489). Thus, the two main elements of the IT are isomorphism and decoupling. Isomorphism refers to the process through which organizational structures and practices tend to become uniformed. Decoupling describes a situation where managers recognize the necessity to comply with institutional practices but effective practices differ from the institutionalized practices (Sciulli, 2010).

The NIS has a political core. This means that the PS is an institutionalization driver and trigger, as state interventions and government's actions are designed mainly to initiate the structural transformation of other organizations. Organizational practices can gain acceptance because of the external pressures of the PS (regulation, legislative, judicial, administrative pressures), which lead to an increase of institutionalized rules and procedures. These organizations are then some of the most powerful and influential environmental actors through regulation, accreditation, supervision, and financing relations, which have been described as a force pressing and pushing nonprofit organizations and companies toward higher homogeneity levels (Frumkin & Galaskiewicz, 2004).

2.2.3.1. Institutional Pressures and Isomorphism

IT literature emphasizes how organizational structures and processes become isomorphic within the norms of specific types of organizations. For those defending the NIS, organizations sharing the same organizational environment are under the same pressures, tending to be isomorphic (Berger & Luckmann, 1967; DiMaggio & Powell, 1983, 1991). Leaptrott (2005) states that isomorphism is NIS's focus, which results from the necessity to obtain and maintain legitimacy, to deal with uncertainty and the normative influences of authorized sources. Isomorphism is a synonym for *convergence*, and when an organization becomes similar to the characteristics of another, an isomorphism process happens (Rodrigues & Craig, 2007). This way, DiMaggio and Powell (1983) define isomorphism as the process through which organizations adopt similar structures and systems, making their practices identical. The concept of isomorphism does not address the mentality of the intervenient actors in the organizational behaviors but the structure that determines the decision choices those actors will make as rational and cautious.

Budros (2001, p. 222) argues that “organizations should adopt structures that are isomorphic (compatible) with rationalized institutional myths, increasing the number of formal organizations in modern societies and the complexity of existing ones.” What make organizations within the same national environment different are not national sociopolitical pressures but their internal organizational dynamic (Chizema & Buck, 2006). The IT attempts to explain the existing institutional isomorphic changing process in organizations, arguing that there are forces encouraging the convergence of business practices (Braunscheidel, Hamister, Suresh, & Star, 2011).

The IT claims that organizations’ operations comply with social norms, values, and assumptions on what is an acceptable behavior (Oliver, 1991; Lynch, 2010). Some sectors or institutional areas have powerful environmental agents able to impose structural practices in subordinated organizational units (Scott, 1987), which under isomorphic pressures adopt “institutionalized” norms and practices in order to be perceived as “legitimate” (Williams et al., 2009). However, to authors such as DiMaggio and Powell (1983), these organizational characteristics change to increase compatibility with the characteristics of the institutional environment. In this sense, isomorphism is a key element of the IT and assumes that organizations adopt management structures and practices considered legitimate and socially acceptable by other organizations in their field, regardless their real usefulness (Rodrigues & Craig, 2007).

The basic premise of the IT is that organizations tend to comply with the prevailing norms and social influences. If not, they will lose legitimacy, which encourages convergence toward homogeneity in organizational structures and practices. Consequently, the IT postulates a structural isomorphism in which organizations become structures similar to others, without necessarily improving their efficiency (DiMaggio & Powell, 1983; Rodrigues & Craig, 2007).

In institutional isomorphism, organizations tend to adopt the same practices over time as an institutional response to common pressures from similar industries or organizations (DiMaggio &

Powell, 1983; Rodrigues & Craig, 2007). Institutional isomorphism promotes the success and survival of organizations (Meyer & Rowan, 1977), enabling the identification of three different types of mechanisms making organizations adapt to their institutional environment, leading to isomorphic institutional change: normative, coercive, and mimetic (DiMaggio & Powell, 1983; Suchman & Edelman, 1996; Carpenter & Feroz, 2001; Frumkin & Galaskiewicz, 2004; Touron, 2005; Rodrigues & Craig, 2007; Bebbington, Higgins & Frame, 2009; Collin, Tagesson, Andersson, Cato, & Hansson, 2009; Levy, Brown, & Jong, 2009; Chen & Roberts, 2010; Jackson & Apostolakou, 2010; Braunscheidel et al., 2011; Escobar & Vredenburg, 2011; Rodrigues & Craig, 2012). DiMaggio and Powell (1983) also mention that uncertainty may lead to isomorphism, and within an organizational field, this tends to be stronger. Thus, these three types of institutional pressures promote homogeneity within organizational fields (Pedersen, Neergaard, Pedersen, & Gwozdz, 2013).

In accounting studies, the IT has been used (Carpenter & Feroz, 2001) based on this list of institutional mechanisms, which work differently and need to be understood so as to understand how decision makers are influenced by institutions (Collin et al., 2009).

Normative Isomorphism

Thinking standards, norms, and organization models are spread by educational and professional institutions (Misani, 2010), resulting from a field's professionalization (DiMaggio & Powell, 1983; Frumkin & Galaskiewicz, 2004; Touron, 2005; Braunscheidel et al., 2011; Pedersen et al., 2013). Besides, the socialization and proliferation of shared norms regarding sustainable practices are promoted by local trade associations (Gauthier, 2013). In this sense, normative isomorphism acknowledges that individuals with a formal education or professional training process, taught by universities and professional associations, and from similar professional organizations, organize themselves to promote a cognitive basis, spread shared orientations and organizational practices, and legitimize their activities (Abernethy & Chua, 1996; Rodrigues & Craig, 2007; Williams et al., 2009). Their choices may be powerful if sanctioned, particularly by the state (Abernethy & Chua, 1996).

It occurs when the organization's manager intuitively follows conventional practices (Chen & Roberts, 2010), or when professionals operating in organizations are subject to pressures to comply with a set of norms and rules developed by occupational/professional groups (Abernethy & Chua, 1996; Williams et al., 2009). Thus, the new knowledge creates a shared mental model of the environment or a facility to communicate and disclose normative ideas (Braunscheidel et al., 2011).

The intervenient actors are professional associations and schools (DiMaggio & Powell, 1983), groups of an industry, and groups of public interest and opinion (Williams et al., 2009). The normative mechanism claims to be fulfilled, mainly through professional groups promoting their competence in society, being able to include normative pressure over individuals (Collin et al., 2009).

Coercive Isomorphism

It consists on pressures from institutional environment members, set by direct prescriptions, (rules, norms, or laws) and sanctions (Misani, 2010) from regulatory organisms (Pedersen et al., 2013). It comes from the political influence and the legitimacy issue (DiMaggio & Powell, 1983). It refers to how organizations are subject to external pressure, both from organizations they depend on and from general cultural expectations (Abernethy & Chua, 1996; Touron, 2005; Rodrigues & Craig, 2007; Braunscheidel et al., 2011). A state's political culture may lead to coercive pressures, which make firms look for legitimacy within that culture through adoption (Frumkin & Galaskiewicz, 2004; Gauthier, 2013). The coercive mechanism is mainly an explanation for resources dependency. That is, organizations may put pressure on the focal organization to behave and structure in a certain way. Otherwise, it will not get the necessary resources or will suffer sanctions (Collin et al., 2009). A good example is change in organizational practices and/or processes as a direct response to a government's mandate (Abernethy & Chua, 1996).

Examples of this are governmental regulations (Chen & Roberts, 2010) or laws (Williams et al., 2009), as well as other external sources such as the market, clients, and suppliers (Braunscheidel et al., 2011). The intervenient actors are the state (DiMaggio & Powell, 1983) and environmental protection agencies (Williams et al., 2009).

Mimetic Isomorphism

Institutionalism, especially in areas with a high level of cohesion, suggests a high level of compliance and behavior, leading to mimetic isomorphism (Milne & Patten, 2002). It results from regulated norms to respond to uncertainties and refers to the way organizations emulate the actions of similar organizations that are perceived as more legitimate or successful in the institutional environment (DiMaggio & Powell, 1983; Abernethy & Chua, 1996; Rodrigues & Craig, 2007; Williams et al., 2009).

Organizations try to infer and legitimize practices from their peers' behaviors (Misani, 2010), imitating successful organizations as a normal reaction to uncertainty (Pedersen et al., 2013). At the state level, mimetic pressures may also exist, as firms copy another firm's adoption decision within a geographical proximity (Gauthier, 2013).

Mimetic force is used to explain why organizations, in a certain environment, end up seeking similarities to the others. It occurs when institutions imitate structures, practices, and actions that everyone adopts in an effort to be competitive and to be protected from their conduct questioning; that is, they mold on other organizations believed to have an adequate management of their own businesses to survive environmental conditions as it is a "convenient source" (Meyers & Rowan, 1977; Williams et al., 2009).

This mimetic behavior also has a ritualized element, as organizations adopt new management practices to enhance their "in control" or "at the cutting edge" legitimacy (Abernethy & Chua, 1996, p. 6). The mimetic mechanism is partially based on the same reasoning of coercive isomorphism but with costs of thinking and social innovation (Collin et al., 2009). It occurs when the environmental conditions are uncertain and organizations are molded on others, copying or imitating the successful practices of similar organizations in their organizational field to legitimize their activities (Abernethy & Chua, 1996; Touron, 2005; Collin et al., 2009; Chen & Roberts, 2010; Braunscheidel et al., 2011).

DiMaggio and Powell (1983), realizing that organizations are more and more similar to each other, raise the question, why are they more similar? As an answer, accounting literature demonstrates organizations adopt similar management tools or structures to comply with society's expectations in search for legitimacy with the institutional environment. Accounting is a tool of legitimization toward the environment, often used as a symbol of legitimacy (Touron, 2005).

These three mechanisms may coexist and blend in but tend to derive from different conditions: mimetic and normative processes are internal to the organizational field, while coercive processes are under external scrutiny (Frumkin & Galaskiewicz, 2004). External pressures restrict organizations' ability to choose, as they must answer to external demands and expectations to survive (Meyer & Rowan, 1977; Oliver, 1991). Although institutionalism is centered on the impact these three processes have in organizational change, mimicry has been receiving a disproportionate amount of attention, and the situation is worrying not just because it distorts theory but also because that distortion causes incomplete reports of organizational change (Budros, 2001).

In this sense, the IT is more applied to accounting research to study the accounting practice in organizations (Dillard et al., 2004; Ball & Craig, 2010). However, despite the institutional theorists' perspectives and the IT's potentialities, research on environmental and social accounting has been inconsistent with the attempts to get involved in the practice (Ball & Craig, 2010).

2.3. The Explanatory Theoretical Framework for Sustainability Disclosure

Manetti and Becatti (2009) revealed that the wide dissemination of external information on CSR by big companies happened in all the international scenarios. Branco and Rodrigues (2006b; 2008a) argue that organizations get involved in CSR activities and disclosure for two kinds of reasons: because they expect that good relations with stakeholders lead to an increase in financial return (see Branco & Rodrigues, 2006a) and because they are adapting to stakeholders' norms and expectations, which constitute a legitimacy instrument, to show their compliance to such norms and expectations (consistent with the IT explanations, in particular with the LT).

But which is the theoretical framework that is being used in the explanation of social responsibility and corporate sustainability disclosure practices? There are several authors with important studies combining several theories. For example, Chen and Roberts (2010) explore how the IT, LT, ST, and resources dependency theory (RDT) can inform and supply important theoretical frameworks for environmental and social accounting research, as all have a common interest: to explain how organizations survive in a changing society. Golob and Bartlett (2007) follow the LT and ST theoretical framework in their comparative study of CSR reports in Australia and Slovenia. Oliver (1991) focuses her study on the IT and RDT to analyze the convergent and divergent assumptions relevant to characterize the strategic responses to external pressures and expectations.

Thus, in the analytical framework presented, accounting and sustainability reports will be seen through three different lenses: the IT and isomorphism (see DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Carpenter & Feroz, 2001; Frumkin & Galaskiewicz, 2004; Trevino, Thomas & Cullen, 2008; Bebbington et al., 2009; Ball & Craig, 2010; Escobar & Vredenburg, 2011; Hillebrand, Nijholt, & Nijssen, 2011), the LT as a source of competitive advantage, differentiating from their competitor and legitimizing their position and compliance with norms (see Tilt, 1994; Gray et al., 1995a; Burritt & Welch; 1997; Neu, Warsame & Pedwell, 1998; Wilmshurst & Frost, 2000; Deegan, 2002; Branco & Rodrigues, 2006b; Cho & Patten, 2007; Branco & Rodrigues, 2008a, b; Sciulli, 2009; Chen & Roberts, 2010; Lynch, 2010; Tilling & Tilt, 2010; Mahadeo, Oogarah-Hanuman, & Soobaroyen, 2011; Suttipun, 2012), and the ST, responding to their expectations (see Gray et al., 1995a; Gifford & Kestler, 2008; Chen & Roberts, 2010; Huang & Kung, 2010; Mahadeo et al., 2011; Suttipun, 2012).

These theories, applied as complementary, can enhance our understanding of the practice and choice of GRI sustainability reports, as disclosing instruments of accounting practices and sustainability reports in the PS.

2.3.1. Institutional Isomorphism and Sustainability Pressures

Organizations are not mere production systems; they are also social and cultural systems (Scott, 2001; Williams et al., 2009). Because of these characteristics, organizations wish and need to adopt and comply with rules and practices created by the external environment (Meyer & Rowan, 1977; DiMaggio & Powell, 1983; Williams et al., 2009).

In an institutional perspective, the "most important aspect of isomorphism with environmental institutions is the evolution of organizational language" (Meyer & Rowan, 1977, p. 348). The core principle of the IT is that organizations are pressured into isomorphism, that is, to comply with a set of institutionalized beliefs (Abernethy & Chua, 1996). So, the IT explains accounting choice through organizational actors being subject to institutional pressure: normative, coercive, or mimetic pressures (Collin et al., 2009).

It would be expected that coercive, normative, and mimetic pressures regarding the adoption of sustainable practices would arise at the state level as this is one of the entities that constitute organizational fields with which firms will be congruent (Gauthier, 2013). Frumkin and Galaskiewicz (2004) state that, although the PS is seen as an institutionalization conductor, it is also susceptible to these types of pressures, adapting and changing if exposed to institutional forces. Through legitimacy practices it demonstrates social and economical aptitude by conforming to institutional pressures.

Touron (2005) verifies in his study that the IT partly allows explaining the behavior of companies toward international accounting standards, in which normative isomorphism plays a determinant role, and imitation contributes to the explanation of the adoption of accounting norms.

Brandes, Hadani, and Goranova (2006) find in their study a strong support for the impact of the mimetic pressures on stock option expensing, both from the financial point of view and from the corporate legitimacy. Companies may adopt solutions because of social pressures to solve asymmetry problems.

Campbell (2006, 2007) presents an IT of CSR that consists of a series of propositions, specifying the conditions in which companies are susceptible to behaving in a socially responsible manner.

Trevino et al. (2008) believe that the cognitive, normative, and regulative pillars represent the processes leading to institutional change and influence the organization's results. Bebbington et al. (2009) have used the IT theoretical framework in the narrative analysis to explore how regulative, normative, and cognitive institutions combine with organizational dynamics to influence sustainable development (SD) reports' activity and the institutionalization of this practice.

Chen and Roberts (2010) state that the focus of the IT study, applicable to social and environmental studies, is the adoption of a specific structure, system, program, or practice of an organization that is commonly implemented by similar organizations.

Jamali (2010) has followed the IT theoretical framework to account for the similarity and stability of organizational practices within a given organizational field. These practices are affected by the normative, regulative, and cognitive aspects of the institutional environment.

Jackson and Apostolakou (2010) investigate the institutional determinants of CSR, in a comparative institutional analysis, to understand how institutional differences among countries may influence how organizations get involved with CSR. They show that national and institutional level factors have an asymmetric effect: they strongly influence the likelihood of an organization to adopt the "minimal norms" of CSR but have little influence on the adoption of "better practices." Also, using a NIS framework, Schultz and Wehmeier (2010) have shown that organizations suffer enormous and conflicting pressures in economic, social, and environmental aspects.

In Escobar and Vredenburg's study (2011) on multinational oil companies and the adoption of SD, an interpretative approach based on the RDT and the IT was used. They state that to embrace SD, there must be some kind of power exerted on the company.

Hillebrand et al. (2011), according to the institutional perspective, which conceptualizes that companies operate in a social context, sees social pressures as strong predictors of isomorphism. It has shown that mimetic reasons can reduce a company's capacity to obtain valuable insights from their customers.

Institutional theorists argue that organizations face similar institutional pressures, ending up with the adoption of similar strategies. This happens because they integrate a society, and their actions are influenced by stakeholders, including governments (through regulations), an industry (through standards and norms), competitors (through better business models), and consumers (through loyalty). Power exerted by regulators leads to coercive isomorphism as it induces companies to adopt similar SD strategies and practices. Power induced by the industry leads to normative isomorphism as it induces standards to step in to prevent coercive measures from emerging (voluntary norms may be anticipated through written regulations, which may put at risk the competitiveness of a multinational) (Escobar & Vredenburg, 2011). Power exerted by competitors leads mimetic isomorphism to induce the existence of successful, proven competitive models that are worth adopting as they reduce the uncertainty or complexity associated with SD pressures.

2.3.2. Legitimacy Theory as Explanatory Theory in the Organizations' Image Management

The process of legitimacy search is directly related to the IT, as it suggests the institutionalization of the normative values of an integrated social system for concrete behaviors of institutions (Chen & Roberts, 2010). These authors present in their study a group of researchers who have used the LT to explain the motivation behind the voluntary disclosures of organizations. This theory postulates that organizations attempt to continuously assure that they operate within society's norms and limits. In this sense, there is a "social contract" between organizations and people affected by their operations (Brown & Deegan, 1998). Thus, conformity with social myths emphasizes the social legitimacy of organizations, convincing the public that they are worthy of support and enhancing their survival perspectives (Meyer & Rowan, 1997; Budros, 2001; Touron, 2005).

The IT postulates that it is not enough for organizations to compete for resources and clients; it also has to deal with the pressure to comply with shared notions of adequate norms and behaviors, as violating them may put at risk the organization's legitimacy and affect their capacity to ensure resources and social support (Braunscheidel et al., 2011).

LT is more used in the research literature on environmental and social accounting to support the idea that social disclosure will be kept in the present levels, or increase over time, to avoid legitimacy crisis. However, literature contains some references to reasons, and incidents of social disclosure decrease (Villiers & Staden, 2006).

Theorists believe that compliance with institutional norms established for a long time is the path to institutional legitimacy. This legitimization process also reinforces the legitimacy of the existing social values system (Chen & Roberts, 2010). Bulr and Freedman (2002) suggest in their study that cultural and institutional factors are more propitious to motivate environmental disclosure.

In a pluralist world, the LT is concerned with organization-society negotiation (Gray et al., 1995a). Gray et al. (1995a) consider Lindblom's (1994) exposition of the LT to be the clearest as it argues that, first, we should distinguish legitimacy (an existing state or condition when the value system of an entity is coherent with the wider social system), from legitimation (the underlying process to take the entity to that state).

Lindblom (1994) identified four strategies a corporation should adopt when seeking legitimation: first, to educate and inform its “relevant public” about the real changes on performance and activities of the organization; second, to change the perceptions of its relevant public without changing its real behaviour; third, to manipulate perception by deviating attention from a problem to another; and fourth, to change the external expectations of its performance. This way, Lindblom (1994) shows that social disclosure may be applied in each of these strategies.

Gifford and Kestler (2008) noticed that multinational companies should be embedded in the civilian society, in local community groups, and in the PS. With these trust partnerships and SD engagement, they keep their authority and credibility in communities and gain local legitimacy in the long term. SD is the ultimate corporate aim by which companies must genuinely perform their CSR, as big and sanctioned companies because of environmental infractions get more attention from the government (Huang & Kung, 2010).

The CSR disclosure is one of the strategies used by organizations to seek acceptance and approval for their activities in society. By disclosing CSR information, they present a socially responsible image, legitimizing their behaviors and improving external reputation by showing their conformity to such norms and expectations, leading to the increase of financial profitability (Branco & Rodrigues, 2008a, b). Legitimacy from society is the reward when organizations comply with institutionalized social expectations (Branco & Rodrigues, 2006b; 2008a, b; Chen & Roberts, 2010).

The LT suggests that CSR disclosure is an important form of communication that aims to convince stakeholders that the organization is meeting expectations. Companies disclose CSR information due to external pressures. They seek compliance with what companies meeting society’s expectations do, as they believe that not doing so would cause them harm in terms of their profitability and survival (Branco & Rodrigues, 2006b; 2008a, b). The vision incorporated in this theory, which is publicly embraced by management, is that organizations are sanctioned if they do not operate in a consistent way to the community’s expectations (Brown & Deegan, 1998).

A company’s legitimacy is granted and controlled by people outside the organization. Thus, it attempts to implement certain strategies in order to change stakeholders’ perception and divert their attention from certain issues so as to change their expectations regarding the company’s performance. Thus, companies are encouraged to disclose appropriate environmental information to their stakeholders to ensure that their behavior is perceived as legitimate (Huang & Kung, 2010). The organizational LT predicts that companies will do what they consider to be necessary to preserve their image as legitimate companies, with legitimate purposes and methods to attain them (Villiers & Staden, 2006).

Wilmshurst and Frost (2000) state that the LT offers an explanation for the management motivation to disclose environmental information in the annual report. When activities have an adverse impact on the environmental management, the company will try to restore its credentials through additional information disclosure to ensure their activities and performances are acceptable to the community. This way, the LT suggests that it would be expected that companies with poorer environmental performance would provide more environmental disclosures, extensive and positive, in their financial reports, as an attempt to diminish the increase of threats to their legitimacy (Cho & Patten, 2007).

Chen and Roberts (2010) state that the focus of the LT, when applicable to environmental and social studies, is how companies manage their image when the social expectation is assumed and the public target is not clearly identified, for example, in voluntary environmental and social disclosures. Branco and Rodrigues (2006) believe that for some companies, being seen as socially responsible will bring them competitive advantage. LT is particularly useful to explain any type of disclosure trying to close a particular existing legitimacy gap. Thus, LT focuses disclosure used to repair or to defend lost or threatened legitimacy, to gain or to extend legitimacy and to maintain levels of current legitimacy.

The consensus among researchers seems to be that corporate disclosure is growing and will increase over time. Companies may reduce environmental disclosures at some point or change the disclosure type (general/specific) when they notice a change or threat to their legitimacy, making reports more specific and accurate (Villiers & Staden, 2006). Organizations that are seen as innovative are often imitated by others to become legitimate (Williams et al., 2009).

The LT is often referred to as an explanation to environmental and social reports of the private sector (Lynch, 2010). However, Deegan (2002) believes that the LT explains why and how managers benefit an organization by using externally-focused reports. This theory can be further refined to clarify corporate social and environmental reporting practices. Burritt and Welch (1997) suggest that case studies could further develop the connections of this theory to disclosures. They state that the LT could spread to the PS. Sciulli (2009) adopted the LT as the theoretical model in his study on sustainability reports in the PS.

Golob and Bartlett (2007) believe that the LT is informed by two other perspectives that contribute to the study and analysis of CSR reports: the RDT (Pfeffer & Salancik, 1978), which focuses on the role of legitimacy and the organization's capacity to acquire resources, and the IT (DiMaggio & Powell, 1983), which considers the restrictions to organizations in complying with external expectations.

In their work, Tilling and Tilt (2010) follow a longitudinal case study using the LT to understand the companies' motivation to voluntarily disclose environmental and social information. Sciulli (2010, 2011) argues in his works on sustainability reports in the PS that no theory is predominantly applicable to the investigation on sustainability. Rather, there is a series of theories that, isolated or together, provide useful information and explanations for behaviors and management actions, namely, the LT, the IT, and the ST. The LT has been widely used in this context (Gray et al., 1996; Deegan, 2002; Tilling & Tilt, 2010; Sciulli, 2010, 2011). It suggests that social responsibility disclosure provides an important way of communicating with stakeholders, and of convincing them that the company is fulfilling their expectations (Branco & Rodrigues, 2008b).

Also, Mahadeo et al. (2011) follow the LT and the ST in their study on practices of environmental and social disclosure (in annual reports) in emerging economies (Maurice Islands). Based on the LT and the ST, a manager must communicate with several groups to attain the perceived legitimacy (Huang & Kung, 2010).

According to Suttipun (2012), despite the different theoretical approaches that are used to explain TBL reports, the LT and the ST are the theoretical perspectives more widely put forward in literature on environmental and social accounting.

2.3.3. Stakeholders' Theory as Explanatory Theory of Voluntary Sustainability Disclosure to Society

The ST is closely aligned with the LT, and both are often used as complements (Deegan, 2002). Both enrich, rather than compete, the understanding of corporate social and environmental disclosure practices, despite their different points of view. Both are concerned with "mediation, modification and transformation" (Gray et al., 1995a, p. 53).

Inherent to the notion that corporate social disclosures have been motivated by the need of organizations to legitimize their activities, management will react to the community's expectations (Wilmshurst & Frost, 2000). Organizations are part of a social system, and if they show that their values go against social norms, their legitimacy is, potentially and substantially, threatened. They need to consider all the stakeholders when elaborating their strategies so as not to take the risk of their support to be withdrawn, using environmental and social reports as the means of communication between them (Huang & Kung, 2010).

Organizations are seen as having the obligation to consider what society wants and needs in the long term, which implies that they get involved in activities that promote benefits for society and minimize the negative impacts of their actions (Branco & Rodrigues, 2007). However, environmental and social reports may not be as important in some countries as legitimacy is not perceived as being threatened or because stakeholders are not concerned with these issues (Villiers & Staden, 2006).

By definition, there is some kind of a relationship between an organization and each of its stakeholders (Gray, Dey, Owen, Evans, & Zadek, 1997). They are the ones offering organizations a set of resources they need to accomplish their businesses (Deegan, 2002; Golob & Bartlett, 2007). There should be a reciprocal relationship: stakeholders supply vital resources or contribute to the organization, and this fulfills their needs (Huang & Kung, 2010). Thus, it is the vision that the stakeholders have within the community that determines the acceptable activities expected to be undertaken by organizations (Wilmshurst & Frost, 2000).

The ST suggests a wide range of groups in the social environment, which may affect an organization, groups with legitimate claims because of concepts of the agency and property theories (Freeman, 1984). When the ST is used in the management interpretation, the focus is placed on the managers' tendency to implement changes regarding the LT (Villiers & Staden, 2006). As the stakeholders' influence is crucial for corporate image and comparative advantage, organizations manage their relationships with stakeholders by providing them information often as voluntary disclosure in their annual reports or in their websites (Suttipun, 2012).

Branco and Rodrigues (2007) try to show that the CSR term must be based on stakeholders and able to attend to both normative and instrumental aspects. CSR is analyzed as a source of competitive advantage (Branco & Rodrigues, 2006a; Branco & Rodrigues, 2007).

Huang and Kung (2010) show that the environmental and social disclosure level is significantly affected by the search of stakeholders' groups—internal, external, and intermediaries—such as shareholders and employees, governments, debtors, suppliers, competitors, consumers, organizations of environmental protection, and accounting companies, which exert a strong influence on management intentions and companies.

Manetti (2011) shows in his study that he tries to understand the stakeholders' role in sustainability reports. He concludes that it is important to get them involved in the environmental and social accounting for the definition of strategic sustainable aims and coherence in management activities.

Chen and Roberts (2010) state that focus of the ST, applicable to environmental and social studies, is the unexpected environmental and social activities performed by organizations, such as voluntary participation in activities benefitting society or the natural environment, without explicit self-promotion or publicity.

The ST sees the world through the management perspective of the organization strategically concerned about the continuous success of the organization. From this perspective, the continued existence of the organization requires the search of the stakeholders' support and approval, and activities must be adjusted toward profit (Gray et al., 1995a). The ST acknowledges that the impact of each stakeholder group on the organization is different, and the expectations of the different stakeholders are not just different but also sometimes conflicting. Thus, the ST is adequate for research studies interested in the relationship and interaction between two or more organizations or groups (Chen & Roberts, 2010). According to Freeman (1984), the original intention of the ST is to allow managers to go beyond business practices, if necessary.

Environmental and social disclosure is seen as part of a dialogue between the organization and the stakeholders, and CSR reports are fairly successful in negotiating those relationships. This practice is a complex activity that may not be fully explained by a single theoretical perspective (Gray et al., 1995a). To Gray et al. (1997, p. 333), organizations today voluntarily disclose environmental and social information as "part of a legitimacy and/or social construction process".

2.4. Analysis and Discussion

Several scholars have used the institutional, legitimacy, and stakeholder theories to explain the existence and content of accounting environmental and social reports (Gray et al., 1995b, 1996); and they acknowledge that these theories share some common characteristics.

The aim of this essay is to provide a wider vision and theoretical support for research on accounting and sustainability reports. We have drawn attention to the idea that accounting is not a mere due and daily sustained technique and practice. Accounting research should consider social and institutional pressures, which lead entities to adopt certain measures and decisions to increase their legitimacy (Hopwood, 1983; Hopwood & Miller, 1994). This allows to understand how and why accounting changes. The IT can help in the development of explanations for accounting change (Ball, Broadbent, & Jarvis, 2006), or of the accounting practice (Ball & Craig, 2010).

Institutional change can come from "pressures resulting from functional, political, or social sources". This "change involves a decrease in institutional forces or a substitution of one set of behaviors or structures for another" (Leaptrott, 2005, p. 217). Institutional pressures do not affect organizations in the same way. Organizations do not always adopt strategies, structures, and processes that improve their performance but react and seek ways to respond to external pressures (Frumkin & Galaskiewicz, 2004).

Organizational change is not so much due to efficiency and rivalry competitiveness but rather to bureaucracy reduction and the attempt of organizations to become more identical to each other to achieve legitimacy without necessarily becoming more efficient (DiMaggio & Powell, 1983).

The literature review confirms the close relationship of the IT with accounting environmental and social reports, also designated as TBL or sustainability, and the existence of coercive, normative, and mimetic pressure over organizations, influencing the adoption of certain accounting practices.

The IT postulates that it is not sufficient for organizations to compete for resources and clients; instead, they also have to deal with the pressure to comply with shared notions of adequate behaviors and paths, as their violation may put at risk the organization's legitimacy and thus affect its capacity to ensure resources and social support (Braunscheidel et al., 2011). The IT is not generally considered an organizational change theory but rather as an explanation for the similarity and stability of organizational arrangements in a given population or organizational field (Greenwodd & Hinings, 1996).

The intraorganizational dynamic of the NIS rushes and facilitates the organization to change as well as to adopt governance elements organizations find efficient and/or legitimate. In this sense, organizations tend to behave similarly (Chizema & Buck, 2006).

The IT argues that there are forces promoting the convergence of business practices, and it attempts to explain the institutional isomorphic change process in organizations (Braunscheidel et al., 2011). According to this, the environment where an organization operates creates isomorphic pressures (normative, coercive, and mimetic), adopting "institutionalized" norms and practices so as to be perceived as "legitimate" (William et al., 2009). The IT explains that organizations not only take into account the economic aspects in their structural decisions and management practices but mainly seek to legitimize themselves before the stakeholders (DiMaggio & Powell, 1983). Thus, a reason for the isomorphic behavior is to attain legitimacy and social acceptance (Carpenter & Feroz, 2001; Rodrigues & Craig, 2007; Rodrigues & Craig, 2012) to improve the organization's reputation as rational, modern, responsible, and legally compatible (Rodrigues & Craig, 2012).

The theory may be seen as the expression of a consistent appreciation of the state's role in the production and dissemination of legitimate forms of organization. Meyer and Rowan have discussed the role institutionalization performs in the government. DiMaggio and Powell have recognized the state-driven centrality in the coercive isomorphism, but they have given similar emphasis to mimetic and normative isomorphism (Frumkin & Galaskiewicz, 2004).

The IT has been used in accounting studies (Carpenter & Feroz, 2001) because it explains accounting choice through the organizational actors being subject to institutional pressure, and it is important to understand these institutional mechanisms, which work differently, to understand how decision makers are influenced by institutions (Collin et al., 2009).

The GRI has been an institutionalization success (Ferguson, 2011). From the IT perspective, Brown et al. (2009) showed in their study how the institutionalization process is deeply influenced by the initial strategies of the GRI founders. GRI is a brand tool of organizations—private and public—whether it is for management, comparability, sustainability, or reputation. GRI's influence has also been proved by the study of Nikolaeva and Bicho (2010).

Organizations are part of the social system, and if they prove that their values are going against social norms, their legitimacy is potentially threatened (Huang & Kung, 2010). The IT holds that organizations tend to copy others when practices become widely accepted and shared by the main interveners (Bebbington et al., 2009; Sciulli, 2009). Therefore, the IT suggests that the institutionalization of value standards, as the symbolic representation of the social value system, is integrated in concrete behaviors of its institutions. Institutional theorists believe that compliance with institutional norms established for a long time is the way to institutional (institutionalized social expectations) and social legitimacy (existing social value system) (Chen & Roberts, 2010).

Sustainability reports have been explored as a tool for boosting change, attitudes, and actions necessary to put forward a different kind of organization and decision making compatible to ecological and social sustainability. Oliver (1991) presents an example of CSR and organizational ethics maintenance, which may lead organizations to act not because of any kind of direct connection to a positive organizational result (for example, greater prestige or more resources) but quite simply because it would be unthinkable to do otherwise. So, the organization would not be invariably reducible to strategic behaviors induced by the anticipation of organizational profit.

Following previous studies, Ball et al. (2006) have discussed several approaches to sustainability reports on the role of public services promoting sustainability, and they observe, through a case study in the local government of the United Kingdom, that environmental accounting is pressed—political, social, and functional pressures—toward changing the organization. We call this "deinstitutionalization" (discontinuity of organizational practices or activities).

Cho and Patten (2007) believe that some environmental disclosures in reports are used as a legitimacy tool, but others are not. However, organizations with poorer environmental performance provide higher disclosure levels. To Branco and Rodrigues (2006b), some organizations believe that being seen as socially responsible will bring them competitive advantage.

Frumkin and Galaskiewicz (2004) believe that government agencies play a fundamental role in implanting and triggering institutional change, exerting pressure through their funding control, which is sometimes exerted by their regulation power. Government action has the core function of starting the structural transformation of other organizations.

However, Chen and Roberts (2010) state that the IT (Meyer & Rowan, 1977; DiMaggio, 1983) is similar to the LT (Lindblom, 1994; Suchman, 1995) but is focused on the relationship between the environment and organizations, especially in the stability and survival of the organization. It is the institutional legitimacy process that is directly related to the IT (Chen & Roberts, 2010).

The LT states that legitimacy is a state or condition achieved when an organizational value system is coherent with society's wider value system, but it does not offer a solution in terms of how it can be achieved or empirically analyzed in practice. However, the organizational or structural legitimacy process is more related to the ST, which recognizes that legitimacy is subjectively assessed according to the value standards of the stakeholders' groups (Chen & Roberts, 2010). Freeman (1984) emphasizes that the will to communicate and engage is the necessary solution for the approval and support of the stakeholders.

However, as there are no normative or coercive pressures for organizations to adhere to GRI standards yet, mimetic isomorphism would be best for the voluntary adoption of CSR reports since the mimetic behavior may be the right response to the environmental uncertainty, and it may really help managers save resources by copying their competitors' behaviors (Nikolaeva & Bicho, 2010). These authors consider their own study as the first to explore the voluntary adoption of the world's framework of CSR reports (GRI) by companies. Results suggest that managers are encouraged to disclose CSR reports, according to the GRI, increasing the organization's legitimacy.

Summing up, each theory gives its contribution, completing each other according to its perspective. Thus, it is possible to incorporate various theories in an attempt to obtain a more coherent and complete understanding of an organization's relationship with society. We should emphasize the usefulness of investigating a specific social occurrence from more than a theoretical point of view.

2.5. Summary

We are in a global community, in a new environment and before a new strategic model, where future organizations have to generate value for stakeholders. Socially responsible organizations generate value for others and achieve better results for themselves. CSR is not a mere choice of organizations; it is a matter of strategic vision and survival. The GRI, the internationally acknowledged standard for sustainability disclosure, contributes to the dialogue among the diverse stakeholders (GRI, 2006).

Based on the understanding of the different theoretical perspectives and the institutional pressures for change, organizations will tend to adopt sustainability practices and the path of social responsibility. These theories can provide a powerful theoretical lens in the analysis of these accounting practices in the PS.

This analysis shows that, although those theories are different in their specificity, perspective, and solution levels, their aims are the same: they have a common interest of explaining how organizations ensure their survival and growth. They all emphasize that financial performance and efficiency may be necessary but not sufficient for organizations to continue surviving. Some organizations may perform some sustainability performance merely to satisfy common expectations of doing business. Here, legitimacy is the only reward. But others may start those practices as a result of their engagement with relevant stakeholders' groups.

There is an urgent need for investigation on accounting practices and sustainability reports to compare really sustainable organizations in this global world, leading to future benefits. In short, this is a present, pertinent, promising, and interesting theme for everyone: citizens, organizations, community, state, shareholders, among others, inclusively to literature and investigators, as there is little research work in this area.

This study concludes that there are three important theoretical considerations for future research studies on accounting and sustainability reports. First, we must acknowledge that some organizations start sustainability activities based on pressure to change or on direct interaction with stakeholders, while others may perform similar activities to manage their social level of legitimacy; second, from the analysis of the perspectives of the institutional, legitimacy and stakeholder theories, it is possible to reach compatible interpretations with economic, social, and environmental business phenomena (of sustainability); third, all these phenomena will be part of executives' motivations to voluntarily get involved and engaged in CSR practices and disclosure. The selection and application of these theories depend on the study focus.

Although these perspectives may complement responses to the present issues on accounting and sustainability reports, it is necessary to understand the concepts and potential applications of each theory. Thus, they should be simultaneously studied, mutually complementing each other.

Therefore, the limitations of this study are the gaps in deeper considerations about these and other theories in the explanation and motivation of organizations' sustainability practices, especially in the PS. In this sense, the results suggest opportunities for future research studies, namely, through case studies, which may allow more conclusive inferences on these theories, singly or together, to get a more coherent and complete approach to the understanding of accounting practice and sustainability reports.

CHAPTER THREE

Analysis of GRI sustainability reports issued by Portuguese public sector entities

(ESSAY 2)

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Abstract

Issues such as social responsibility and corporate sustainability are now recognized by organizations and the community as very important for effective and efficient triple bottom line (TBL) performance to achieve sustainable development (SD). Given the increasing pressure from multistakeholders, organizations seek to disclose their "best practices" toward SD through a sustainability reporting tool that is prepared on a voluntary basis.

We use Global Reporting Initiative (GRI) sustainability reports of the Portuguese public sector (PS) entities to perform a quantitative longitudinal study with the purpose of identifying the indicators disclosed and the GRI application levels. The study focused on the reports of 2008 and 2012. The findings show that Portuguese PS entities report mainly economic indicators, followed by social indicators. Despite the low level of external verification, entities are transparent when declaring their GRI application level.

Keywords: corporate social responsibility, corporate sustainability, Global Reporting Initiative, GRI application levels, Portugal, public sector, sustainability reporting

3.1. Introduction

As a consequence of recent corporate scandals around the world, organizations today face growing pressure from stakeholders to act correctly and to commit themselves to social initiatives (that is, to any program, practice, or policy undertaken by a business firm to benefit society) (Brønn & Vidaver-Cohen, 2009).

Concerns about corporate social responsibility (CSR) have significantly increased over the last few decades (Campbell, 2007; Golob & Bartlett, 2007; Aras & Crowther, 2009a; Carnevale & Mazzuca, 2012), gaining force in international contemporary debates in the last few years (González & Martinez, 2004; Aras & Crowther, 2009a). In this sense, different approaches can be found in the academic context to investigate the increasing importance of CSR in society (Schultz & Wehmeier, 2010).

CSR issues and CSR reports are becoming important, not just nationally, but also globally (Golob & Bartlett, 2007), and CSR and TBL performance concepts have increasingly become more important among business managers, academics, and political decision makers (Skoulodis, Evangelinos, & Kourmousis, 2010). Also, "the language and specific references to the terms TBL and 'TBL reporting' gained in substantial popularity in businesses' management, measurement and reporting processes during the late 1990s and early 2000s" (Milne & Gray, 2013, p. 14).

Organizations show their social responsibility and concerns about the community when they incorporate environmental facts in their management strategies and financial reports so as to reach SD (Sarmento, Durão, & Duarte, 2005). There are many SD challenges, and it is accepted that organizations are not only responsible but also able to bring about positive change to the world's economic, environmental, and social conditions. Also, it is much more likely that organizations effectively manage an issue that they can measure. So, reporting leads to improved SD outcomes as it allows organizations to measure and improve their performance on specific issues (Leyira, Uwaoma, & Olagunju, 2012).

There is a growing tendency among organizations to report their sustainability or publish their CSR reports as a way of publicly demonstrating their commitment to the environment and social issues (Zorio, García-Benau, & Sierra, 2013). Also, seeking organizational legitimacy and credibility enhancement, organizations issue social and environmental reports (Mahadeo, Oogarah-Hanuman, & Soobaroyen, 2011) and sustainability reports according to the GRI guidelines (Hedberg & Malmborg, 2003).

Motivated by growing concerns about corporate sustainability and SD toward society and future generations' interest, and considering public pressures for a better behavior and corporate responsibilities today, we aim to verify whether Portuguese PS entities reflect good CSR practices in their GRI sustainability reports.

Thus, with this paper, we propose to verify which TBL indicators are disclosed by Portuguese PS entities in GRI sustainability reports and which are GRI application levels through a longitudinal study. Our findings show that Portuguese PS entities in the sample report TBL, but with some supremacy of the economic indicators, followed by social indicators. The entities try to be transparent when declaring the GRI application level, despite the low level of external verification.

This paper begins by approaching to CSR and corporate sustainability terms. Next, we present the social responsibility disclosure instruments and the current practice of TBL disclosure through GRI sustainability reports. Thereafter follow sections of research method, results and discussion. Finally, we present summary, limitations, and areas for further research.

3.2. Corporate Social Responsibility and Corporate Sustainability Terms

3.2.1. Corporate Social Responsibility

In 1953, Bowen introduced his first definition of CSR: the obligation of businessmen to pursue policies, make decisions, or follow desirable action lines in terms of the goals and values of our society. His beliefs and statements have him the title of "Father of Corporate Social Responsibility" (Carrol, 1999, p. 270; Christofi, Christofi, & Sisaye, 2012). In the 1970s, there was a significant increase of explorations into management and CSR, bringing about a new vocabulary of social audit, social performance, social disclosure, and accountability (Gray, 2002).

By the end of 1990, the CSR idea became almost universally promoted by all governments, nongovernmental organizations, and individual consumers. Most scholars and business experts have noticed how CSR has been transformed into one of the most orthodox and widely accepted term in the business world over the last 20 years or so (Lee, 2008). This term has gained emphasis among scholars from a wide variety of subjects and is in vogue, though as a vague concept, with different meanings for different people (Gallego, 2006).

The CSR essence can be found in the social contract established between society and its members (Moneva, Archel, & Correa, 2006). In fact, there is an impressive story associated with the evolution and definition of the CSR concept (Carroll, 1999) with numerous attempts to establish a better understanding of CSR and to develop a more robust definition (Dahlsrud, 2008). Thus, CSR is founded on the notion that corporations have relationships with other interests, for instance, with economic, cultural, environmental, and social systems because business activities affect—and are affected by—such interests in society (Dobers & Halme, 2009).

Albareda, Losano, and Ysa (2007) argue that, over the last decade, CSR was first defined as it was presented by the European Commission in 2001. Social responsibility was defined in the green paper (2001) by the European Union as a concept according to which organizations decide, voluntarily, to contribute for a fairer society and a cleaner environment, which should be seen as an investment and not as a burden. It also states that most definitions describe CSR as a voluntary integration of organizations´ social and environmental concerns in their operations and interactions with stakeholders

(Gallego, 2006; Albareda et al., 2007; European Commission, 2013). This definition highlights the voluntary and specific elements of CSR, contrasting with other institutionalized forms of regulation. Parallel to this concept, organizations have developed their own CSR approaches (Jackson & Apostolakou, 2010).

Truly, a universal definition of CSR is problematic, considering the different national institutional systems of businesses (Jackson & Apostolakou, 2010). Dahlsrud (2008) argues that even if an impartial definition was developed, it would be necessary that people involved in CSR would apply it so that the confusion around the definition was solved. According to his study analyzing 37 CSR definitions, the most widely used definition is the one from the Commission of the European Communities in 2001, "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis," as it integrates five dimensions: voluntary, stakeholders, social, environmental, and economic. Another is the definition of the World Business Council for Sustainable Development in 1999: "the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life" (Dahlsrud, 2008, p. 7).

Crane, Matten, and Spence (2013) provide an insight into the richness, heterogeneity, and diversity of CSR literature, analyzing different definitions of CSR. They delineate six essential characteristics of CSR, which are described and defined by 15 different organizations across the globe (beyond philanthropy, practices and values, social and economic alignment, multiple stakeholder orientation, managing externalities, voluntary), which tend to play up somehow in academic settings or practitioners of CSR. The term *corporate social responsibility* is very difficult to define precisely.

There are many CSR definitions available (Dahlsrud, 2008; Golob & Bartlett, 2007; Schultz & Wehmeier, 2010), although none is widely accepted (Jackson & Apostolakou, 2010). Despite the use of different phrases, definitions are predominantly congruent, causing a lack of a universally accepted definition less problematic than it may seem at first. Thus, the challenge is not so much defining CSR but understanding how this is socially built in a particular context and how to take it into account when business strategies are developed (Dahlsrud, 2008).

Corporate social performance is multidimensional, defined by Carroll (1979) as having four components: economic responsibility to investors and consumers, legal responsibility to the government or the law, ethical responsibilities to society, and discretionary responsibility to the community (Hillman

& Keim, 2001). Golob and Bartlett (2007) and Jackson and Apostolakou (2010) consider Carroll's CSR definition (1979) the most quoted one.

The concept has evolved in many aspects and may be widely denominated as CSR rationalization, as the analysis level has gone from the macrosocial to the organizational level, where the ethical orientation has become more implicit than explicit. With this change of analysis, researchers have placed a greater emphasis on CSR strategic issues and management (Lee, 2008). As CSR, by definition, is concerned about the responsibilities of companies with regard to other actors in society, it needs to be studied in the context of where it is being practiced (Dobers & Halme, 2009).

To Campbell (2006), socially responsible corporate behavior is not easy to define. It involves the specification of the type of corporate behavior under consideration, such as how an organization deals with the environment, its collaborators, clients, among others. This definition differs from the conventional one used by other investigators, who define CSR as the actions taken by an organization aiming at social well-being (nursery for employees' children, charity, environmental practices). According to CSR studies, corporations use the perception of their activities to influence agents and enhance their image before stakeholders (Brown, 2007).

Some organizations consider CSR a negative effect on their business as it may imply costs, in terms of both budget and time. On the other hand, CSR may be seen as positive since it encourages high corporate management, looking closer at the business operations and making them more successful and sustainable in the long term (Suttipun, 2012). Dobers and Halme (2009), analyzing CSR or SD studies on developing countries or economies in transition, state that little is done. So, there is an urgent need for combined efforts from the private sector, PS, and nongovernmental organizations to develop structures and institutions contributing to social justice, environmental protection, and poverty eradication.

The PS may choose to address different CSR strategies through actions reflecting a variety of roles: mandating (legislative), facilitating (guidelines on content), partnering (engagement with multistakeholder processes), and endorsing (publicity). By using any or a combination of them, a government can seek to increase and improve the level of corporate sustainability reporting (Fox, Ward, & Howard, 2002). However, the key points in CSR operationalization are its voluntary character and its final aim of enhancing performance in business (Melo & Garrido-Morgado, 2012).

Thus, over the decades, the concept of CSR has been growing in importance and significance, being the subject of considerable debate, commentary, theory building, and research. According to the broad view of the business case of CSR, a firm may enhance its competitive advantage and create win-win relationships with its stakeholders. Additionally, gains from cost and risk reduction and legitimacy and reputation benefits can be achieved (Carroll & Shabana, 2010).

It is also apparent that some PS activities, such as procurement, have multiple connections with the contemporary CSR agenda (Fox et al., 2002). This author argues that CSR

> is at heart a process of managing the costs and benefits of business activity to both internal (for example, workers, shareholders, investors) and external (institutions of public governance, community members, civil society groups, other enterprises) stakeholders. Setting the boundaries for how those costs and benefits are managed is partly a question of business policy and strategy and partly a question of public governance. (Fox et al., 2002, p. 1)

In this context, many experts have noticed the external growth of CSR reporting; few have noticed that its meaning has been internally changing (an exception is Carroll, 1999). CSR researchers are still deepening this CSR critical dimension. CSR research excessively emphasizes the business case of CSR, and future research studies need to redirect the focus to basic research so as to develop conceptual tools and theoretical mechanisms to explain organizational behavior change from a wider social perspective (Lee, 2008).

3.2.2. Corporate Sustainability

As the definition of *sustainability* is pertinent but not widely accepted, Aras and Crowther (2008) argue that the definition in the Brundtland Report (OECD, 1987) must be seen as a starting point since there is a clear agreement: it was with this report, under the title “Our Common Future,” that the sustainability concept and essence were popularized (Christofi et al., 2012).

Williams, Wilmshurst, and Clift (2011) consider that this report contains the definition of SD, which has become one of the most widely adopted and used nowadays. To Hopwood, Mellor, and O’Brien (2005), the original SD concept of the OECD (1987) is the result of the growing awareness of global connections between environmental problems and socioeconomic issues, such as poverty, inequality, and concerns about a healthy future for all humankind. The SD concept combines economic prosperity, a better environment, and social justice aims, which demand an integrated strategy allowing for practical measures to achieve a better quality of life for people now and in the future (Turner, 2006).

In essence, SD is the recognition of global problems related to environmental degradation and socioeconomic issues linked to poverty and inequality situations, unsustainable in the long term (Williams et al., 2011). It supports a balance between present and future needs, although it does not specify them nor defines the balance to be implemented (Cairms, 2006). The United Nations has stated that SD can only become a reality if corporate responsibility becomes a dominant concern for individual organizations and the business community as a whole (Guthrie & Farneti, 2008).

Although SD is a societal concept, it is increasingly being applied as a corporate concept under the name of *corporate sustainability* (Roca & Searcy, 2012). The SD or sustainability concepts have become increasingly relevant in corporate executives' agenda after Brundtland Report was launched in 1987, which brought them to light (Moneva et al., 2006; Gasparatos, El-Haram, & Horner, 2009). It is obvious that the terms *sustainability* and *SD* are used as equivalent and seen by many as synonyms (Aras & Crowther, 2009b).

However, although the way some organizations define *sustainability* raises some doubts on their commitment to protecting the planet for future generations (Adams & Larrinaga-Gonzalez, 2007), they are embracing sustainability and SD at a strategic level, as they see clear synergies between value creation and the attempt to contribute to SD (Moneva et al., 2006).

In this sense, the word *sustainability* is one of the most widely used words related to corporate activity (Aras & Crowther, 2009b), despite being a controversial term, as it means different things for different people (Cairns, 2006; Aras & Crowther, 2008). Sustainability requires a collective decision-making level for the common good (Gray, 2002), and any definition of *sustainability* should cover what is known as intergenerational equity (Cairns, 2006).

In fact, if resources are used at the present, this means they are not available for use in the future, and this is a real concern when resources are finite in quantity. Sustainability is concerned with the guarantee that the resources usage choices in the future will not be limited by decisions made at the present. It is focused on the future, which necessarily implies the acceptance of all the costs involved at the present as an investment for the time to come (Aras & Crowther, 2008). This is mainly a global concept emphasizing not only an efficient allocation of resources throughout time but also a fair distribution of resources and opportunities among current, present, and future generations (Gray, 2002; Gray & Milne, 2002).

Sustainability is often articulated in terms of the tripartite model (economic, environmental, societal). Regarding a community, sustainability is considered in terms of four fundamental and closely related themes: ethics, conservation, cooperation, and competition (Walter & Wilkerson, 1998).

Following recent institutional changes, the sustainability concept, sustained by a committed group of scientists and politicians, is radically reformulating organizational choices and priorities, which makes this a propitious moment for investigators to examine those highly intriguing interactions between society and business (Lee, 2008).

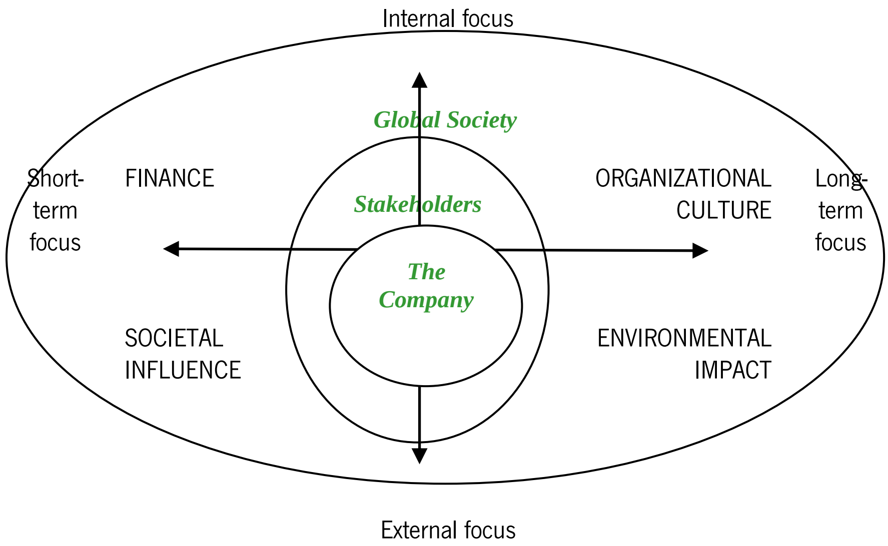
Marrewijk (2003, p. 95) shows that definitions of *CSR* and *corporate sustainability*— "one solution fits all"—should be abandoned, "accepting various and more specific definitions matching the development, awareness and ambition levels of organizations." CSR as a new tool fits into the current corporate responsibility or corporate sustainability framework to complete the image of corporate sustainability. In general, corporate sustainability and CSR refer to organization activities—voluntary by definition—demonstrating the inclusion of social and environmental concerns in business operations and interactions with stakeholders (see Figure 3.1).

Figure 3.1 – Model of corporate sustainability

Source: Marrewijk, 2003, adapted

Aras and Crowther (2009a) argue that four aspects of sustainability must be considered as the key dimensions of sustainability that need to be recognized and analyzed: societal influence, environmental impact, organizational culture, and finance (Figure 3.2).

Figure 3.2 – Model of corporate sustainability and sustainable development



Source: Aras & Crowther, 2008, adapted

These four aspects can be resolved into a two-dimensional matrix along the polarities of internal versus external focus and short-term versus long-term focus, which together represent a complete representation of organizational performance. Figure 3.2 represents an approach to sustainability and SD. The organizational is firmly embedded into a global environment that necessarily takes into account the past and the future as well as the present. A short-term approach is no longer acceptable for sustainability as it pays attention to the future as well as to the present (Aras & Crowther, 2008).

Organizations adopting sustainability as part of their corporate culture explore TBL as part of their business strategy and simultaneously create value for all their stakeholders (Bell, Soybel, & Turner, 2012). Corporate sustainability, as a building ideology for rethinking business, requires systemic corporate cultural changes, engaging all stakeholders and building a sustainable society as part of it. And the fundamental premise of corporate sustainability is that organizations should fully combine social and environmental objectives with financial ones and explain their well-being actions to a wider range of stakeholders through an accountability and reporting mechanism (Gao & Zhang, 2006).

3.3. From Social and Environmental Reports to GRI Sustainability Reporting

3.3.1. Social and Environmental Reporting

Social and environmental accounting and reporting has been a relevant theme in academic literature (Gray, Owen, & Adams, 1996; Moneva et al., 2006) and plays a relevant role in the analysis of the sustainability performance of organizations (Moneva et al., 2006). To Gray (2010), a wide range of actual and potential accounts of (typically) organizational interactions with society and the natural environment have resulted from the development of social and environmental accounting and reporting over the last 40 years. He also argues (2008, p. 6) that

> conventional accounting refers to only those accountings which: relate to specific accounting entities; only describe economic events; only employ financial description; and assume a limited set of "users" for the resultant accounts—most typically and ubiquitously, private sector owners of capital.

Modern ways of social accounting have produced, for the first time, general interest in the 1970s (Leyira et al., 2012). According to Gray (2008), in the early stages of "social accounting," it was assumed by many that this new "accounting" could be considered a subset of conventional "financial" accounting.

Social accounting has struggled to find its place in the accounting firmament. It is used as a generic term for convenience covering all forms of "accounts which go beyond the economic," and it appears as social responsibility accounting, social audits, corporate social reporting, employee and employment reporting, stakeholder dialogue reporting, as well as environmental accounting and reporting (Gray, 2002, p. 692). Social accounting has generally been taken to comprise reporting about a specific range of issues and/or reporting to a variety of stakeholders. It may be thought of as the universe of all possible accountings and how accounting gets when the artificial limits of conventional accounting are removed. However, this is not an organized, entirely coherent area or activity but a wide-ranging, organic, and disjointed one. It can even be contradictory, confusing, and divergent. It can also be trivial or profound, conservative or radical (Gray, 2008).

Nevertheless, in the last 20 years, there has been an increase in social accounting literature associated with the typical nuclear areas of accounting, but it has not become a significant presence in the mainstream literature. Social accounting is concerned with exploring how social and environmental activities carried out by different elements of a society can be expressed. Thus, the process of social accounts offers a means whereby the nonfinancial may be created, captured, articulated, and spoken (Gray & Laughlin, 2012).

Environmental and social accounting involves accounting for social and environmental impacts in a more qualitative form. An emancipatory form of environmental and social accounting requires accountants becoming involved in the development of new accounting and information systems and in developing techniques that express assets and liabilities in ecological terms (Boyce, 2000).

Environmental reports are produced mainly by larger companies listed on the stock exchanges in OECD countries, often without being obliged to do so by legislative pressure and independently from their financial reports (Cerin, 2002).

In fact, with the emerging interest in "environmental issues" since the late 1980s, "environmental accounting and reporting" began to take on a life of its own that was only loosely linked (empirically or theoretically) to earlier work (Gray, 2008, p. 11). Stimulated by the Brundtland Report in 1987 and the Rio Earth Summit in 1992, with the elaboration of the 21 agenda, environmental reports increased in the early 1990s (Cerin, 2002; Burritt, 2012).

Environmental accounting is a subset of social accounting, focusing on the cost structure and environmental performance of an organization. It principally describes the preparation, presentation, and communication of information related to an organization's interaction with the natural environment (Leyira et al., 2012).

Ball (2005) suggests that environmental accounting may be mobilized as a form of allowing a partial change in the organization. Concerns about social change have led Ball and Craig (2010) to try to develop normative perspectives of social and environmental accounting.

A substantial body of literature has been developed on the commonly used term of social and environmental accounting (Sciulli, 2009), and although in the last years investigation has been focusing on the study field of private sector companies instead of the PS, we have been watching a spread of the investigation into the PS in this area (Mathews, 1997).

3.3.2. Sustainability Reporting

Historically, sustainability reporting, in the strictest sense of the word, was preceded by three different types of reporting: annual, environmental, and social. Then, "sustainability reporting" emerged as a designation for this new integrated form of economic, environmental, and social reporting (Daub, 2007).

According to Sciulli (2009, p. 76), a new phase of research opportunities' expansion has come up, and the last tendency seems to favor sustainability reporting, a term that seems to have replaced the "phrase social and environmental accounting research" and implies an emphasis on organizations seeking to report more information than it is included in traditional financial accounting. In this reporting, there are broader techniques of sustainability accounting and accountability that have the potential to be powerful tools in the management, control, and accountability of organizations for their social and environmental impacts (Guthrie & Farneti, 2008). Thus, social, ethical, and environmental reporting is aimed at different stakeholders and is assumed to spread an organization's accountability beyond financial accounting, understanding that organizations do not solely have financial responsibilities but also social, ethical, and environmental ones, which should be used to ascertain organizations' accountability (Gray et al., 1996; Criado-Jiménez, Fernández-Chulián, Husillos-Carqués, & Larrinaga-González, 2008).

However, CSR reports are not new, and a lot of organizations have been preparing them under several inherent titles. Initially, those reports may have a public relations appearance for organizations, with a positive interpretation of their results. However, with their evolution together with the issues raised by several stakeholders, these reports have come up with more quantifiable targets and results presentation (Bell et al., 2012). CSR reporting is, then, an important aspect of social and environmental accountability (Bouten, Everaert, Liedekerkeb, Moord, & Christiaens, 2011).

Regarding the terminology for reporting and according to KPMG (2013), it varies globally among companies: "sustainability" reporting (43%), "corporate social responsibility," (25%) and "corporate responsibility" (14%).

In Zorio et al.'s (2013) and Skoulodis and Evangelinos' study (2009), CSR reporting and sustainability reporting are used as synonyms, referring to reports presenting economic, environmental, and social aspects of corporate activities and emerging as a new corporate reporting tendency. These reports describe policies, plans, and programs the organizations put into practice, including quantitative and qualitative information on economic, environmental, and social performance, which Elkington

(1997)[6] has described as the organizations' TBL in a stand-alone publication (Elkington, 2006; Skoulodis & Evangelinos, 2009; Milne & Gray, 2013).

According to Owen (2003), there have been several attempts to establish a global common framework for CSR reporting, which covers mostly economic, social, environmental, and governance dimensions (Golob & Bartlett, 2007). Actually, corporate reporting, which used to be designated as environmental reporting, and later as CSR reporting, is now repackaged as sustainability reporting (Aras & Crowther, 2009a).

In this sense, several definitions of corporate sustainability reporting are available in published literature, though there is none that is universally accepted (Roca & Searcy, 2012). Milne and Gray (2013), by tracing the history of the evolution of corporate sustainability reporting, identify and isolate the TBL concept as a core and dominant idea. Additionally, this process has become reinforced and institutionalized through KPMG's triennial surveys of practice.

Sustainability reporting is the action through which an organization publicly communicates its economic, environmental, and social development as a routine and comparable to organizations' financial reports (Leyira et al., 2012). It is a way of helping organizations inform on their performance and enhance their accountability (Moneva et al., 2006), integrating this information in a single publication, which is gaining acceptance among a growing number of organizations (Skoulodis & Evangelinos, 2009).

Since sustainability reporting is a somewhat new practice—disclosures are expected to increase over time—because of lack of research focusing on sustainability issues in the PS (Sciulli, 2009).

According to Haque, Pathrannarakul, and Phinaitrup (2012), the PS as an organizational system has components similar to private organizations: leadership, strategic planning, communication and coordination, administrative procedures, and public responsibility. There are several authors approaching these SD issues in the PS, namely, Burritt and Welch (1997); Larrinaga-González and Bebbington (2001); Ball (2004, 2005); Ball and Grubnic (2007); Ball and Bebbington (2008); Broadbent and Guthrie (2008); Guthrie and Farneti (2008); Larrinaga-González and Pérez-Chamorro (2008); Lewis (2008); Burritt and Schaltegger (2010); Sciulli (2011); and Gray and Laughlin (2012) (see Appendix 1). However, despite the new legislative guidelines for "Good Governance Practices"

[6] Elkington (1997): "Triple bottom line" or "people, planet, profit" refers to a situation where companies harmonize their efforts to be economically viable, environmentally sound, and socially responsible.

(Decreto-Lei no. 133/2013) sustainability reporting according to the GRI guidelines, of a voluntary nature, is recent in the Portuguese PS.

3.3.2.1. Global Reporting Initiative

GRI was created at the end of 1997 from a project managed and financed by the Coalition for Environmentally Responsible Economies (CERES) (Brown, Jong, & Lessidrenska, 2009a; Toppinen, Li, Tuppura, & Xiong, 2012; Christofi et al., 2012). Since the introduction of the CERES Principles in 1989, sustainability reports have been the main tool organizations use to show the outside world their social responsibility (Brown et al., 2009a).

The GRI's[7] mission is to offer a reliable structure for sustainability reporting, with a globally shared structure of concepts, a consistent language, and a largely understood metric to communicate issues related to sustainability in a clear and transparent way, which may be used by several organizations regardless of their dimension, sector, or location (GRI, 2006, 2012). This is to elevate sustainability reporting to a similar level as financial reporting in terms of comparability, rigor, auditability, and general acceptance (Willis, 2003).

The GRI's explicit objective is to enlighten and harmonize nonfinancial reporting (Brown et al., 2009a; Leyira et al., 2012; Lozano, 2013), and its main activity is to develop and promote a coherent framework for this reporting (Dingwerth & Eichinger, 2010). The GRI has tried to broaden its (global) range, scope (social, economic, and environmental performance indicators), flexibility (descriptive and quantitative indicators), and stakeholder base (industry, financial sector, accounting, civilian, environmental society and nongovernmental organizations of human rights, work, among others) (Brown et al., 2009a). The GRI claims to supply the entire world with a standard base of comparable reports on sustainability, that is, generic SD indicators among the three sustainability dimensions (or TBL) (Ball et al., 2006; Gray, 2010), a concept introduced by John Elkington in 1994 (Elkington, 1998, 2004; Brown et al., 2009a; GRI, 2012).

Since its conception in 1999, the GRI has become a model leader in voluntary sustainability reporting, producing a guidelines framework for sustainability reporting. This is a prominent framework for voluntary corporate reporting on environmental and social performance all over the world, and it is generally considered very successful (Lamberton, 2005; Antoni & Hurt, 2006; Brown et al., 2009a).

[7] Under the orientation and support of the United Nations Environment Programme (UNEP), in collaboration with CERES and the Tellus Institute, in 2000, the GRI offered the international community a reporting framework to guide its efforts and initiatives toward sustainability (Christofi et al., 2012).

And while sustainability reporting is a voluntary process, organizations will not discharge accountability (Comyns et al., 2013).

Guidelines for sustainability reporting (G3/G4) are composed of disclosure principles and performance indicators, which frequently update its guidelines for sustainability reporting, in complex multistakeholder processes, which include the participation of several entities (Dingwerth & Eichinger, 2010), for the information field and its own legitimacy source (GRI, 2006).

GRI's G3 version tries to make the standardization process easier, providing reports verification criteria: precision, integrity, reliability, balance, and justice (Brown et al., 2009a). However, Lynch (2010) argues that the low level of reporting under the GRI guidelines is disappointing. The fourth generation of the GRI guidelines (G4) proposes alterations on the information on management, new orientations for defining the report limits, and new information to be reported in key areas, such as governance and supply chains. Its mission is that these reports publication becomes a standard practice, offering orientation and support to organizations, allowing a greater comparability between reports and organizations within the same sector (GRI, 2013b).

In the PS, the GRI is the predominant framework (Farneti & Guthrie 2009; Dumay et al., 2010; Legendre & Coderre, 2012), providing a vision for SD (Milne, Tregidga, & Walton, 2009). The GRI argues that the PS has a great impact on the national and global progress toward SD (Prado-Lorenzo et al, 2009; GRI, 2005, 2010)[8].

The GRI argues that the PS has the civic responsibility of properly managing public assets, resources, and/or facilities in such a way that it supports SD aims and a public and transparent report of its activities to promote sustainability (GRI, 2005; Guthrie & Farneti, 2008). An effective performance in the PS is frequently driven more by strong organizational cultures, good management practices, and effective communication networks rather than by rules and regulations or procedures and salary tables

[8] Trying to respond to the growing interest in more orientation for specific reports of PS organizations, the GRI has started to develop the Sector Supplement for Public Agencies (GRI, 2005). The GRI's orientations are completed by protocols of indicators and sector supplements, with specific details for certain organizational sectors (GRI, 2012).

In 2005, the pilot version of the supplement for public agencies was launched to complement the sustainability reporting guidelines and to meet the sector specificities (GRI, 2010, 2012). This was designed for general use by all public agencies operating in the three main levels of government: national, regional, and local (GRI, 2012); and it is an orientation tool for sustainability reporting to be used by all types of public agencies. The PS supplement was created to increase the transparency of all PS entities, a sector of crucial importance for all the economies, though not much studied (GRI, 2005). However, the use of PS-specific guidelines is still minimal (Dumay et al., 2010).

(Grindle & Hilderbrand, 1995). "Sustainability reporting is a key tool for demonstrating the role of public agencies in advancing sustainable development" (Lamprinidi & Kubo, 2008, p. 328).

3.3.2.2. GRI Application Level Criteria

Few studies have analyzed the factors influencing the application level of GRI indicators (Gallego, 2006; Guthrie & Farneti, 2008; Mio, 2010; Legendre & Coderre, 2012), as well as the quality, transparency and credibility of sustainability disclosure (Boiral, 2013; Fernandez-Feijoo, Romero, & Ruiz, 2014; Boiral & Henri, 2015; Godha & Jain, 2015; Denčić-Mihajlov & Zeranski, 2017; Ioannou & Serafeim, 2018; Talbot & Boiral, 2018).

The GRI application levels were introduced in 2006, with the launching of the G3 Guidelines. Therefore, as far as the GRI is concerned, the quality of information reported must be established on comparability, reliability, clarity, balance, accuracy, and timeliness principles. The application levels show the extent to which the GRI's framework has been applied in a sustainability report, and they communicate which disclosure items from the guidelines or sector supplements have been addressed. In a report based on the GRI guidelines, organizations should report the level to which they have applied the GRI reports framework through the "application levels" systems (Table 3.1). To respond to beginner, intermediate, and advanced reporters, the system presents three levels, titled C, B, and A.

Table 3.1 Self-declaration of GRI application level

	APPLICATION LEVEL	C	C+	B	B+	A	A+
Standard Disclosure	G3 PROFILE DISCLOSURE	Report: 1.1. 2.1.–2.10. 3.1.–3.8. 3.10.–3.12. 4.1.–4.4. 4.14.–4.15.	Independent Assessment	All of the C level plus: 1.2. 3.9.–3.13. 4.5.–4.13. 4.16.–4.17.	Independent Assessment	Equal to B	Independent Assessment
	G3 MANAGEMENT APPROACH DISCLOSURE	Not required		For each category, information on management practice		Equal to B	
	G3 PERFORMANCE INDICATORS	Minimum of 10 indicators, including a minimum of 1 social, economic, and environmental indicator		Minimum of 20 indicators, including a minimum of 1 economic, environmental, human rights, working practices, society, and product responsibility indicator		All the essential G3 indicators (and of the sector supplement) based on the materiality principle (justify the reason for omission)	

Source: GRI application levels (2000–2011), adapted GRI (2013a).

The reporting criteria in each level indicate the evolution. The levels are related to the number of items and the set of addressed GRI "report content." An organization may self-declare an extra point (+) in each level (for example, C+, B+, or A+) if the report was audited by an external entity and/or GRI. A key point to note is that a report's application level is self-declared by the reporting organization. Organizations can choose to sign up for the GRI Application Level Check to confirm their understanding of the application level system (GRI, 2011; 2013b; Christofi et al., 2012).

The formalization of these different levels of application of the GRI framework is supposed to facilitate the reliability assessment of the reports and to strengthen their transparency, so that, in theory, higher application levels of the GRI reports (A + e A) are supposed to mitigate the uncertainty and the credibility gap associated with mistrust towards information on sustainable development reported by organizations (Fernandez-Feijoo, et. al., 2014; Boiral & Henri, 2015).

3.4. The Research Method

The central question used to guide this study was: Which TBL indicators and GRI application levels are disclosed by Portuguese PS entities in GRI sustainability reports?

To address these questions, an exploratory longitudinal study was used for Portuguese PS entities that issued sustainability reports according to the GRI guidelines in 2008 and 2012. Studies of longitudinal nature can elicit a great deal of data over a period of time (Zainal, 2007).

KPMG International argues that the use of the GRI guidelines is almost universal: 78% of reporting companies worldwide use GRI reporting guidelines in their corporate responsibility reports, a rise of 9 points since the 2011 survey (over 90% in South Korea, South Africa, *Portugal*, Chile, Brazil, and Sweden) (KPMG, 2013). In Portugal, the rate of corporate responsibility reporting was of 52% in 2008, 69% in 2011, and 71% in 2013, according to KPMG's survey (2011, 2013[9]).

For our study, 58 GRI sustainability reports disclosed by PS entities were collected based on a review of the GRI database and/or on the BCSD Portugal website and/or on the entities' website and/or using the search engine "google.pt." (see Appendix 2). We used content analysis to observe and identify the information elements of the economic, social, and environmental performance and GRI application levels. With the aim of understanding the TBL indicators that are disclosed in GRI sustainability reports and the application levels of Portuguese PS GRI sustainability reports, the data were analyzed using the Statistical Package for the Social Sciences (SPSS) version 23.0.

Background Information on the Entities in the Sample

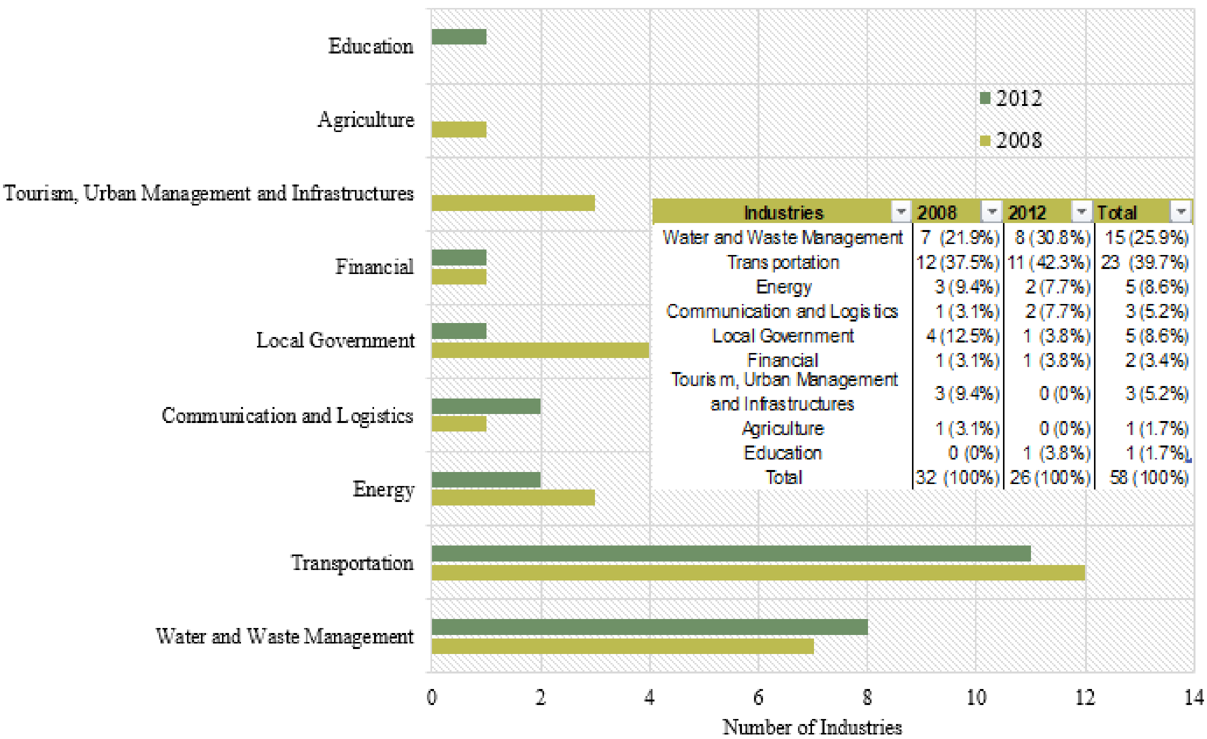
The study focused on Portuguese PS sustainability reports following the GRI guidelines, with data from 2008 and 2012. We chose the year 2008 because there was a significant increase of publications, including in the PS, and there were, for the first time, publications from the administrative PS. The year 2012 was chosen as it was when, after a decrease, the number of publications rose again, and for the second time, there were publications with information from the administrative PS.

The sample is composed of 58 reports of PS entities, and of these, only two in 2008 and five in 2012 have a different title from "sustainability report," although the term *sustainability* is used. Figure 3.3 presents background information on the entities included in the sample. PS entities are

[9] "This is the eighth edition of the KPMG Survey of Corporate responsibility reporting and marks 20 years since the first survey was published in 1993. This year the research is more broad-ranging than ever, covering 4,100 companies across 41 countries (the last survey in 2011 looked at 3,400 companies in 34 countries)" (KPMG, 2013, p. 2).

classified as government business enterprises (GBEs) and administrative PS entities, “aggregated” into nine industries. This classification was based on the activities developed by each entity.

Figure 3.3 – Number of entities per industry and year



Industries	2008	2012	Total
Water and Waste Management	7 (21.9%)	8 (30.8%)	15 (25.9%)
Transportation	12 (37.5%)	11 (42.3%)	23 (39.7%)
Energy	3 (9.4%)	2 (7.7%)	5 (8.6%)
Communication and Logistics	1 (3.1%)	2 (7.7%)	3 (5.2%)
Local Government	4 (12.5%)	1 (3.8%)	5 (8.6%)
Financial	1 (3.1%)	1 (3.8%)	2 (3.4%)
Tourism, Urban Management and Infrastructures	3 (9.4%)	0 (0%)	3 (5.2%)
Agriculture	1 (3.1%)	0 (0%)	1 (1.7%)
Education	0 (0%)	1 (3.8%)	1 (1.7%)
Total	32 (100%)	26 (100%)	58 (100%)

As it can be noticed, the “transportation” and “water and waste management” industries represent more than 50% of the sample (59.4% in 2008 and 73.1% in 2012), which represents 65.6% (38 reports) of the sample (19 both in 2008 and 2012). The number of reports reduced in 2012 in most of the industries (from 32 to 26). In an economic crisis context, the PS has focused on reducing costs and increasing revenues, concerned about economic stability and sustainability, leading to a decrease of their sustainability reporting strategies. The administrative PS presents the fewest industries, represented in 2008 by “local government,” with four entities, and in 2012, by “local government,” with one entity, and by “education,” with one entity (10.3% of the sample).

3.5. Results

The results are presented below in subsections. One section briefly presents details of the indicators presented in the reports, and another examines GRI application levels.

The TBL Indicators in the Reports

The sustainability indicators set by the GRI (G3/G4) guidelines are divided into three categories: economic (7), environmental (17), and social (25), with a total of 49 essential indicators (100%). Figure 3.4 presents the descriptive statistics of TBL dimensions in the two years under study.

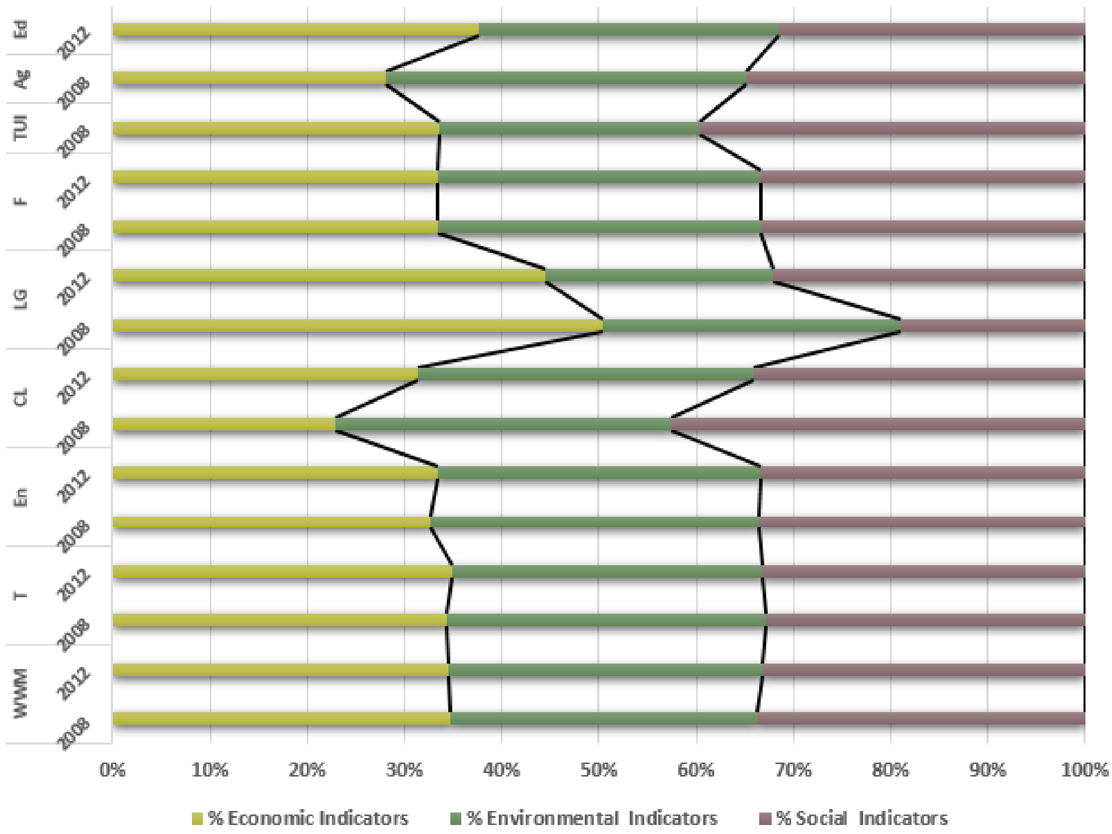
Figure 3.4 – Descriptive statistics per category, industry, and year

Aggregation of Industries		% Economic Indicators		% Environmental Indicators		% Social Indicators		Reports
		Mean	s	Mean	s	Mean	s	N
Water and Waste Management	2008	95,9	11,0	87,4	18,7	93,1	14,7	7
	2012	96,4	10,3	90,4	17,2	93,0	18,2	8
Transportation	2008	70,3	29,6	67,2	24,0	67,0	30,9	12
	2012	75,3	28,0	68,5	28,1	71,6	33,2	11
Energy	2008	95,3	8,1	98,0	3,5	98,0	2,3	3
	2012	100,0	0,0	100,0	0,0	100,0	0,0	2
Communication and Logistics	2008	43,0		65,0		80,0		1
	2012	85,5	20,5	94,0	8,5	93,0	9,9	2
Local Government	2008	82,0	13,9	50,0	3,5	31,0	14,0	4
	2012	100,0		53,0		72,0		1
Financial	2008	100,0		100,0		100,0		1
	2012	100,0		100,0		100,0		1
Tourism, Urban Management and Infrastructures	2008	81,0	21,9	64,7	23,5	96,0	4,0	3
Agriculture	2008	71,0		94,0		88,0		1
Education	2012	100,0		82,0		84,0		1
Total	2008	80,2	23,8	73,1	23,2	75,2	29,7	32
	2012	87,3	22,0	80,8	24,2	83,6	26,0	26

Legend: | < 50%; | | [50%–75%]; | | > 75%

The sample reveals that economic indicators have ranged between 43% and 100%, with a mean of 80.2% in 2008 and 87.3% in 2012. Environmental indicators ranged between 50% and 100%, with an average of 73.1% in 2008 and 80.8% in 2012. Social indicators ranged between 31% and 100%, with an average of 75.2% in 2008 and 83.6% in 2012. Both in 2008 and in 2012, the economic indicators came up in the first place, followed by social indicators. However, in 2012, the values of the three indicators were greater than the ones in 2008. Figures 3.5 and 3.6 illustrate this situation in a better fashion.

Figure 3.5 – Percentage of indicators in the TBL



Legend: WWM = water and waste management, T = transportation, En = energy, CL = communication and logistics; LG = local government; F = financial; TUI = tourism, urban management, and infrastructures, Ag = agriculture; Ed = education.

In 2008, as in 2012, the "communication and logistics" industry presented the lowest percentage value for economic values and the highest for social indicators. "Local government" presented the highest percentage values for economic indicators, in 2008 and 2012. But the social indicators are the least reported ones, especially in 2008, opposed to Williams et al.'s study (2011) on local government. Environmental and social indicators are generally close to each other, in percentage values, in the other industries.

Figure 3.6 – Percentage of indicators in the TBL categories per year

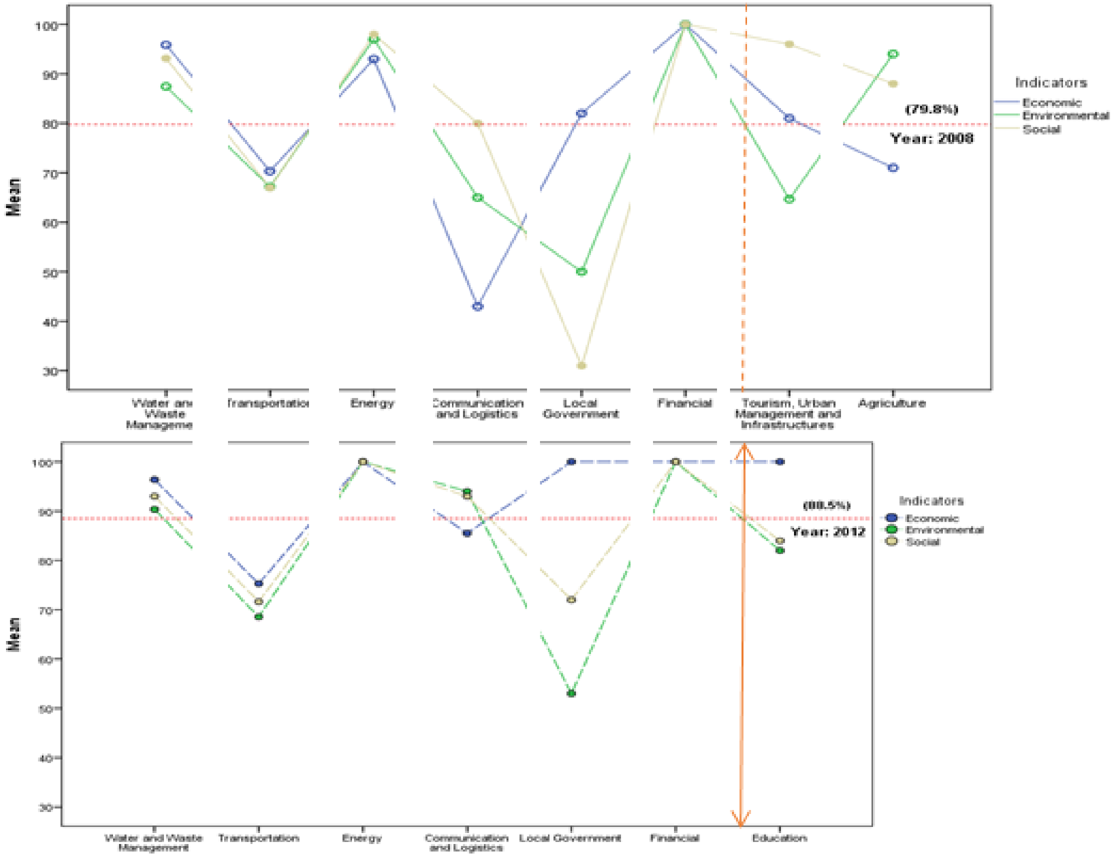


Figure 3.6 shows the average of indicators for each year, 79.8% in 2008 and 88.5% in 2012, per industry. In 2008, the “local government” presented the worst performance, namely, in terms of social and environmental indicators, followed by “communication and logistics,” in terms of economic and environmental indicators. Above the average, we found the industries “water and waste management,” “energy,” and “financial.” We found a similar situation in 2012. In 2008, “tourism, urban management, and infrastructures” presented values for economic and social indicators above the average. In “agriculture,” the same happened for environmental and social indicators. In 2012, some industries did not report, and a new industry appeared, “education,” with values for social and environmental indicators close to the average and the economic ones above it. So these two years are only comparable in the industries on the left of the vertical line. On the right, we have the industries only reporting in one of those years.

Table 3.2 shows that the disclosed TBL dimensions may be explained by the industries’ activities (Eta Test – η).

Table 3.2 – "Aggregation" per industry (independent variable)

Year:	2008	2012
	η^2	η^2
Indicators		
Economic indicators (%) dependent variable	31%	25%
Environmental indicators (%) dependent variable	36%	60%
Social indicators (%) dependent variable	42%	67%

As we can see on η^2, 31% of the variation occurring in 2008 in the economic indicators is explained by the aggregation per industry. In 2012, that explanatory capacity decreased by 6%. Opposite to this, in the social and environmental indicators, the explanatory capacity of the aggregation per industry increased between 2008 and 2012, at 24% and 25%, respectively (effect size).[10]

Since 2007, Portugal has been one of the European Union members most affected by the global financial crisis (Rodrigues, Tejedo-Romero, & Craig, 2016), and this can be the explanation for this result. The financial crisis may lead organizations to move away from the socially responsible behavior as it costs a lot to meet stakeholder's expectations (Giannarakis & Theotokas, 2011). The variation observed in 2012 may be one explanatory and differentiating factor in the inclusion of environmental and social concerns in organizations. Despite an economic and financial crisis, social responsibility makes them less vulnerable because it is a tool associated with the fulfillment of legal obligations and organizations' "good practices."

These are too important in maintaining their reputation and competitive advantage, even during a period of financial crisis, as Rodrigues et al. (2016) state. This period is an opportunity to restore or improve the image and levels of business confidence, because "society and the community are perceived to be stakeholders whose needs deserve greater urgency and stronger legitimacy explanations" (Dias, Rodrigues & Craig, 2016, p. 667). Organizations increase their CSR performance to build or sustain their brand name, consumers' trust and redefine the relationship between the organization and society. Thus, the crisis gives organizations the opportunity to redirect CSR, that is transforming a threat into an opportunity (Giannarakis & Theotokas, 2011).

[10] See Stout, D. E., & Ruble, T. L. (1995).

The GRI Application Levels

With the objective of analyzing the GRI (G3) application levels, undeclared, self-declared (C, B, A), external verification (C+, B+, A+), verified by GRI, all 58 reports were encoded using an 8-point scale, where 0 = undeclared application level, 1 = application level C, 2 = application level B, 3 = application level A, 4 = application level C+, 5 = application level B+, 6 = application level A+, and 7 = verification GRI. Table 3.3 highlights how the application levels of GRI sustainability reports of the sample are distributed per industry.

Table 3.3 – GRI application level per industry

Industry aggregation	Year	Application Level								Total
		Undeclared	Self-declared			External verification				
			C	B	A	C+	B+	A+	GRI	
WWM	2008	0	0	0			3	4	0	7
	2012	1	0	2	3			1	1	8
	Total	1	0	2	3		3	5	1	**15**
T	2008	5	3	4			0	0	0	12
	2012	4	2	2	2			1	0	11
	Total	9	5	6	2		0	1	0	**23**
En	2008	0	0	0			1	0	2	3
	2012	0	0	0	0			2	0	2
	Total	0	0	0	0		1	2	2	**5**
CL	2008	0	0	0			1	0	0	1
	2012	0	0	1	0			1	0	2
	Total	0	0	1	0		1	1	0	**3**
LG	2008	4	0	0			0	0	0	4
	2012	1	0	0	0			0	0	1
	Total	5	0	0	0		0	0	0	**5**
F	2008	0	0	0			0	1	0	1
	2012	0	0	0	0			1	0	1
	Total	0	0	0	0		0	2	0	**2**
TUI	2008	1	2	0			0	0	0	3
	2012									
	Total	1	2	0	0		0	0	0	**3**
Ag	2008	1	0	0			0	0	0	1
	2012									
	Total	1	0	0	0		0	0	0	**1**
Ed	2008									
	2012	1	0	0	0			0	0	1
	Total	1	0	0	0		0	0	0	**1**
Total	**2008**	11	5	4			5	5	2	**32**
	2012	7	2	5	5			6	1	**26**
	Total	**18**	**7**	**9**	**5**		**5**	**11**	**3**	**58**

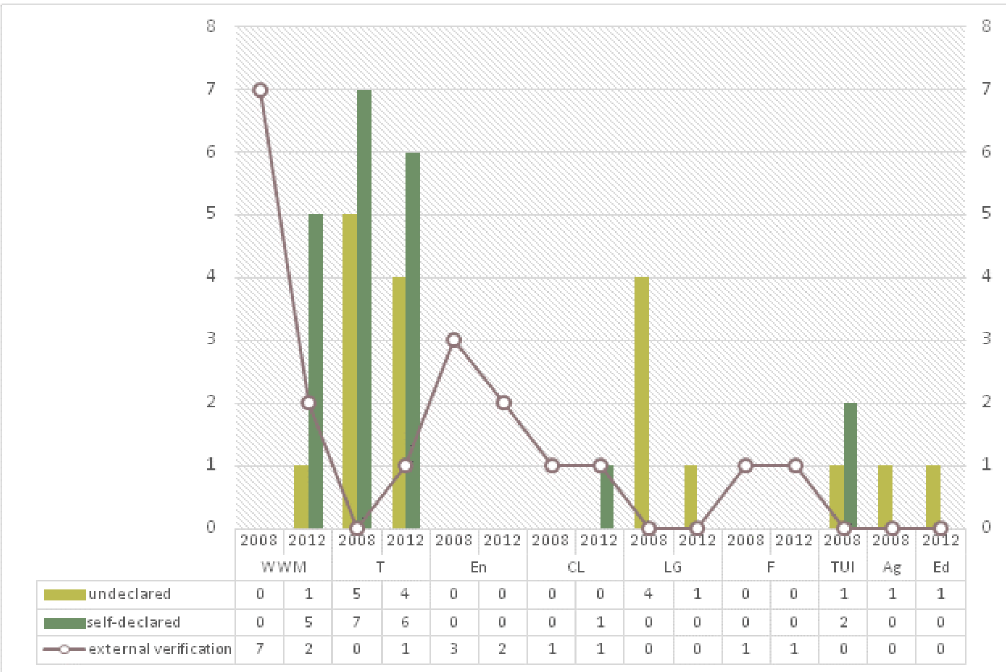
Legend: WWM = water and waste management; T = transportation; En = energy; CL = communication and logistics; LG = local government; F= financial; TUI = tourism, urban management, and infrastructures; Ag = agriculture; Ed = education.

In the two years studied, out of the 23 reports from the "transportation" industry, 9 chose not to declare their level, 13 self-declared it, and 1 did it by external verification (A+). Out of the 15 reports, "water and waste management," in 2008, all opted for the external verification (3 B+ and 4 A+). In 2012, out of the 8 entities, 1 chose not to declare its level, 5 self-declared it, and 2 declared external verification (1 A+ and 1 GRI). In the "energy" industry, all the entities (5 in both years) opted for external verification (1 B+, 2 A+, and 2 GRI). In the "local government" industry, all the entities disclosing in both years (5 reports) chose not to declare their level. In "communication and logistics," in

2008, one entity chose the external verification, and in 2012, 1 chose the self-declaration, and 1 external verification (A+). In “tourism, urban management, and infrastructures,” in 2008, 1 entity did not declare and 2 self-declared. The “financial” entity opted for external verification in both years (A+). “Agriculture,” in 2008, and “education,” in 2012, did not declare the application level. “Water and waste management” and “energy” were the entities where most chose the external verification of the disclosure level of their reports and those that are assessed by the GRI. A total of 36% of the entities studied opted for self-declaring their application level, 33% opted for external verification, and 31% for not declaring it.

Figure 3.7 presents the industries’ GRI application level of the entities under study.

Figure 3.7 – GRI application level



Legend: WWM = water and waste management; T = transportation; En = energy; CL = communication and logistics; LG = local government; F = financial; TUI = tourism, urban management, and infrastructures; Ag = agriculture; Ed = education.

Considering the total of industries in the two years, the application levels of external verification were of 9/15 (60%) in “water and waste management,” decreasing in 2012; of 1/23 (4 %) in “transportation,” increasing in 2012; of 5/5 (100%) in “energy”; of 2/3 (67%) in “communication and logistics”; of 0/5 (0%) in “local government”; of 2/2 (100%) in “financial”; of 0/3 (0%) in “tourism, urban management, and infrastructures"; of 0/1 (0%) in "agriculture"; and of 0/1 (0%) in "education." Summing up, there were 12/32 (37.5%) external verifications in 2008 and 7/26 (26.9%) in 2012.

Summing up, first, the results of the 58 sustainability reports studied, organized into nine industries, show that the three TBL dimensions, according to the GRI guidelines, are widely disclosed, although the indicators vary between industries. They mostly present values above 75%, despite some supremacy of economic indicators, followed by the social ones and at last by the environmental ones. They report on the three TBL areas, although the extension of disclosure varies according to the industry where the entity operates, as found by Roca and Searcy's study (2012). All areas of the TBL were widely disclosed by Portuguese PS entities in their GRI sustainability reports, and this disclosure increased from 2008 to 2012.

Second, in terms of the application levels, there is a significant number of entities that opted for not declaring, and most of them opted for self-declaring their application level. This fact may be related to the analyzed period of a severe financial crisis. However, the external verification would have legitimized their action and the risk of reputation of their activities. Although this authentication is not mandatory by a third party, this procedure represents the answer to the demands from stakeholders and reinforces the credibility, reliability, and transparency of both organizations and the GRI (Boiral, 2013; Fernandez-Feijoo, et al., 2014; Boiral & Henri, 2015; Godha & Jain, 2015).

3.6. Discussion

This article explores which TBL indicators and GRI application levels are disclosed by Portuguese PS entities in GRI sustainability reports.

As we have noted in our literature review, Ball (2005) found that accounting - social and environmental - is pressed into use to promote a change towards SD. However, researchers still struggle with the definition of SD and with its key determinants (Cerin & Scholtens, 2011; Boiral & Henri, 2015 Roca and Searcy (2012) observe that names such as "sustainability," "sustainable development," "corporate social responsibility," "corporate responsibility," "triple bottom line" and "accountability" reports, among many others, are used to refer to sustainability reports. Also, according to KPMG (2013), the term *corporate responsibility* includes the concept of "sustainability."

In this sense, our empirical results show that all three areas of the TBL indicators are, in general, widely addressed in GRI sustainability reports in Portuguese PS entities, which supports the definitions of CRS, corporate sustainability, and sustainability reporting mentioned earlier and highlighted by literature.

The study of Giannarakis and Theotokas already indicates organizations have increased CSR performance before and during the financial crisis (except for the period 2009-2010), in order to regain the lost trust in businesses. The investment view of CSR can help organizations differentiating their goods or services and re-establishing the trust between organizations and their stakeholders. The benefits that may arise by the implementation of CSR strategy and initiatives are more important than ever for the organizations' survival (Giannarakis & Theotokas, 2011).

On the one hand, these findings give credibility to the argument that GRI is becoming an established institution and provides structure and guidance to the report as supported by Boiral and Henri (2015), Godha and Jain (2015), Denčić-Mihajlov and Zeranski (2017), Brown, Jong and Levy's (2009b) and Antoni and Hurt's (2006), for example. The use of the GRI framework, that proposes detailed guidelines on how to consider the economic, social, and environmental dimensions of SD, allows organizations not only to understand the concept of SD better, which is rarely clearly defined, but also the manner of its implementation (Boiral & Henri, 2015).

On the other hand, we ask why the number of entities reporting under these guidelines is still so low in Portugal. We believe that the differences in organizations' resources availability may contribute to the lack of social responsibility disclosure suggested by GRI guidelines.

We corroborate Antoni and Hurt (2006), who emphasize that sustainability reporting is a shortfall, and Guthrie and Farneti (2008), Lewis (2008) and Sciulli (2009), who assert that this practice is still in infancy in the PS. In addition, we agree with Ball and Grubnic (2007), when they state that the PS presents a transformative potential of sustainability accounting and accountability.

In fact, CSR public policies adopted by governments to promote responsible and sustainable business practices neither gives an answer to the needs of today's societies nor makes it possible to understand the new challenges facing social governance in depth, as Albareda et al. (2007) state. Thus, González and Martinez (2004) verify that the existence of a regulatory framework and other policies to promote CSR would also be important. It also seems crucial the role of a key individual within each organisation that would lead the PS to report, as Farneti and Guthrie (2009) affirm. In effect, disclosures can be related with organisational strategies and operational activities, consistent with the findings of previous studies of Larrinaga-González and Pérez-Chamorro (2008) and Lewis (2008).

Just as Lynch (2010), we consider that there is capacity for improving reporting practices and that the government's leadership and action could be an important driver to the adoption of sustainability reporting. Also mandatory GRI adoption would allow comparison over time. Moreover, we agree with Sciulli (2011) on the opinion that local government leadership together with communication with stakeholders and community engagement are able to influence sustainability reporting.

3.7. Summary

This study has contributed toward addressing a research gap in PS sustainability reporting by providing an initial understanding of current sustainability reporting practices in the PS in Portugal. We found that Portuguese PS entities do not face a number of pressures to produce sustainability reports nor to have their reports evaluated by an independent and skilled third party, to legitimize their activities. Still, sustainability issues are not yet actively considered within the entities' strategic plans and practices. However, we consider that the disclosing entities tend to be recognized for good reporting practices, as those which were early adopters, which have a better understanding of these issues, experience and learning.

In fact, there are relatively few published examples of the actual use of sustainability indicators and GRI application levels in Portuguese PS entities. Answering this study's questions, we helped provide insight into TBL indicators in GRI sustainability reports and the way these tools are used by the PS for a greater transparency of its activities.

The research showed that the indicators disclosed were relatively well distributed along the three dimensions of TBL of sustainability, despite some supremacy of economic indicators. However, the entities under study have a low level of external verification. A significant number of entities self-declared a certain level, based on their own assessment of the report content, when compared with the criteria of the GRI application levels. Other entities have asked for an external entity of assessment to give an opinion about the self-declaration and/or asked the GRI to examine their self-declaration. This certification acknowledges that the information disclosed is true and accurate. Given the continued growth in the application of the GRI guidelines worldwide, the research also yielded further insight into the actual disclosure of the GRI indicators.

In this sense, this work tries to answer Cerin and Scholtens's (2011) and Lee's (2008) calls for future investigations in CSR. We also support Cerin and Scholtens (2011) when they point out the lack of a coherent theoretical framework for SD. Thus, SD and CSR research should continue to be studied from a wide variety of theories and perspectives. “Maybe one day we shall witness a paradigm switch and a new discipline (sustainomics, sustainology, sustainosophy?) may arise” (Cerin & Scholtens, 2011, p. 72). We uphold Ball and Bebbington’s message (2008) that the PS’s distinctive profile and particular opportunities can support society’s pursuit on accounting and reporting for SD. Thus, we find that traditional accounting, although still pivotal, is not sufficient and organizations have to consider disclosing information that addresses other aspects, such as social and environmental issues.

The research is of interest to academicians and practitioners who are interested in the theory and practice of sustainability reporting or TBL reporting (Christofi et al., 2012). And there are numerous possibilities for future research in this area, especially in the PS.

It is important to understand why the disclosure of social responsibility and corporate sustainability “good practices” is still so incipient. Despite legal orientations regarding the duty of disclosing those accounting practices and the existence of guidelines from international entities such as the GRI, voluntary social responsibility and sustainability disclosure practices, according to the GRI tool to sustainability reporting, are still reduced. Thus, this is a fascinating and worthy-of-study issue.

Case studies could provide insight into the process of developing, implementing, using, and improving indicators over time. The disclosure of other parameters of indicators could be explored. Questionnaires could be used to explore in greater depth how the usefulness of the GRI indicators is perceived by entities. Research on the determinants of the indicators’ disclosure in different sectors may help further explain how indicators are selected and used. Interviews would allow corporate managers to explain their approach on many questions, such as lack of external verification and factors influencing this decision taking, leading entities to ask for an audit of their sustainability reports, validating the importance of this process for the credibility and reputation of the reporting entities.

In future research, the use of indicators in the public and private sectors could be compared. Finally, research on mandatory and voluntary reporting can also be a line for future work.

CHAPTER FOUR

The determinants of sustainability reporting of the Portuguese public sector entities

(ESSAY 3)

CHAPTER OF THE SCIENTIFIC RESEARCH EDITED BOOK "GLOBAL PERSPECTIVES ON RISK MANAGEMENT AND ACCOUNTING IN THE PUBLIC SECTOR", OF "IGI GLOBAL, E-PUBLISHING DISCOVERY", 2016. INDEXED BY **SCOPUS**.

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Abstract

Based on the legitimacy and stakeholder theories, this study analyzes the level of disclosure of corporate social responsibility (CSR) in sustainability reports of Portuguese public sector (PS) entities for the years 2008 and 2012, prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). We also aim to determine the factors that influence this level of disclosure. Using content analysis, we constructed an index of CSR disclosure based on the sustainability reports of 58 PS entities. We concluded that the level of sustainability disclosure is related to the organization's size, industry, awards and certifications received, and visibility measured in terms of consumer proximity.

This study offers new empirical evidence of a different context—PS entities in Portugal—providing valuable insights into the factors that explain CSR disclosures in PS entities.

Keywords: GRI sustainability reports, legitimacy theory, Portugal, stakeholder theory, voluntary disclosures

4.1. Introduction

Corporate social responsibility (CSR) disclosure practices have increased over the last years with the growing recognition of their central role and associated benefits (Carnevale & Mazzuca, 2012). Even though sustainability reporting and disclosure practices are perceived differently throughout the world (Carnevale & Mazzuca, 2012), there is a significant body of literature that explains the importance of CSR disclosure for the firm's reputation and legitimacy (Cho & Patten, 2007; Quevedo-Puente, Fuente-Sabat, & Delgado-García, 2007; Carnevale & Mazzuca, 2012). According to some authors such as Sciulli (2009); Ball and Grubnic (2007); and Bellringer, Ball, and Craig (2011), the scarcity of research on sustainability practices in the public sector (PS) is worrying.

As public organizations are owned by the state, and therefore directly controlled and financed by the government, they are considered the main pillars of government management. Nevertheless, their aims differ from those of private organizations, despite their similarities (Haque, Pathrannarakul, &

Phinaitrup, 2012). Like Ball and Grubnic (2007) and Bellringer et al. (2011), we also believe that PS organizations will play a major role in the future sustainable development (SD) agenda and in the establishment of new conditions for the next generation.

As Fifka (2013) reports, most studies on sustainability can be found in North America, Australia, and Northern and Western Europe. Since most of the present literature is based on Anglo-Saxon countries, different geographical, cultural, and institutional contexts must be considered. In Portugal, despite the empirical research on environmental and social information disclosure in the private sector (see Branco & Rodrigues, 2008a, b; Monteiro & Aibar-Guzmán, 2010), there are no empirical studies on sustainability information disclosure or on the reasons underlying such disclosure in PS entities. In this chapter, PS entities include government business enterprises.

Despite being part of the European Union (EU) and a small member of the OECD, Portugal is one of the less developed countries in the eurozone (Lopes & Rodrigues, 2007). The Lisbon Strategy 2000–2010 aimed to give priority to social and environmental sustainability. To achieve this purpose, the EU issued a number of documents encouraging the PS to adopt sustainable behaviors while providing a framework to implement SD strategies, such as the National Strategy for Sustainable Development (NSSD) for 2005/2015, in Portugal (NSSD, 2005). One of the main aims of the Lisbon Treaty was to develop the ability to face global challenges, namely, at the level of security, climate change, and SD. With the approval of the Lisbon Strategy 2010 and 2020, SD became a priority (CAEAR, 2008).

To overcome the lack of studies on sustainability reporting in the Portuguese PS, this study collects empirical evidence on the Global Reporting Initiative (GRI) sustainability reporting of PS entities and on the factors that explain why they disclose this information.

Therefore, we analyze empirical evidence collected from PS entities for three reasons: first, to add new empirical data to sustainability disclosure research regarding Portuguese PS entities; second, to reveal the determinants of sustainability disclosure in accordance with the GRI guidelines in the PS in Portugal; and third, to compare these disclosure practices with those observed in more developed countries. The research questions of this study are: How is the sustainability reporting of Portuguese PS entities prepared in accordance with the GRI guidelines? What are the factors associated with this sustainability reporting?

To answer these research questions, we will perform a descriptive analysis, and several hypotheses will be tested using the legitimacy (LT) and stakeholder theories (ST) as theoretical framework. PS entities are responsible for several services and activities, and by presenting a socially responsible image, they legitimize behaviors and influence the external perception of their reputation.

This chapter fills the gap in the literature related to sustainability reporting by PS entities. The results show that the level of disclosure is high and is related to the organization's size, industry, certifications, awards, and visibility measured in terms of media exposure.

Both the literature review and the explanatory theories for sustainability disclosure are presented in the next section. Thereafter, we develop hypotheses, specify the research method and data analysis, and present the main results. Finally, we offer summary, contributions of the study, limitations, and future research possibilities.

4.2. Literature Review and Explanatory Theories for Sustainability Disclosure

Nowadays, there is a stronger and stronger demand for environmental and social information (Berthelot, Coulmont, & Serret, 2012). Environmental and social issues are also a concern for PS organizations, whose resource consumption cannot be disregarded (Tagesson, Klugman, & Ekström, 2011). Hence, there is a growing pressure for PS organizations to lead the way into sustainability practices and accept this leadership challenge so that future generations may have a sustainable life (Dumay, Guthrie, & Farneti, 2010).

To survive, an organization needs the support and approval of both its main and secondary stakeholders, making the disclosure of CSR necessary to promote and keep that support (Carnevale & Mazzuca, 2012). Over the last decade, governments have introduced CSR into public policies as a priority issue, encouraging organizations to act more responsibly and sustainably (Albareda, Lozano, & Ysa, 2007).

In the EU, the issuance of the Green Book (2001) by the European Commission has started a wide debate on how the EU can promote CSR (Reverte, 2009) and how organizations voluntarily integrate their social and environmental concerns (Gallego, 2006).

In Portugal, Resolution no. 49/2007, issued by the Cabinet Council, was introduced to promote good practices in corporate governance. GBEs play a key role since they provide services of public interest that promote citizens' well-being. Because of the high level of consumption research of these entities, they should establish new principles concerning the disclosure of information to citizens and taxpayers. The NSSD and its implementation plan, approved by the government through Resolution no. 109/2007, is a strategic guidance tool for 2015, contributing to Portugal's sustainability development.

Some authors explain the relevance of CSR disclosure for corporate legitimacy and reputation (Cho & Patten, 2007; Quevedo-Puente et al., 2007; Carnevale & Mazzuca, 2012). Additionally, other factors have been mentioned to explain the organization's interest in sustainability reports, including moral and ethical obligations (Berthelot et al., 2012).

Sciulli (2010) argues that a single theory cannot be used to explain sustainability reporting. However, some theories may provide useful information and clarification for management behaviors and actions. Thus, CSR disclosure may be analyzed from different theoretical perspectives (Carnevale & Mazzuca, 2012).

To understand factors that influence environmental and social disclosure, several theories have been developed (Deegan, 2002; Reverte, 2009; Tilling & Tilt, 2010; Clarkson, Overell, & Chapple, 2011), and Monteiro and Aibar-Guzmán (2010) highlighted the two most widely used theories in environmental and social disclosure: the LT and the ST (see Gray, Kouhy, & Lavers, 1995; Joshi & Gao, 2009; Reverte, 2009; Arvidsson, 2010; Mahadeo, Oogarah-Hanumana, & Soobaroyen, 2011; Bellringer et al., 2011).

To clarify the factors that influence PS entities' sustainability reporting in accordance with the GRI guidelines, the authors will use the LT and the ST, which allow the adoption of a more dialectic attitude, in which theories are not separated but confronted with each other in a common effort to achieve the same explanation (Collin, Tagesson, Andersson, Cato, & Hansson, 2009).

Previous accounting studies have used these theories to explain the motivations for voluntary environmental and social disclosures (see Wilmshurst & Frost, 2000; Villers & Staden, 2006; Cho & Patten, 2007; Branco & Rodrigues, 2007, 2008a, b; Bellringer et al., 2011; Escobar & Vredenburg, 2011; Legendre & Coderre, 2012).

4.2.1. Legitimacy Theory

According to Campbell, Craven, and Shrives (2003), the LT is the most widely used theory in sustainability reporting research to explain social and environmental disclosures (see Gray, Owen, & Adams, 1996; Deegan, 2002; Tilling & Tilt, 2010), even though this is also related to other theories, namely, the political economy theory, the institutional theory, and the ST (Sciulli, 2010).

The LT claims that environmental and social disclosures occur because of public pressure. Since organizations do not have natural resource rights, they will only be granted those rights if the benefits derived from their products and/or services surpass the costs, thus achieving legitimacy to operate (Sciulli, 2009). Through specific regulators, governments require organizations to comply with certain SD pressures (Escobar & Vredenburg, 2011).

Within this context, environmental and social disclosure is an important aspect of SD, reflecting a concern for environmental protection, intergenerational equity, and the Earth and its resources (Suttipun, 2012). The idea that organizations want to be acknowledged as good corporate citizens that attempt to reduce environmental damages is well established in the disclosure of information related to organizations' activities (Sciulli, 2009).

Organizations with risky environmental activities tend to provide wider positive (environmental) disclosures, attempting to show what they do to protect the environment (Cho & Patten, 2007; Sciulli, 2009). Therefore, the LT is widely used in the literature on environmental and social accounting, supporting the idea that the disclosure levels of these firms will remain unchanged, or will increase over time, to avoid legitimacy crises and preserve the image of a "legitimated organization" (Villiers & Staden, 2006).

The LT claims that there is a "social contract" between organizations and the society where they operate (Reverte, 2009; Yi, Davey, & Eggleton, 2011). This "social contract" establishes the way organizations should run their operations (Guthrie, Petty, Yongvanich, & Ricceri, 2004; Arunachalam, Lawrence, Kelly, & Locke, 2007). As organizations are part of a wider social system, their legitimacy may be threatened if their values are opposed to social values (Huang & Kung, 2010). The decision to embrace CSR disclosure shows a clear understanding of social commitments and willingness to take the necessary measures (Sciulli, 2009; Huang & Kung, 2010) to reduce environmental damages and be acknowledged as good corporate citizens (Sciulli, 2009).

The LT is closely linked to the ST. Similarly, to the latter, the LT also deals with the relationship between an organization and society. Both theories place the organization within a larger social system. However, the LT has a wider context than the ST, which focuses mainly on the stakeholders of an organization and organizations' accountability (Yi et al., 2011). Consequently, in accordance with the LT and the ST, managers should communicate with different groups to achieve legitimacy (Mahadeo et al., 2011).

4.2.2. Stakeholders´ Theory

This theory assumes that managers will take action to meet the demands of powerful stakeholder groups, and it can also be used to explain and predict reports and management practices (Sciulli, 2010). The ST has been at the center of scientific debates on management and accounting studies for over 20 years, after the first “stakeholders approach” by Freeman in 1984 (Manetti, 2011). Potential stakeholders include shareholders, creditors, suppliers, the government, clients, competitors, employees, the media, the local community, local charities, and different generations (Deegan, 2002). Deeley (2012) argues that the stakeholder’s concept incorporates anyone likely to be affected by the firm’s activities.

In that respect, Leyira, Uwaoma, and Olagunju (2012) argue that environmental stakeholders have the moral and legal obligation to protect and improve the natural environment, opposing destructive projects, promoting both environmental sustainability and good environmental practices/policies, and promoting environmental justice.

Stakeholders provide organizations with the necessary resources for their business, such as monetary funds, clients, collaborators, materials, and legitimacy (Deegan, 2002; Golob & Bartlett, 2007). According to Gray et al. (1996), stakeholders are identified by organizations to check the groups they have to manage so as to promote the organization’s interest. In social and environmental accounting, both the LT and the ST theories reflect the idea that organizations with proactive social and environmental programs have a competitive advantage over organizations that are less active (Suttipun, 2012).

According to the ST, an organization’s management must take into account the activities expected by stakeholders. These activities should be reported because stakeholders have the right to be informed (Guthrie et al., 2004).

CSR disclosure is considered essential as a form of communication with stakeholders (Branco & Rodrigues, 2008b). Disclosure of CSR information allows organizations to enhance their corporate image, legitimizing their behaviors and influencing the external perception of their reputation. This also allows them to achieve better economic results and increase their profitability.

The perception that CSR disclosure positively affects reputation may promote the implementation of public policies that will encourage organizations to be more proactive regarding their stakeholders as long as it helps improve their image and reputation (Melo & Garrido-Morgado, 2012).

Other organizations choose to get involved in disclosure activities and CSR because of external pressures. They seek to imitate what other firms do, especially because they believe that the opposite behavior negatively affects their profitability and survival (Branco & Rodrigues, 2006).

However, accountability relationships become more complex when society integrates several groups of stakeholders or communities with different interests and principles. Stakeholders' managing is a complex process, requiring managers to act in accordance with the public interest (Deeley, 2012).

4.3. Hypotheses Development

In this paper we examine five independent variables: the organization's size, industry, environment and quality certifications, awards received, and visibility, measured in terms of media exposure.

Size

Large organizations disclose their CSR more than smaller organizations (Adams et al., 1998; Archel & Lizarraga, 2001; Branco & Rodrigues, 2008a) because of their high visibility, being more susceptible to the scrutiny of stakeholder groups, mainly the external ones (Branco & Rodrigues, 2008a). They are more likely to have stronger financial, organizational, and human resources to support voluntary disclosures (Oliveira, Rodrigues, & Craig, 2010). According to Branco and Rodrigues (2008a), disclosure of CSR activities is perceived by larger organizations as a way of increasing corporate reputation, legitimizing their action (Legendre & Coderre, 2012).

Large organizations involve a higher number of stakeholders because of the amount of activities (Legendre & Coderre, 2012). Because of the high level of stakeholder pressure, a higher quality of sustainability reporting will be expected in large organizations. The adoption of the GRI guidelines, used as "best practices" (Legendre & Coderre, 2012), is also expected. The influence of size in environmental disclosures has been successfully tested in a number of studies over the last decades (Monteiro & Aibar-Guzmán, 2010).

Authors such as Udayasankar (2008) identify the high visibility of larger organizations as the reason for the positive relationship between size and CSR. This leads to the following hypothesis:

- **H1.** *The voluntary disclosure level in GRI sustainability reports is related to the size of PS entities.*

Industry

Size and industry are the most tested variables in CSR voluntary disclosure (Reverte, 2009; Fifka, 2013) (see Patten, 1991; Hackston & Milne, 1996; García-Sánchez, 2008; Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009; Monteiro & Aibar-Guzmán, 2010; Fernandez-Feijoo, Romero, & Ruiz, 2012). Consequently, over the last decades, environmentally sensitive industries have been the most studied because of their high levels of environmental disclosure (Monteiro & Aibar-Guzmán, 2010; Fernandez-Feijoo et al., 2012). Branco and Rodrigues (2008b) and Chu, Chatterjee, and Brown (2013) also argue that previous studies have reported a relationship between industry and the extent of CSR information (Hackston & Milne, 1996; Brammer & Pavelin, 2008).

Organizations working in industries with a higher level of greenhouse gas emissions have a greater visibility compared with the ones operating with lower emissions. They tend to disclose more information to legitimize their actions (Arvidsson, 2010). Jackson and Apostolakou (2010) argue that if organizations do not meet social expectations, a lack of legitimacy will be produced (Wilmshurst & Frost, 2000; Chu et al., 2013).

Previous studies have shown that environmentally sensitive industries disclose a greater quantity (and quality) of information in their sustainability reports (see Patten, 1991; Hackston & Milne, 1996; Wilmshurst & Frost, 2000; García-Sánchez, 2008; Branco & Rodrigues 2008a; Udayasankar, 2008; Joshi & Gao, 2009; Simnett, Vanstraelen, & Chua, 2009; Prado-Lorenzo et al., 2009; Monteiro & Aibar-Guzmán, 2010; Legendre & Coderre, 2012). This leads to the following hypothesis:

- H2. *The level of voluntary disclosure in GRI sustainability reports is related to the industry affiliation of PS entities.*

Certification

Archel and Lizarraga (2001) advocate that firms tend to disclose information about successful results achieved after implementing an environmental management system (EMS), especially if they are defined according to the requirements established by international standards (see the ISO 14000 series or the EU Eco-Management and Audit Scheme [EMAS]). Similarly, Mitchell and Hill (2009) suggest that the existence of an EMS, certified according to ISO 14001, makes environmental disclosure easier.

Like Sumiani, Haslinda, and Lehman (2007), we also believe that firms that implement an EMS and have been granted the ISO 14001 certification or have registered in EMAS, or any other certification system, are more willing to disclose environmental information. This leads to the following hypothesis:

- **H3.** *The level of voluntary disclosure in GRI sustainability reports is related to the certifications that have been granted to PS entities.*

Awards

Székely and Knirsch (2005) argue that progress toward sustainability can be achieved through an awards system, which acknowledges the organization's attempt to reduce its environmental impact. Thus, the achievement of prestigious environmental awards may be used to enhance the organizations' image and to improve their environmental performance (Hassan & Ibrahim, 2012).

The number of environmental and SD awards has drastically increased over the last years, attracting a wide range of industries—finance, education, manufacturing, real estate, retail, energy, and governance (Székely & Knirsch, 2005). This leads to the following hypothesis:

- **H4.** *The level of voluntary disclosure in GRI sustainability reports is related to the awards achieved by PS entities.*

Visibility

Literature uses media exposure, the supply chain position, and brand-related aspects as proxies for corporate visibility (Hahn & Kühnen, 2013). Based on the case studies of seven large organizations, Adams (2002) argues that public pressure, corporate image reinforcement, and stakeholder credibility justify the introduction of sustainability reporting. Also, Jones (1999) focused his study on public visibility and the level of government and public scrutiny that some industries are subject to. In this sense, firms operating in high-risk industries, such as those with a high level of political risk, high visibility to consumers, are more likely to be under stakeholder pressure (Legendre & Coderre, 2012), with CSR often used as a criterion to judge firms (Lewis, 2003).

The community involvement disclosure is associated with the measure of a firm's proximity to the final consumer, so the better known is its name to most members of the general public, the greater is its social visibility (Branco & Rodrigues, 2008a).

The external stakeholders of an organization cannot be limited to clients, as they should include all those social players who are likely to be affected by an organization's activities, in their economic, environmental, and/or social relationships (GRI, 2006; Yongvanich & Guthrie, 2006).

The influence of various stakeholders is likely to affect the most visible organizations, as these tend to gain more as a result of enhanced legitimacy and reputation, or damage their reputation by inadequate participation in CSR. The same reasoning cannot be extended to less visible organizations, which tend to be less open to CSR initiatives. However, the view that less visible firms may be equally motivated to pursue CSR initiatives is also supported, as the potential benefits would serve as incentive, although these may not face similar risks of loss of legitimacy and reputation for failure to participate in CSR (Udayasankar, 2008). This leads to the following hypothesis:

- H5. *The level of voluntary disclosure in GRI sustainability reporting is related to the visibility in terms of consumer proximity by PS entities.*

4.4. Research Method

Sample

In this study we aim to analyze the level of voluntary disclosure in GRI sustainability reports for 2008 and 2012 and to understand the factors that explain this level of disclosure, using a quantitative approach. The sustainability reports were available online. We conducted an initial survey on the GRI database and on the Web to determine which Portuguese PS entities had published a sustainability report. We included in our sample not only PS entities, which are usually classified in Portugal as "administrative public sector," but also government business enterprises (GBEs).

We only searched for GRI sustainability reports because the GRI is the best-known framework for voluntary disclosure of sustainability information, it has a global range (Brown, Jong, & Levy, 2009b), and its guidelines are a leading model in voluntary sustainability reporting for organizations (Levy, Brown, & Jong, 2009). In the PS, the GRI is also the leading framework that is being used to produce sustainability reports (Farneti & Guthrie, 2009; Dumay et al., 2010; Legendre & Coderre, 2012).

We performed an initial analysis of the content of these reports to verify which of them follow the GRI G3 guidelines, including a GRI guideline content index. Of the 37 PS entities that published sustainability reports using the GRI G3 guidelines for 2008, only 32 complied with this requirement.

The same procedure was followed for the year 2012. However, results showed that of the 32 entities that issued a sustainability report in 2008, one did not belong to GBEs anymore, another did not make the report available, and 11 did not issue their reports for 2012 because they had been privatized. We found seven new PS entities that had not issued a sustainability report for 2008. Thus, in 2012, only 26 entities within the PS published sustainability reports using the GRI guidelines.[11] Table 4.1 presents a sample of 58 entities of the GBEs and administrative PS, “aggregated” into nine industries.

Table 4.1 – Aggregation of industries (2008 and 2012)

	Public Sector \ Industries	Local Government	Transportation	Water and Waste Management	Energy	Communication and Logistics	Tourism, Urban Management, and Infrastructures	Financial	Agriculture	Education	TOTAL
2008	Administrative PS	4	–	–	–	–	–	–	–	–	**4**
	GBEs	–	12	7	3	1	3	1	1	–	**28**
	Subtotal	4	12	7	3	1	3	1	1	–	**32**
2012	Administrative PS	1	–	–	–	–	–	–	–	1	**2**
	GBEs	–	11	8	2	2	–	1	–	–	**24**
	Subtotal	1	11	8	2	2	–	1	–	1	**26**
	TOTAL	5	23	15	5	3	3	2	1	1	**58**

The 58 reports were analyzed in detail. The dependent variables consisted of a sustainability disclosure index that was constructed using content analysis utilizing the GRI guidelines (G3/G4 guidelines). The independent variables are firm size, industry, environment certifications, awards, and organization’s visibility measured in terms of media exposure.

Following previous studies (see Farneti & Guthrie, 2009; Dumay et al., 2010; Monteiro & Aibar-Guzmán, 2010; Legendre & Coderre, 2012), this chapter analyzed the content of the sustainability reports for 2008 and 2012. A manual content analysis was performed. Since we aim to understand the factors that explain the disclosure level, content analysis is appropriate for this study (Chu et al., 2013).

[11] The GRI G3.1 guideline were followed to measure the disclosure index, although two of the reports analyzed followed the G4 guidelines.

The Sustainability Disclosure Index (SDI)

The GRI is the main framework for sustainability reporting (Brown et al., 2009b; Brown, Jong, & Lessidrenska, 2009a; Manetti & Becatti, 2009; Nikolaeva & Bicho, 2010; Fernandez-Feijoo et al., 2012). It became an institutionalized global framework in terms of voluntary social and environmental reporting (Levy et al., 2009; Clarkson et al., 2011) and it is now a routine in many large firms in several countries (Levy et al., 2010).

Following similar studies (Patten, 2002; Villiers & Staden, 2006; Cho & Patten, 2007; Monteiro & Aibar-Guzmán, 2010), we have developed an index to measure the equal-weighted disclosure of sustainability information disclosed by the sample entities: the SDI.

The SDI was measured using the indicators of sustainability set by the GRI G3 guidelines, composed by three categories: economic (7), environmental (17), and social (25), with a total of 49 indicators.

Size (SIZE)

The organization's size is usually used in most CSR research as a control variable or as an independent one (Melo & Garrido-Morgado, 2012).

Size can be measured using several proxies (Hackston & Milne, 1996). We use the criteria established in the Recommendation 2003/361/CE[12], that is, zero (0) was attributed to micro and small entities, one (1) to medium-sized entities, and two (2) to large entities.

Industry (IND)

Following Branco and Rodrigues (2008b), Tagesson, Blank, Broberg, and Collin (2009); and Fernandez-Feijoo et al. (2012), we used a binary measure: zero (0) when an entity is affiliated in a low environmental risk industry and one (1) when the entity is affiliated in a high environmental risk industry (such as transportation, energy, water, and waste management).

Certification (CER)

Monteiro and Aibar-Guzmán (2010) have defined environmental certification as a dummy variable. In this study, this variable assumed the values of one (1) if granted a certification by APCER[13] or any other accredited entity and zero (0) otherwise.

[12] The Commission Recommendation 2003/361/CE, *Official Journal of the European Union* L124, on May, 20, 2003, p. 36.

Awards (AW)

We used a one/zero variable: one (1) if the organization received an award related to sustainability and zero (0) otherwise.

Visibility (VIS)

As Fernandez-Feijoa et al. (2012) and Branco and Rodrigues (2008a) state, this variable assumes the value of one (1) if the entity belongs to a customer proximity industry and is well-known to the general public as a consumer of its products or services. It includes the water and waste management, energy, communication and logistics, and financial sectors. Other industries meeting the same criteria were included in this classification: transportation and agriculture. In other sectors, it assumes the value zero (0).

Data Analysis

With the aim of investigating the level of sustainability disclosure in GRI sustainability reports of the Portuguese PS, and the factors that explain this level of disclosure, we analyzed the data using the Statistical Package for the Social Sciences (SPSS) version 20.0.

The descriptive analysis of the variables was performed measuring the central tendency and dispersion, descriptive tables, and comparison among averages regarding the independent variables SIZE, AS, CER, AW, and VIS. Subsequently, we performed the same analysis balanced by the dummy year and weighted by the number (no.) of employees.[14] The choice of the tests used took into account the level of the variable measurement (nominal, ordinal, or quantitative). For the dummy variables AS, CER, AW, and VIS, we used a T-student test for independent samples, controlled for the year. For the polytomous variables, we used SIZE, ANOVA. In relation to the assumptions of the data distribution normality, despite the lack of normal distribution because of the sample dimension, the inference was not undermined (n>30) (Marôco, 2011).

Table 4.2 presents the PS entities aggregated into industries. For this purpose, we have considered the similarities found in the activities developed by each entity.

[13]APCER – Portuguese Association for Certification, http://www.apcer.pt/intro/index.html (and see A3ES – Agência de Avaliação e Acreditação do Ensino Superior – Decree-Law no. 369/2007 of November 5).

[14] See study´s: Reimann, F., Ehrgott, N., Kaufmann, L., & Carter, C. (2012) and Turban, D. B., & Greening, D. W. (1997).

Table 4.2 – Frequency table of the aggregated industries

Industries	Years	n	%	%cumulative
Transportation	2008	12	37.5	**37.5**
	2012	11	42.3	**42.3**
Water and waste management	2008	7	21.9	**59.4**
	2012	8	30.8	**73.1**
Local government	2008	4	12.5	**71.9**
	2012	1	3.8	**76.9**
Energy	2008	3	9.4	**81.3**
	2012	2	7.7	**84.6**
Tourism, urban management, and infrastructures	2008	3	9.4	**90.7**
	2012	0	0.0	**.**
Communication and logistics	2008	1	3.1	**93.8**
	2012	2	7.7	**92.3**
Finance	2008	1	3.1	**96.9**
	2012	1	3.8	**96.1**
Agriculture	2008	1	3.1	**100**
	2012	0	0.0	**.**
Education	2008	0	0.0	**.**
	2012	1	3.8	**100**

It is possible to observe that the "transportation" industry shows the highest number of entities (37.5% in 2008 and 42.3% in 2012), followed by the "water and waste management" industry (21.9% in 2008 and 30.8% in 2012) and the "local government" industry (12.5% in 2008). It should be noted that the "transportation" and the "water and waste management" industries represent more than 50% of the sample (59.4% in 2008 and 73.1% in 2012).

Table 4.3 presents the frequency of the independent variables: small, medium, or large entity for SIZE; low or high risk for IND; with or without (W/out) for CER; with or without for AW; and low or high consumer proximity for VIS.

Table 4.3 – Frequency table for the independent variables

	SIZE			IND			CER			AW			VIS		
	Item	Fr	%	Item	Fr	%	Item	Fr	%	Item	Fr	%	Item	Fr	%
2008	Small	7	21.9	Low Risk	8	25.0	W/out CER	8	25.0	W/out Awards	14	43.8	Low VIS	7	21.9
	Medium size	12	37.5	High Risk	24	75.0	With CER	24	75.0	With Awards	18	56.2	High VIS	25	78.1
	Large	13	40.6												
2012	Small	1	3.8	Low Risk	5	19.2	W/out CER	1	3.8	W/out Awards	10	38.5	Low VIS	2	7.7
	Medium size	9	34.6	High Risk	21	80.8	With CER	25	96.2	With Awards	16	61.5	High VIS	24	92.3
	Large	16	61.5												

Table 4.3 shows that both in 2008 and in 2012, the majority of PS entities were large (40.6%; 61.5%); have high polluting risk (75%; 80.8%); have received certifications (75%; 96.2%); have received awards (56.2%; 61.5%); and have high visibility for the general public (78.1%; 92.3%).

In Table 4.4, we can observe the SDI descriptive statistics (dependent variable), which comprises a maximum of 49 essential indicators (100%): economic (7), environmental (17), and social (25). We also presente the descriptive statistics of the independent size variable.

Table 4.4 – Descriptive statistics

		Description	Min.	Max.	Mean (χ)	Standard Deviation (s)
2008 (32)	SDI	Economic	1	7	5.66	1.658
		Environmental	4	17	12.56	3.975
		Social	1	25	18.97	7.364
		SDI	**12%**	**100%**	**75.9%**	**24.5%**
	SIZE	Turnover	503,744.00	13,894,063,000.00	843,603,601.14	2,602,749,665.71
		No. of employees	38	15,361	2,442.56	4,424.46
2012(26)	SDI	Economic	1	7	6.12	1.53
		Environmental	4	17	13.73	4.12
		Social	1	25	20.92	6.50
		SDI	**12%**	**100%**	**83.2%**	**23.9%**
	SIZE	Turnover	1,429,146.00	2,618,000,000.00	310,552,221.47	595,509,796.24
		No. of employees	108	13,167	2,612.35	3,833.62

On average, the number of economic indicators disclosed is approximately six out of seven in the 2 years comprised by the study. Despite the disparity, only 12.5% and 7.7% of the analyzed entities in 2008 and 2012, respectively, disclose less than half of these indicators. The number of environmental indicators disclosed is approximately 13/14 out of 17 (2008/2012, respectively), wherein only 15.6% of the entities in 2008 and 11.5% in 2012 present less than half of the indicators. The number of social indicators disclosed is approximately 19/21 out of 25 (2008/2012, respectively), while 18.8% of the entity's present half of the indicators in 2008 and 15.4% in 2012. There is a very large standard deviation (s≅7), with some PS entities hardly presenting any relevant social indicators.

The GRI sustainability SDI is high (76% in 2008 and 83% in 2012). Regarding organizations' size, measured by the turnover and number of employees, it is observed that SIZE is highly variable and completely asymmetric because the standard deviation is greater than the average itself.

Table 4.5 presents the descriptive statistics of the GRI dependent variable SDI, with the respective economic, environmental, and social indicators, as well as the descriptive statistics of the independent variable SIZE for 2008 and 2012.

Table 4.5 – Descriptive statistics by industry aggregation (global)

Industries	Econ.		Environ.		Social		SDI (%)		Turnover (millions)		No. of Employees	
	$\bar{\chi}$	s	$\bar{\chi}$	s	$\bar{\chi}$	s	$\bar{\chi}$	s	$\bar{\chi}$	s	$\bar{\chi}$	s
Transportation	5	2	12	4	17	8	**69**	**28**	529.5	1,201.2	2,294	3,661
Water and waste management	7	1	15	3	23	4	**92**	**14**	103.4	201.4	626	1,321
Local govern.	6	1	9	1	10	5	**50**	**13**	1.9	2.1	243	61
Energy	7	0	17	0	25	0	**99**	**3**	2,923.0	6,134.7	5,581	4,881
Tourism, urb. management, and infrast.	6	2	11	4	24	1	**83**	**12**	106.1	164.2	320	275
Communic. and logistics	5	2	14	3	22	3	**85**	**15**	621.5	323.0	10,188	7,145
Finance	7	.	17	.	25	.	**100**	**.**	2,224.7	762.6	10,668	275
Agriculture	5	.	16	.	22	.	**88**	**.**	7.1	.	98	.
Education	7	.	14	.	21	.	**86**	**.**	71.0	.	1,856	.

From the previous table, it may be concluded that the "water and waste management," "energy," "finance", and "education" industries comply with all the economic indicators. With regard to the environmental and social indicators, only the "energy" and "finance" industries comply with all indicators. The "finance" and "energy" industries fully comply with all GRI indicators. The "local government" industry presents the lowest compliance level (50%).

The descriptive statistics of the size variable allows for concluding that PS entities with higher turnover average are affiliated in the "energy" and "finance" industries. The "finance" and "communication and logistics" industries have the highest number of employees.

4.5. Results

To calculate the correlation coefficients among the independent variables and because of the asymmetry of some of these variables, we adopted Spearman's rho nonparametric statistics test (Table 4.6). Data from each study entity were calculated without weighting and weighting by the number of employees. According to Reimann, Ehrgott, Kaufmann, and Carter's (2012) study, organizations involved in CSR initiatives improve employee performance and motivation.

Table 4.6 – Spearman's rho correlation

		SDI a)	SDI b)	SIZE a)	SIZE b)	IND a)	IND b)	CER a)	CER b)	AW a)	AW b)
SIZE	Correlation Coefficient										
	2008 (32)	.322	.080**								
	2012 (26)	.132	.034**								
IND	Correlation Coefficient										
	2008 (32)	.291	.141**	.205	-.013**						
	2012 (26)	.000	-.430**	-.114	-.107**						
CER	Correlation Coefficient										
	2008 (32)	.236	.090**	.519**	.577**	.000	.016**				
	2012 (26)	.086	.122**	-.156	-.032**	.410*	.212**				
AW	Correlation Coefficient										
	2008 (32)	.089	-.020**	.380*	.538**	-.073	-.096**	.509	.489**		
	2012 (26)	.293	.098**	.155	.172**	-.185	-.085**	-.158	-.058**		
VIS	Correlation Coefficient										
	2008 (32)	.379*	.114**	.491**	.478**	.742**	.201**	.218	.372**	.143	.240**
	2012 (26)	.206	.130**	.169	.091**	.592**	.215**	-.058	-.031**	.068	.474**

Legend: (a) unweighted and (b) calculated by the no. of employees

***p** < 0.05; ****p** < 0.01

The SDI presents a positive relationship only for visibility in 2008. When calculated by the number of employees, generally, there is a positive relationship both in 2008 and 2012, but not relevant, with the exception of an industry with a comprehensive negative relation, as low-risk firms have a higher SDI.

In 2008, larger organizations had better results regarding certification, awards, and visibility. When the same correlation calculated by the number of employees is analyzed, the standard is identical. Regarding the activity sector, calculation by the number of employees drastically decreases the relation to certification (2012), visibility (2008 and 2012), and size (2008). On the uncalculated data, the activity sector is only significantly correlated with certification in 2012 and visibility in 2008 (strongly) and 2012. Awards only exhibit a relevant correlation with size and certification in 2008 and in 2012 with visibility, if calculated.

From what was mentioned, we must infer that the analysis cannot be made only among organizations, rather, it should calculate them by the number of employees as results may vary and explain differently a sustainability disclosure of PS organizations.

Table 4.7 shows the GRI SDI and the results of the ANOVA and the *t*-test for paired samples that were used for the bivariate analysis.

Table 4.7 – Results of the ANOVA and *t*-tests

			Item	$\bar{\chi}$ a)	s a)	p a)	$\bar{\chi}$ b)	s b)	p b)
SDI	SIZE	2008	Small	0.63	0.23		0.52	0.17	
			Medium size	0.78	0.23	nr	0.81	0.20	<0,01
			Large	0.81	0.26		0.78	0.23	
		2012	Small	0.69	0.00		0.69	0.00	
			Medium size	0.84	0.24	nr	0.90	0.18	<0,01
			Large	0.84	0.25		0.85	0.24	
	IND	2008	Low risk	0.64	0.23	nr	0.81	0.16	<0,01
			High risk	0.80	0.24		0.76	0.26	
		2012	Low risk	0.88	0.13	nr	0.98	0.00	<0,01
			High risk	0.82	0.26		0.76	0.00	
	CER	2008	W/ CER	0.68	0.22	nr	0.62	0.21	<0,01
			W/out CER	0.79	0.25		0.78	0.23	
		2012	W/ CER	0.86	0.00	nr	0.86	0.00	<0,01
			W/out CER	0.83	0.24		0.85	0.24	
	AW	2008	W/out award	0.74	0.25	nr	0.80	0.22	<0,01
			W/ award	0.77	0.25		0.78	0.23	
		2012	W/out award	0.78	0.23	nr	0.86	0.14	<0,01
			W/ award	0.87	0.25		0.85	0.25	
	VIS	2008	W/out VIS	0.61	0.22	nr	0.65	0.23	<0,01
			W/ VIS	0.80	0.24		0.78	0.23	
		2012	W/out VIS	0.78	0.12	nr	0.84	0.05	<0,01
			W/ VIS	0.84	0.25		0.85	0.24	

Legend: (a) unweighted and (b) calculated by the no. of employees

nr – nonrelevant; ***p** < 0,05; ****p** < 0.01

As we can observe, size, industry, certification, awards, and visibility are not significant explanatory variables of the GRI disclosure levels when the statistical averages are not calculated.

However, there is a linearity relationship among all the items of the variables in 2008, which is not observed for industry and certification in 2012.

When this disclosure by the number of employees of each entity is calculated, we may observe that there are significant differences in the SDI according to the studied variables, unlike what happens when the SDI of the disclosure is analyzed per se, without regarding their employees (internal stakeholders). Thus, if the internal stakeholders are taken into account, namely, the organization's collaborators, it may be claimed that all the variables contribute to explaining the determinant factors of the sustainability disclosure in the reports of Portuguese PS entities.

We may also observe that the "medium-sized" entities, which showed low environmental risk and did not receive any award, present higher GRI SDI in both years. As for the certification and visibility variables, the year influences the results. In 2008, the certificated and visible entities presented higher GRI SDI, but the opposite occurred in 2012, when the differences are irrelevant.

The results presented in Table 4.7 show that hypotheses are always accepted when calculated by the number of employees and are always refused when the analysis is not calculated, which can be explained by the different sizes of PS entities that are included in the sample.

4.6. Discussion

Like Huang and Kung (2010), we also argue that external, internal, and intermediate stakeholders have expectations regarding environmental disclosure. Employees, as internal stakeholders, exert enormous pressure on organizations so that they actively implement environmental strategies and, thus, successfully carry out their CSR disclosures.

Since Portugal is a code-law country (stakeholder corporate culture),[15] the higher the number of employees is, the greater their influence on the organization's CSR policies will be. Passive environmental strategies lead to a poor performance, penalties and threats to reputation and can undermine collaborators' confidence (Huang & Kung, 2010). Several researchers claim that the pressure to comply with stakeholders' standards is stronger in larger organizations (Hackston & Milne, 1996) since they are involved with a higher number of stakeholders because of their high number of activities (Legendre & Coderre, 2012).

[15] See study: Simnett, R., Vanstraelen, A., & Chua, W. F. (2009, p. 944) and Legendre, S., & Coderre, F. (2012, p. 3).

The LT and the ST assert that organizations with a poorer CSR performance will have to face more legitimacy pressures and, thus, will be more active in terms of CSR disclosures to change stakeholders' perception (Nikolaeva & Bicho, 2010). Therefore, the LT is focused on explaining the impact of social and political pressure regarding disclosure, whereas the ST shows that organizations tend to voluntarily report more information to stakeholders who require information about the impact of the organization's activities on the environment (Hassan & Ibrahim, 2012).

Larger organizations tend to have a greater social impact (Udayasankar, 2008). These organizations report more information on sustainability, as it has been noted, for example, by Monteiro and Aibar-Guzmán (2010). In our study, the "medium-sized" organizations are the ones with higher SDI, when weighted by the number of employees. However, we consider that the organization legitimizes its actions through sustainability reporting, as Legendre and Coderre (2012) also argue.

The analyzed organizations in the "low risk" industries seem to disclose more information about sustainability than the "high risk" ones. This result does not corroborate previous studies, such as those of Hackston and Milne (1996), Branco and Rodrigues (2008a), and Chu et al. (2013). In this case, the "low risk" industries are related to the GRI SDI. A possible justification is that state-owned organizations do not need to achieve legitimacy as they are protected by the government (Tang & Li, 2009). This fact may also be justified by the importance of the internal stakeholders for the organization and/or as an attractive element for employees/collaborators. In line with Huang and Kung (2010), we believe that collaborators are especially concerned about the (environmental) strategic attitudes of organizations, as their rights and interests are closely connected to the organization's perspective. Organizations with a higher number of collaborators are normally more organized, and some union or any other special entity may try to verify the management levels revealed by the organization. On the other hand, collaborators may also require a greater level of transparency regarding environmental information to avoid jeopardizing their rights and interests.

Hassan and Ibrahim (2012) observed that the "high risk" sectors are more likely to receive an award. Thus, in response to pressures, and to improve its image and environmental performance, an organization may apply the method of acquiring prestigious awards, reinforcing the confidence and credibility among stakeholders by disclosing more environmental information.

Thus, the PS will reveal more information on sustainability to achieve legitimacy (Patten, 1991; Cho & Patten, 2007; Huang & Kung, 2010), and it is clear that when an organization has a negative image, sustainability disclosure creates a more positive image, proving stakeholders that CSR is being fulfilled.

Bronn and Vidaver-Cohen (2009) conducted a questionnaire-interview study presenting the main reasons for legitimacy, namely, the CSR initiative to improve the corporate image and be acknowledged by ethical leadership. Large organizations, or those with a high level of media exposure, have more visibility for external groups and may be examined by interested groups and stakeholders, and their reputation may transmit a positive image of seriousness, responsibility, and commitment (Sotorrío & Sánchez, 2010).

Villers and Staden (2006) conclude that organizations known for their negative environmental impact prefer to disclose more general rather than specific information, a tendency explained by the LT. The LT suggests that visible organizations, facing a higher public pressure, need to be involved in socially responsible activities and tend to report more information to the public to keep their legitimacy and protect their reputation (Chu et al., 2013).

By enhancing the organization’s visibility, media exposure raises the profile among the relevant public and induces a greater control of the firm’s activities, leading to a bigger pressure on the firm to publicly explain its activities and performance (Brammer & Pavelin, 2008). More visible organizations tend to gain more as a result of improved legitimacy and reputation effects or suffer damages to their reputation because of insufficient participation in the CSR (Udayasankar, 2008).

Nevertheless, Hahn and Kühnen (2013) state that a firm’s size is the only internal determinant that is consistently found to have a positive effect on sustainability reporting, and media exposure and stakeholder pressure are also found to have a positive influence on sustainability reporting as external determinants as the size variable can be considered to be related to corporate visibility.

So, firms resisting pressures to adopt sustainable practices may find themselves at a competitive disadvantage as unsatisfied stakeholder groups withdraw their support. Thus, larger firms will tend to be more responsive to external pressures, given that their increased visibility makes them easier targets of external pressure. However, size is one manner in which variation may exist within the same organizational field. As organizations grow or become increasingly consumer oriented, their rising visibility heightens expectations and pressures (Gauthier, 2013).

Thus, engagement with local community development is a way to increase middle managers’ commitment, as well as the firm’s local visibility as a business partner, a good corporate citizen, and an attractive employer, resulting in the firm earning a higher degree of legitimacy for its operations (Reimann et al., 2012).

Based on the LT, it would be expectable that organizations that are more exposed to public, social, and environmental policy pressures, that is, with a poorer environmental performance, would disclose more environmental information, although some (environmental) disclosures are used as legitimacy tools. Still, other disclosures are not used for legitimacy purposes, as it is suggested by the results of the study conducted by Cho and Patten (2007) and Patten (2002), who argue that poor environmental performances are an incentive for disclosure to face legitimacy threats.

When firms face uncertainty, they adopt more successful models to deal with it (Escobar & Vredenburg, 2011). As a result, and in line with the ST, which highlights the organizational accountability beyond the simple economic and financial performance, the organization's management is expected to carry out activities considered important by stakeholders and inform them about the developed activities (Guthrie, Petty, & Ricceri, 2006).

Therefore, organizations that adopt and support the GRI system gain competitive advantage (Nikolaeva & Bicho, 2010) over other organizations. The GRI has gained broad legitimacy, not only with firms, but also with governmental bodies and multilateral organizations (Levy et al., 2010).

4.7. Summary

The GRI adoption as a legitimacy and reputation management tool provides answer to the actors' pressures and may help organizations become more self-aware and build a corporate identity process (Nikolaeva & Bicho, 2010).

The disclosure of CSR information is considered an important tool to fulfill organizations' accountability, and the organization, as part of a wider social system, must be positively responsible for the several stakeholder groups from a strategic perspective (Guthrie et al., 2006). However, stakeholders, besides their ambitions and expectations, also have an interest in the organization and in other partners with whom they interact, assuming the role of moral agents with responsibilities and rights (Manetti, 2011).

Following the theoretical framework, the authors concluded that the LT has a wider context than the ST; it is concerned with all the stakeholders and nonstakeholders (general society), and the legitimacy *status* is considered crucial for organizations' survival, meaning that only organizations in conformity with society's expectations and standards will continue to operate. Therefore, the studied organizations disclose sustainability information in GRI sustainability reports, independently from other factors. The ST, which focuses mainly on the organization's stakeholders and puts emphasis on the organizational accountability delivery, leads the managers/leaders of an organization to perform activities considered important by its stakeholders, informing them about the developed activities. This disclosure practice and the information voluntarily included in the sustainability reports bring benefits to the organization and general society.

The singularity of the Portuguese corporate community cannot be neglected, or the fact that small and medium-sized firms are 90% of the world business population. In the SIZE variable, widely accepted among scholars as it may influence many results and, thus, frequently included as a control variable (Udayasankar, 2008), we used two measures. However, in previous studies many other measures were followed, singly or together, as described by Hackston and Milne (1996). Fifka (2013) also considers that small and medium-sized firms have been poorly considered in empirical studies.

As Udayasankar (2008) states, both very small and very large firms seem more likely to participate in more CSR initiatives. This study may contribute to a wider discussion on the relevance of the impact of the firm's size, as an explanatory variable. Most of the previous empirical works also use the size of the firm as a visibility measure, which is considered unsatisfactory by some authors, such as Brammer and Pavelin (2008). For example, Sotorrío and Sánchez (2010) state that visibility may be measured by size, media exposure, and reputation. Hahn and Kühnen (2013) identify the determinants firm size, visibility, and sector affiliation, which are covered by a significant amount of studies and show consistent results that allow clear conclusions.

This study went further (even though the authors do not have any knowledge of other empirically tested studies) and considered another potential factor that supports H3—several types of certification—going beyond the results of the study conducted by Monteiro and Aibar-Guzmány (2010), who have only considered two types of certification (environmental ISO 14001 and registration in EMAS).

The aim of the present research was to analyze the determinant factors for sustainability disclosure practices, according to the GRI G3 guidelines, in the sustainability reports of the PS organizations in Portugal for 2008 and 2012.

The present study has allowed us to come up with two main results. First, and according to the LT and the ST, this study reveals that the voluntary disclosure level of the performance indicators of the GRI sustainability in the sustainability reporting guidelines is related to the size, industry, certification, awards, and visibility of PS organizations when the averages are weighted by the number of employees and are predictors of the SDI of the GRI sustainability reports in the Portuguese PS, even though there are no studies on the factors influencing the disclosure levels in the GRI sustainability reports in PS organizations.

Second, these results may also be seen as a contribution to the theoretical development in the GRI sustainability reports in the PS since most studies have focused on the private sector and other countries and have implications on the adaptation of theories in the context of the GRI sustainability reporting in the PS and in countries like Portugal.

Nevertheless, this study is subject to potential limitations mainly because GRI sustainability reporting in the Portuguese PS is reduced and a relatively new practice. Besides, it shows that a random choice of the measure for a variable may have an impact on the results. A different methodology could have also been followed, such as the interview method, as used in Bellringer et al.'s study. However, we believe that future research can solve the limitations of the present study.

Nevertheless, we believe that this study has contributed to the literature on CSR disclosure through sustainability reports, as it gives an insight into disclosure practices in the Portuguese PS. Furthermore, it provides an explanation of the factors that may influence sustainability disclosure levels. However, comparisons must be made with caution so that a standard set of sampling and measurement techniques can be universally adopted, as stated by Hackston and Milne (1996).

To conclude, we believe that the results also provide an opportunity for further research, agreeing with Fifka (2013), who considers that, in general, there is a significant potential for empirical research on sustainability reporting.

CHAPTER FIVE

Strategic responses of the public sector entities to GRI sustainability reports

(ESSAY 4)

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Abstract

The almost absence of sustainability reports in Portugal prepared using the Global Reporting Initiative (GRI) guidelines in public sector (PS) entities led us to study the strategic responses to institutional pressures, as suggested by Oliver (1991), in the few entities that publish such reports. The objective is to determine the institutional factors that motivated sustainability disclosure in GRI reports.

We used an interpretative approach through an open questionnaire to analyze the strategic responses to the institutional pressures and expectations of PS entities in adopting the sustainability report in accordance with the GRI. The results show that not all the institutional factors that led Portuguese PS entities to disclose their social responsibility are in the acquiescence line, accommodating other strategic responses. Thus, we verify this acquiescence when the consistency with organizational goals is high and when the constraints and the multiplicity of stakeholders are low. On the other hand, entities do not present strategic responses of acquiescence when social and economical pressures are low, nor when the legal coercion of standards is low. Finally, conformity is not a likely strategic response when the environmental uncertainty and interconnectedness are low.

Keywords: corporate social responsibility, Global Reporting Initiative, good governance practices, institutional theory, Oliver's Framework (1991), Portugal, public sector, sustainability reports

5.1. Introduction

In the 1980s, some governmental agencies began to implement PS managerial changes to improve their efficiency and effectiveness, motivated by demands imposed on governments to optimize the use of public resources (Mucciarone & Neilson, 2011). This optimization in the PS is important, according to Ball and Grubnic (2007), since this sector represents around 40% of the economic activity worldwide (Lynch, 2010). In Portugal, despite the new legislative orientations for "good governance practices," voluntary sustainability reports following the GRI guidelines are scarce.

Several explanations can be found in the literature to explain the disclosure of sustainability reports. One explanation appears when scholars have connected the institutional perspective to the strategic choices to better understand organizations' strategic responses to institutional pressures (Clemens & Douglas, 2006). In this sense, Oliver (1991) proposes a number of strategic responses to institutional pressures and identifies responses that an organization is likely to adopt.

Gauthier (2013) invokes these institutional pressures to develop opposing propositions related to the organization's responses regarding sustainable practices. He also considers that Oliver's (1991) framework may be particularly "useful for sustainability scholars" (Gauthier, 2013, p. 94).

Institutional theorists have related organizations´ conformity to the institutional environment and adherence to external norms and rules (Meyer & Rowan, 1977; DiMaggio & Powell, 1983). Institutional environments can create structural uniformity since organizations formally adopt structures to attain institutional legitimacy (Meyer & Rowan, 1977). In the same way, uncertainty may drive toward isomorphism, and institutions can face coercive, normative, and mimetic pressures (DiMaggio & Powell, 1983).

Thus, the main research questions in this essay are: according to Oliver's model (1991), which strategic responses did Portuguese PS entities adopt to prepare GRI sustainability reports? What institutional pressures are PS entities answering when they voluntarily disclose their sustainability pratices using GRI sustainability reports?

Using an open questionnaire approach, this study answers Oliver's call (1991) to develop further research in different institutional environments to predict the likelihood of conformity or resistance to institutionalization. Thus, using Oliver's (1991) model, we introduce new theoretical arguments and explain the institutional factors that define voluntary corporate social responsibility (CSR) disclosure in the Portuguese public sector, focusing on the likelihood of strategic responses of acquiescence. For this purpose, 10 propositions were adapted from Oliver's model, reflecting the strategic responses to institutional pressures that PS entities used when adopting sustainable reports following the GRI guidelines.

To the best of our knowledge, this study is the first to use Oliver's (1991) strategic responses to analyze institutional pressures to adopt CSR disclosure and sustainability reporting in Portuguese PS entities. We have followed a qualitative research method using an interpretative approach. Our central thesis is that PS entities are voluntarily disclosing their GRI reports as a strategic response to institutional pressures, to communicate CSR practices to stakeholders and the community.

Our findings reveal that Portuguese PS entities show either a propensity for conformity or resistance depending on the predictive dimensions being analyzed: conformity when multiplicity and constraints are low and consistency is high; resistance when the other predictive dimensions - legitimacy, efficiency, coercion, diffusion, uncertainty and interconnectedness - are low. Most entities under study reveal that there are no social or economic pressures motivating the disclosure of their social responsibility in GRI sustainability reports. The number of requests from government agencies is moderate and just a few stakeholders request CSR information. Entities state that CSR disclosure is consistent with their organizational objectives, and there is no restriction to disclosure. In general, they point out that there is no legal coercion related to sustainability performance or any pressure to disclose CSR information. They also state that uncertainty or environmental interconnectedness do not press them to disclose.

This study presents contributions at the theoretical and practical levels. First, by testing Oliver's 10 institutional antecedents, we extend Oliver's theoretical framework, anchored on the institutional and resources dependence theories, to analyze PS entities' strategic responses to institutional processes regarding sustainability reporting. We believe this was the first study to adapt Oliver's model to the CSR in the PS. This contributes to a better understanding of organizational behavior in different institutional contexts. Second, we respond to requests from Oliver (1991), Jamali (2010) and Gauthier (2013) for further research to analyze the likelihood of compliance or resistance to specific organizational strategies, and in the light of empirical evidence, show that Oliver's model is able to provide responses related to factors motivating organizations Portuguese PS entities to disclose their social responsibility in sustainability reports.

This essay consists of five further sections. Section 5.2 presents the literature review regarding the theories in research on sustainability practices and disclosure, including Oliver's model and its propositions. Section 5.3 presents the research method used. It is followed by the research results in section 5.4. The discussion of the findings is presented in section 5.5 and section 5.6 presents the summary and suggestions for further research.

5.2. Public Sector Strategic Answers to Institutional Pressures: Literature Review

Enhancing a population's economic well-being in the long term is not a new political aim. Governmental offices, nongovernmental organizations (NGOs), scholars, and the general public are part of political discussions worldwide to foresee and put forward a satisfactory development direction to address the present and future generations' needs (Gasparatos, El-Haram, & Horner, 2009). Nevertheless, little theoretical attention has been paid to study pressures on organizations to act responsibly (Campbell, 2007). Considering a wider group of stakeholders, public organizations would be expected to face more pressure to disclose information than private organizations (Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009; Mucciarone, Tower, & Garner, 2012).

The PS has greater responsibilities regarding sustainable development (SD) than the private sector (Ball & Grubnic, 2007) as it has a distinct profile and specific opportunities to promote sustainability (Ball & Bebbington, 2008). Governments are expected to be accountable and to manage public resources sustainably (Lynch, 2010). Thus, it is possible to use sustainability reports as an accountability tool (Williams, Wilmshurst, & Clift, 2011).

In 2010, following a global financial and economic crisis, the PS faced austerity pressures and reforms (Guthrie, Ball, & Farneti, 2010). There is an increasing pressure on the PS to revise its sustainability concept and lead the way toward sustainability practices, accepting this challenge so that future generations may have a sustainable life (Dumay, Guthrie, & Farneti, 2010).

In Portugal, fulfilling "good governance" principles by government business enterprises (GBEs) is accomplished through entities' annual reports. Respecting the principles of social responsibility, SD, public service, and collective needs satisfaction is rarely made in an independent report and even more rarely through a GRI sustainability report. Despite the legal guidance since 2007 (Resolução do Conselho de Ministros no. 49/2007), this is seen as a voluntary practice which does not encourage sustainability reporting as a standard, uniform and technical quality practice.

Sustainability report or stand-alone report according to the GRI guidelines (currently G4[16]) is still a discovery trip for beginners; and an unexplored territory for non-beginners, which makes comparability, transparency, and accuracy toward sustainability, performance and impact aims more difficult. According to the GRI (2013), elaborating these reports would allow not only greater comparability of reports but also sustainability performance of organizations within the same sector. In addition, the fourth version of the GRI guidelines for sustainability reporting for 2013, compared to the previous version (G3 of 2006) have their emphasis on materiality, encouraging organizations to provide information that is critical to their business and stakeholders. The objective of G4 is to reporting that focus on the impacts relevant to organizations and society, ie, strategic documents, focused, credible, and easier to consult by stakeholders (GRI, 2015).

[16] G4 is designed to be universally applicable to all organizations of all types and sectors, large and small, across the world (GRI, 2019).

5.2.1. Research Theories on Sustainability Practices and Disclosure

With globalization, there is a scholar curiosity on the CSR mixed orientations regarding the different national cultures and institutional realities (Jamali, Sidani, & El-Asmar, 2009). Many scholars have suggested theoretical-institutional explanations on why organizations adopt different CSR practices and disclosures (Campbell, 2007; Misani, 2010).

Campbell (2007) reminds researchers have asked for greater attention on the factors between the corporate financial performance and the socially responsible corporate behaviour, focusing these institutional factors in his work. This work was the basis for Chih, Chih and Chen (2010) specify the conditions in which corporations may or may not act more responsibly. Also, Branco and Rodrigues (2008) used a theoretical framework combining legitimacy theory, explored from an institutional perspective and resource-based theory to explain factors influencing social responsibility disclosure.

The perspective of the resource dependence theory (RDT) is narrowed to focus on critical powerful organizations, in contrast to the institutional theory, which focuses on institutionalized organizations in general (Chen & Roberts, 2010).

Carpenter and Feroz (2001) have used the institutional theory (IT) and the RDT as complementary lens which can be combined to enhance our understanding of public sector accounting choice and the diffusion of generally accepted accounting principles (GAAP) in institutional environments. They found that RDT has its greatest influence as an effective coercive institutional pressure to changing the accounting rules in the PS. This perspective of resources dependence (Pfeffer, 1981; Pfeffer & Salancik, 1978) focuses on the problems related to the financial resources acquisition from the institutional environment to understand the individuals' behaviour within an organisation.

Oliver (1991) presents a convergent emphasis on institutional and resource dependence perspectives. She argues that choice is constrained by multiple external pressures, environments are collective and interconnected, and survival depends on responsiveness to external demands and expectations.

The RDT argues that although organizations are constrained by their situation and environment, they possess both the desire and the ability to negotiate their positions within those constraints through various tactics (Chen & Roberts, 2010).

The RDT also emphasizes that most organizations face numerous and frequently conflicting demands from a variety of external actors. This theory focuses on how an organization can obtain vital resources for survival and growth. When Pfeffer and Salancik (2003)[17] updated the RDT, they reemphasized legitimacy as the fundamental resource on which any organization depends on (Chen & Roberts, 2010).

Responding to state pressures, expectations of professions, or collective norms of the institutional environment, the IT focuses on the imitation of organizational structures, activities, and behaviors. The IT offers several unique insights into organizational environment relations and how organizations react to institutional processes. It has also tended to deemphasize both the ability of organizations to dominate or defy external demands and the usefulness of pursuing these strategies of dominance or defiance (Oliver, 1991). But Tolbert and Zucker (1994) argue the IT has little to add to this scenario. The RDT already provides a parsimonious explanation of why organizational structure becomes so similar across organizations facing similar environments.

The IT and the RDT suggest that organizations attempt to obtain stability and legitimacy. The RDT assumes that organizations exercise some degree of control or influence over the resource environment or the organization's exchange partners for the purposes of achieving stability. In contrast, institutional explanations of reproduction and isomorphism emphasize the role of conformity, habit, and convention, rather than organizational power and control, in contributing to stability. Power tends to be attributed to the institutional environment rather than the organization (Oliver, 1991).

CSR is usually seen by organizations as a way of self-regulation to accommodate external pressures, build corporation as a moral agent, deviate the regulation menace, and marginalize the most radical activists. CSR does not exist without costs, and if compensatory benefits are not obvious, then managerial judgment will be undermined, and CSR will appear as much less attractive (Levy, Brown, & Jong, 2010).

Several authors have used the IT framework to study SD reports: Bebbington, Higgins, and Frame (2009); to study CSR policies: Jackson and Apostolakou (2010); to adopt CSR: González (2010). The IT "illustrates how the exercise of strategic choice may be preempted when organizations are unconscious of, blind to, or otherwise take for granted the institutional processes to which they adhere" (Oliver, 1991, p. 148). For example, CSR and organizational ethics may not be always seen as strategic behaviors created by expecting organizational gain. So, "organizations may act ethically or responsibly

[17] The resource dependence theory was introduced in the book *The External Control of Organizations* (Pfeffer and Salancik, 1978). This book explored how organizational environments affect and constrain organizations and how organizations respond to those external constraints (Chen & Roberts, 2010).

not because of any direct link to a positive organizational outcome (e.g., greater prestige or more resources) but merely because it would be unthinkable to do otherwise" (Oliver, 1991, p. 148).

The IT shows that formal and informal rules, norms, and routines affect organizations and inspire both conformity and resistance behaviors (Pedersen, Neergaard, Pedersen, & Gwozdz, 2013). In the context of taken-for-granted norms and beliefs, it also explains a no choice behavior. The IT also

> draws attention to the causal impact of state, societal, and cultural pressures, as opposed to market forces and resource scarcity on organizational behavior, and to the effects of history, rules, and consensual understandings on organizational conformity to environmental constraints. (Oliver, 1991, p. 151)

It also explains how passive acquiescence to the external environment can contribute to the social validity and survival of an organization, as opposed to strategic adaptation, and how myths, meaning, and values, rather than efficiency, autonomy, and exchange, may drive and determine organizational behavior in the context of external pressures (Oliver, 1991).

Moreover, the greater the multiplicity of stakeholders' interests, the greater the pressures on the organization to balance these by establishing some trade-off among them as the organizational dependence on a single constituency makes balance unlikely (Oliver, 1991; Brignall & Modell, 2000). However, manipulation may also be used when providing information to certain groups of stakeholders, especially if the pressure they exert is more limited (Oliver, 1991).

5.2.2. Oliver's Model (1991)

A theoretical framework for studying the relationship between institutional pressures and a firm's strategic responses was presented by Oliver (1991), who applied the convergent insights of institutional and resource dependence perspectives to predict strategic responses to institutional processes. A typology of strategic responses is offered, varying from passive conformity to proactive manipulation. She demonstrated how these theories together identify a range of strategic and tactical responses to the institutional environment. She also identified factors that predict the occurrence of these alternative strategies.

Other researchers have used this model in the accounting field: Abernethy and Chua (1996) in a longitudinal field study at one large, public teaching hospital in Australia that underwent material changes in its governance structure, culture, and accounting control system. Brignall and Modell (2000) explored the implications of IT for the successful implementation of multidimensional performance measurement and management in the 'new public sector'. Carpenter and Feroz (2001) used IT to explore processes that affect accounting choice in PS, more precisely how the institutional pressures exerted on four state governments influenced the decision of these governments to adopt or resist the use of GAAP for the external financial reports, according to Oliver's model (1991). They identified resource dependence as a potent form of coercive institutional pressure. Modell (2001) explored how the properties of institutional processes associated with recent reforms in the Norwegian health care sector impinge on the extent of pro-active choice exercised by senior management in the development of multidimensional performance measurement reflecting the interests of a wider range of institutional constituencies. Tempel, Edwards, Ferner, Muller-Camen, and Wächter (2005) considered how subsidiary management responds to both parent company demands and host country pressures in trying to reconcile the challenges of institutional duality. Their aim is to contribute to the understanding of how such acquiescence and deviation occurs (Oliver, 1991). Clemens and Douglas (2006) empirically evaluated Oliver’s framework (1991) that linked the institutional view with strategic choice to better understand institutional pressures and the associated organizational strategic responses in the steel industry. The firms considered the strategy of manipulation similar to acquiescence and compromise. Criado-Jiménez, Fernández-Chulián, Husillos-Carqués, and Larrinaga-González (2008) envisaged that in the specific case of compulsory Corporate, Social, Ethical and Environmental Reporting, firms could follow three different strategies (Oliver, 1991): acquiescence, avoidance and defiance. Jamali (2010) using IT, the typology of strategic responses to institutional pressures proposed by Oliver (1991), and an interpretive research methodology analyzed a sample of Multinational Corporations (MNCs) practitioners’ views regarding the recent proliferation of International Accountability Standards (IAS). Guerreiro, Rodrigues, and Craig (2012) introduced new theoretical arguments to explain how institutional pressures influence decisions to adopt International Financial Reporting Standards (IFRS) voluntarily, in Portugal. They explore the complete Oliver’s strategic response model in the financial accounting field for the first time. Gauthier (2013) argued that IT has shifted from determinant to interactive arguments in recent decades, and sustainability scholarship reflects this change. He reviewed the use of both determinant and interactive arguments in sustainability research and tested two sets of competing hypotheses regarding the likelihood of adoption of sustainable practices.

Oliver (1991) presented a summary of the five types of strategic behaviors organizations exhibit in response to pressures toward conformity with the institutional environment, from passivity to increasing active resistance: acquiescence, compromise, avoidance, defiance, and manipulation (from a low to a high level of active resistance to institutional pressures)—see Table 5.1.

Table 5.1 – Strategic responses to institutional pressures

	Strategies	Tactics	Examples
	Acquiesce	Habit	Following invisible, taken-for-granted norms
		Imitate	Mimicking institutional models
LOW		Comply	Obeying rules and accepting norms
	Compromise	Balance	Balancing the expectations of multiple constituents
		Pacify	Placating and accommodating institutional elements
		Bargain	Negotiating with institutional stakeholders
	Avoid	Conceal	Disguising nonconformity
Level of active resistance to institutional pressures		Buffer	Loosening institutional attachments
		Escape	Changing goals, activities, or domains
	Defy	Dismiss	Ignoring explicit norms and values
		Challenge	Contesting rules and requirements
HIGH		Attack	Assaulting the sources of institutional pressure
	Manipulate	Co-opt	Importing influential constituents
		Influence	Shaping values and criteria
		Control	Dominating institutional constituents and processes

Source: Oliver, 1991, p. 152, adapted

While acquiescence or conformity (entailing habit, imitation, or compliance) are the responses that have received the lion's share of attention from institutional theorists (Scott, 2008b), it is clear that other responses are also viable, including compromise (a variety of responses that include balancing, placating, and negotiating institutional demands); avoidance, entailing concealment efforts and attempts to buffer some parts of the organization from the necessity of conformity; defiance, entailing not only dismissing institutional pressures to conform but also defying them in a public manner; and finally manipulation or the purposeful and opportunistic attempt to co-opt, influence, or control the environment (Oliver, 1991; Scott, 2008b; Jamali, 2010).

Oliver (1991) suggests that

> organizational responses will vary from conforming to resistant, from passive to active, from preconscious to controlling, from impotent to influential, and from habitual to opportunistic, depending on the institutional pressures toward conformity that are exerted on organizations. Oliver (1991, p. 151)

Thus, organizational responses to institutional pressures can vary from passive conformity to active resistance, depending on the pressures' nature and scope (Jamali, 2010), with acquiescence or conformity receiving most of the institutional theorists' attention (Scott, 2008b).

Although organizations conform to institutional pressures, Oliver (1991) explains each of the five strategic responses, as the alternative forms each of them may assume. These strategies and tactics identify a range of behaviors that organizations may put forward to address institutional pressures and expectations. The theoretical rationale underlying conformity or resistance surrounds both organizations' willingness and ability to conform to the institutional environment.

Oliver (1991) identified several factors that constrain managerial choice, such as the organization's dependence on a particular constituency and the coerciveness of institutional pressures (Brignall & Modell, 2000). She outlined five institutional antecedents—cause, constituents, content, control, and context—corresponding to the five basic questions in Table 5.2, designated as the "five Cs" by Jamali (2010, p. 623). These questions will help in characterizing institutional contexts and conditions in which organizations conform or resist institutionalization. In other words, these variables address why a firm is pressured to conform, who applies the pressure, to what requirement the firm is pressured, how the pressure is exerted, and in what environmental context the pressure is exerted (Oliver, 1991; Gauthier, 2013). These multiple factors cause variation in responses to pressures (Gauthier, 2013).

Table 5.2 – Antecedents of strategic responses

Institutional Factor	Research Question	Predictive Dimensions
Cause	✓ **Why** is the organization being pressured to conform to institutional rules or expectations?	▪ **Legitimacy** or social fitness ▪ **Efficiency** or economic fitness
Constituents	✓ **Who** is exerting institutional pressures on the organization?	▪ **Multiplicity** of constituent demands ▪ **Dependence** on institutional constituents
Content	✓ **To what** norms or requirements is the organization being pressured to conform?	▪ **Consistency** with organizational goals ▪ Discretionary **constraints** imposed on the organization
Control	✓ **How** or by what means are the institutional pressures being exerted?	▪ **Legal coercion** or enforcement ▪ **Voluntary diffusion** of norms
Context	✓ **What** is the environmental context within which institutional pressures are being exerted?	▪ Environmental **uncertainty** ▪ Environmental **interconnectedness**

Source: Oliver, 1991, p. 160, adapted

Oliver (1991) presents several strategic responses to institutional pressures and predicts which response an organization is likely to adopt, and the choice of the appropriate strategic response is determined by the careful reading of the 10 dimensions within these five categories. Thus, a complex variety of responses is plausible; and organizational perceptions, motivations, and interpretations are fundamental in determining the peculiar standards of choice and adaptation (Oliver, 1991; Jamali, 2010). As it can be observed in Table 5.3, when the degree of legitimacy attainable from conformity is high, acquiescence is more likely to occur. Otherwise, when anticipated legitimacy is low, the strategies of compromise, avoidance, defiance, and manipulation are more likely to occur.

Table 5.3 – Institutional antecedents and predicted strategic responses

Predictive Factor / S. R.	Cause		Constituents		Content		Control		Context	
	Legitimacy	Efficiency	Multiplicity	Dependence	Consistency	Constraint	Coercion	Diffusion	Uncertainty	Interconnectedness
Acquiesce	High	High	Low	High	High	Low	High	High	High	High
Compromise	Low	Low	High	High	Moderate	Moderate	Moderate	High	High	High
Avoid	Low	Low	High	Moderate	Moderate	High	Moderate	Moderate	High	Moderate
Defy	Low	Low	High	Low	Low	High	Low	Low	Low	Low
Manipulate	Low	Low	High	Low	Low	High	Low	Low	Low	Low

Source: Oliver, 1991, p. 160, adapted

According to Oliver (1991), and from the five institutional antecedents, 10 propositions were raised. These will determine the organizational responses to institutional pressures to disclose CSR through GRI sustainability reports.

CAUSE

"The cause of institutional pressures for adoption of sustainable practices may result from legitimacy-seeking motivations" (Gautier, 2013, p. 90). According to some management literature on sustainable practices, firms are not equally responsive to such external pressures. Given larger organizations' increased visibility, they will tend to be more responsive (Clemens & Douglas, 2006), as they are easier targets of external pressure (Gautier, 2013). Oliver suggested that seeking social legitimacy is a major cause for adopting structural attributes. However, perceived efficiency gains were equally recognized as important for the adoption of new practices (Modell, 2001).

In this sense, acquiescence is the most likely response to institutional pressures when an organization predicts that social or economic fitness will be enhanced by conformity, as institutional pressures are generally exerted to make organizations more socially fit or to increase economic efficiency. Doubts on the usefulness of conformity will cause more resistant strategies (Oliver, 1991; Jamali, 2010). Accordingly, the choice between acquiescence and more resistant strategies will depend on the degree to which the organization agrees with and values, the intentions or objectives that institutional constituents are attempting to achieve in pressuring the organization to be more socially or economically accountable (Oliver, 1991).

P1 – *The higher the degree of social legitimacy perceived for adhering to GRI sustainability reports, the greater the likelihood of organizational* conformity *to institutional pressures.*

P2 – *The higher the degree of economic conformity perceived for adhering to GRI sustainability reports, the greater the likelihood of organizational* conformity *to institutional pressures.*

CONSTITUENTS

Institutional constituents include the state, professions, interest groups, and the general public, which impose a variety of laws, regulations and expectations on the organization (Oliver, 1991; Jamali, 2010).

Acquiescence is most likely to occur when multiplicity and constituent expectations exerted on an organization are low. On the other hand, passive acquiescence is difficult to achieve when acquiescence to one constituent precludes conformity to other constituents, with opposing expectations (Oliver, 1991).

Thus, compromise, avoidance, defiance, and manipulation are more likely when multiplicity is higher. When facing multiple conflicting pressures, organizations can attempt avoidance strategies. The degree of dependence is a boundary condition on the likelihood of organizational conformity to the expectations of institutional constituents (Oliver, 1991). Resistance-type strategies become more plausible as the multiplicity of pressures increases or as dependence on sources of institutional pressures decreases (Jamali, 2010).

An organization's constituents represent sources of institutional pressures. Stakeholders' pressure is an important component of the determinant arguments that create uniformity within the same organizational field. Interactive arguments suggest that different organizations within the same field may choose to perceive stakeholders' pressures differently, creating variation within the same organizational field (Gautier, 2013).

The extent to which management can proactively exercise choice may be limited by conflicting interests among stakeholders as acquiescence to one dominant stakeholder is vital for long-term survival, although it may limit the organization's ability to meet the objectives of other stakeholders. "Considering the current discourse on management in the 'new public sector', such an explanation for the emergence of new control practices seems plausible" (Brignall & Modell, 2000, p. 9). Thus, the existence of multiple and conflicting interests makes it necessary to balance them by establishing some trade-off among them, although dependence on a particular constituency reduces the likelihood of balance (Oliver, 1991). Therefore, acquiescence is less likely in cases with low external dependence on constituents (Gautier, 2013).

P3 – *The lower the degree of constituent multiplicity, the greater the likelihood of organizational conformity to institutional pressures to disclose sustainability information.*

P4 – *The higher the degree of external dependence, the greater the likelihood of organizational conformity to institutional pressures to disclose sustainability information.*

CONTENT

Organizations will more willingly acquiesce to external pressures when these are compatible with internal goals. Compromise and avoidance strategies are more common when there is only moderate consistency between organizational goals and institutional pressures. Defiance and manipulation are predicted to occur most frequently when consistency between organizational goals and institutional pressures is low. Therefore, lack of consistency may limit both the willingness and the ability of organizations to accept and conform to institutional rules or expectations.

Organizations' conformity to institutional pressures is not dependent only on the legitimacy or economic rationality anticipated by conformity (Oliver, 1991). "Providing cost savings or cash incentives to firms may result in the alignment of both institutional and organizational goals. The firms become more efficient, while the needs of society are met" (Clemens & Douglas, 2006, p. 1208).

P5 – *The higher the degree of consistency of SD institutional requirements and norms with the organizational goals, the greater the likelihood of organizational conformity to institutional pressures.*

P6 – *The lower the degree of discretionary constraints imposed on the organization by institutional pressures of voluntary sustainability disclosure, the greater the likelihood of organizational conformity to institutional pressures.*

CONTROL

Institutional control is the means by which pressures are imposed on organizations. These are exerted by two distinct processes: legal coercion and voluntary diffusion. Organizations become more aware of public interests and less likely will respond defiantly when the force of the law or government mandate supports cultural expectations, because the consequences of noncompliance are more tangible and often more severe. On the other hand, when the degree of institutional enforcement, vigilance, and sanctions for noncompliance is more moderate, organizations often seek compromises on the scope or timing of their compliance. Thus, acquiescence is likely when coercion is high, that is, when the consequences of nonconformity are highly punitive and strictly enforced. Active defiance and manipulation are most likely to occur when the degree of legal coercion is low, that is, when the consequences of nonconformity are not high (Oliver, 1991).

The cause, constituents, and control of institutional pressures are likely to interact with discretionary constraint in empirical settings to determine organizational resistance. Thus, it seems that organizations will resist less these pressures as more institutional pressures are integrated into a legal or regulatory apparatus (Oliver, 1991). That is, when the degree of voluntary diffusion of norms and practices in an institutional environment is low, organizations will be less likely to conform to these norms and practices. The likelihood of conformity to institutional expectations may be predicted by the extent to which these expectations have already spread voluntarily through an organizational field. Thus, the wider an institutional expectation or practice is diffused, the higher the likelihood that organizations will conform with these expectations; and the less widespread is a set of values, practices, or expectations, the higher is the likelihood that organizations will resist them as they are less likely to be aware of incipient or narrowly diffused values and practices (Oliver, 1991), consistent with DiMaggio and Powell's (1983) mimetic view of organizational conformity.

P7 – *The higher the degree of legal coercion of norms and requirements on sustainability, the greater the likelihood of organizational conformity to institutional pressures.*

P8 – *The higher the degree of voluntary diffusion of institutional norms, values, or practices on sustainability, the greater the likelihood of organizational conformity to institutional pressures.*

CONTEXT

In part, institutional pressures are exerted through the diffusion of shared norms within a given social context (Gauthier, 2013). Oliver (1991) mentions that the environmental context within which institutional pressures are exerted on organizations is also likely to be a determinant of organizations' responses to institutional influence. Therefore, organizations' conformity or resistance to institutional demands and expectations is predicted to be affected by environmental uncertainty and interconnectedness. Thus, an organization will exert greater effort to re-establish control and stability over future organizational outcomes when the environmental context of institutional influence is highly uncertain and unpredictable, which will make acquiescence, compromise, and avoidance strategies most likely to occur.

As the uncertainty of the environmental context of institutional influence diminishes, the need for security, stability, and predictability from the persistence of institutionalized norms decreases, and organizations grow in a more confident way. Under these conditions, the manipulation and defiance of institutional values and the constituents that express them are seen as less risky strategic alternatives for achieving organizational goals. Highly fragmented or purely competitive environments obstruct the spread of institutional consensus and conformity, consistent with DiMaggio and Powell's (1983) hypothesis that high degrees of structuration and interconnectedness in an institutional environment promote institutional isomorphism and conformity.

P9 – *The higher the level of uncertainty in the organization's environment, the greater the likelihood of organizational conformity to institutional pressures to disclose sustainability information.*

P10 – *The higher the degree of interconnectedness in the institutional environment, the greater the likelihood of organizational conformity to institutional pressures to disclose sustainability information.*

5.3. Research Method

With the aim of studying which strategic responses, according to Oliver's model (1991), are presented by Portuguese PS entities to elaborate GRI sustainability reports we used an interpretative qualitative research method. An interpretative paradigma is appropriate for accounting and sustainability reporting practices (Yusoff, Nabiha, Khalid, & Amran, 2011).

Qualitative research "is highly descriptive and often recounts who said what to whom as well as how, when, and why. An emphasis on situational details unfolding over time allows qualitative research to describe processes" (Gephart, 2004, p. 455). It analyzes data from direct fieldwork observations, in-depth and open-ended interviews, and written documents (Patton, 2002). "Good qualitative research is difficult and challenging to undertake" (Gephart, 2004, p. 461).

Yusoff et al. (2011) believe that a qualitative approach leads to a deeper understanding of the sustainability reporting practices and their impact on organizations. It enables accounting researchers to get a deep understanding of accounting practices regarding techniques, procedures, and systems used by organizations. We have followed the GRI disclosure framework as it is the most acknowledged one for voluntary disclosures of sustainability information (Brown, Jong, & Levy, 2009; Skouloudis & Evangelinos, 2009; Skouloudis, Evangelinos, & Kourmousis, 2010) with a global range (Brown et al., 2009). It is also the predominant framework followed by PS entities publishing sustainability reports (Farneti & Guthrie, 2009; Dumay et al., 2010; Legendre & Coderre, 2012).

After a careful research online, we sent an e-mail to all PS entities that publish a GRI sustainability report. From the 38 PS entities, 15 answers were received from November 2014 to May 2015. Five answers from the public administrative sector: four from the local government and one from the higher education sector; ten from GBEs: five from the transportation sector and five from the sector "water and/or waste management." The respondents hold a higher education degree and cooperate with the work groups (internal and external), which deal with the issue of "sustainability reports." (Table 5.4)

Table 5.4 – Sample profile

Entities		Industry	Rating Level
1	Câmara Municipal de Proença-a-Nova (CMPN)	Local government	———
2	Câmara Municipal da Marinha Grande (CMMG)	Local government	———
3	Câmara Municipal Sertã (CMS)	Local government	———
4	Câmara Municipal Idanha-a-Nova (CMIN)	Local government	———
5	Administração dos Portos do Douro e Leixões, S.A. (APDL)	Transportation	Self-declared A
6	Grupo Transtejo, S.A. (TT)	Transportation	Self-declared B
7	Metro do Porto, S.A. (MP)	Transportation	Self-declared C
8	Metropolitano de Lisboa, E.P.E. (ML)	Transportation	Self-declared A
9	Sociedade de Transportes Coletivos do Porto, S.A. (STCP)	Transportation	———
10	Empresa Portuguesa das Águas Livres, S.A. (EPAL)	Water and/or waste management	———
11	Águas do Douro e Paiva, S.A. (AdDP)	Water and/or waste management	Verified by independent auditor A+
12	Águas do Zêzere e Côa, S.A. (AdZC)	Water and /or waste management	Self-declared A
13	TRATOLIXO - Tratamento de Resíduos Sólidos, EIM, S.A.	Water and/or waste management	GRI Level B
14	LIPOR - Serviço Intermunicipalizado de Gestão de Resíduos do Grande Porto	Water and/or waste management	GRI Level A+
15	Universidade do Minho (UM)	Education	———

The research undertaken is interpretive in nature (Gephart, 2004) to the response patterns, evaluating the perceptions of the respondents to the questionnaire, similar to Jamali (2010). If the answer is affirmative there is agreement with the propositions raised. That is, in the analysis of the perception of the response patterns obtained, it was considered, in view of the raised propositions, that the level is "low" if the number of responses obtained is up to 1/3 (5) of the total; is "high" if equal to or greater than 2/3 (10); is "moderate" for the rest (greater than 1/3 and less than 2/3). For this research, we used the answers received according to the questionnaire with open questions (Appendix 3). This document focuses on five main concepts based on the literature review previously presented, trying to determine the institutional factors that, according to Oliver (1991), motivate these entities to elaborate GRI sustainability reports. These factors include (1) causes – legitimacy and efficiency, (2) constituents – multiplicity and dependence, (3) content – consistency and constraints, (4) control – coercion and diffusion, and (5) context – uncertainty and interconnectedness. The formulated propositions match these 10 dimensions.

We believe open questions are important to respondents' perceptions facilitating the tracking of potential ceremonial adoption. They allowed significant room for interpretation (perceptions of cause, constituents, content, control and context) of possible patterns of strategic responses that can be inferred to determine perceptions in relation to sustainability reports. The appendix highlights the questions that we used to evaluate respondents' perceptions in relation to these five institutional antecedents. Following the transcription of the questionnaires and the codification of the data with regard to the basic dimensions outlined in Table 5.2, we focused the analysis on detecting commonalities or patterns of agreement/convergence in the statements provided, but areas of divergence were equally noted and highlighted. Content analysis allowed the detection of a general level of conformity/consistency in the answers provided by respondents.

5.4. Research Results

Using the content analysis of the entities' answers, we aim to critically analyse them according to the five institutional factors presented by Oliver.

From the data we concluded that 11 out of the 15 entities state do not have a department/person in charge whose main (and unique) assignment is sustainability and the elaboration of GRI sustainability reports.

Cause: Legitimacy and Efficiency

By analyzing the factor *cause*, we can see that the studied entities have published their GRI sustainability reports for a number of reasons. We had answers such as the following:

> *...it came out of a natural evolution... It is not a mere communication and disclosure instrument... the company looks at itself, evaluating its performance.... and analyzing its contribution toward SD. This is a work tool. (AdDP)*
>
> *...it helps to contextualize and assess sustainability in its pillars. (TT)*
>
> *...it is part of the entity's strategy to promote more sustainable behaviors...based on high-quality standards. We are aware that SD is imperative. (MP)*
>
> *...believing it will benefit the organization's reliability and its reputation before its stakeholders ..., with the ultimate aim of becoming a more sustainable and coherent organization. (LIPOR)*
>
> *...with the aim of getting to know itself better and making itself known to its stakeholders, regarding sustainability. (ML)*
>
> *...due to entity's fundamental role in sustainability. It has to report its sustainability performance adopting the best international practices. (UM)*
>
> *...because public transparency is very important for the entity, and there is a growing internal concern to disclose a more complete piece of information regarding its financial or nonfinancial performance, integrating all the SD pillars. (TRATOLIXO)*
>
> *...to communicate its environmental, economic, and social performance. (AdZC)*
>
> *...the process occurred following the Local 'Agenda 21' as a result of a greater concern with sustainability. (CMPN, CMMG, CMS, CMIN)*
>
> *...since 2006, according to the management guidelines, the entity's sustainability reports are not autonomous. They are integrated in the accounting report. Thus, there is a single report with a chapter for sustainability. This way information is not doubled, having a gain in terms of human resources, finances, time, among others. An autonomous report has costs... For the reader, the single annual report informs in a more integrated form. This practice will be followed by other organizations, according to some speakers in meetings/congress communications on this issue. (STCP)*

These answers prove mimetc isomorphism, which influences the adoption of these accounting practices, but, in fact, entities mainly seek to legitimize themselves before the stakeholders.

Regarding the adoption of GRI guidelines, the respondents refer a number of advantages for organizations. In particular, because

...it is an international reference; it brings reliability to the report. (APDL)

...it defines the essential issues to be reported... making the national and international comparison easier. (AdDP)

...the way the guidelines are composed makes it easier for stakeholders to understand the sustainability issue. (TT)

...it allows a company to report its performance in a structured and worldwide known manner... It is a powerful tool of transparent communication with stakeholders and sustainability promotion. (MP)

...it gives reliability, comparability, coverage, greater balance, and legitimacy. (UM)

...it makes the information report reliable, and it harmonizes it. (TRATOLIXO)

...these are worldwide known and accepted standards with external verification. (EPAL)

...it is a positive form of orientation and support to elaborate the report, because its guidelines are associated with the United Nations and other international organizations. (STCP)

It is verified that what motivated the entities to issue sustainability reports and to adhere to GRI guidelines was to see that other organizations operate within a social structure of norms, values, and assumptions taken-for granted on what is an adequate or acceptable behavior, which brings them credibility and recognition.

When asked about the possibility of social or economic pressure to disclose CSR in GRI sustainability reports (P1 and P2), only one entity said there may be some kind of pressure to disclose it: social pressure, because

...it is fashionable, and eventually, it is a shareholder's requirement. CSR disclosure can be also a response to economic pressures from others, especially from financial institution and even suppliers ("in cases of certification which demand certain requirements"). (STCP)

Thus, most entities in this study refer that SR is

... a voluntary process. (CMPN, CMMG, CMS, CMIN)

... a natural evolution of communication. (APDL)

... a sequence on the strategy to continuously improve and of transparency to stakeholders. (AdDP)

... an internal decision. (TT)

... a booster for an open, responsible, balanced dialogue. (LIPOR)

... a decision from inside out. (UM)

... despite the inexistence of social pressure, we acknowledge the importance to enhance the quality of our sustainability reports, and it is fundamental to mature the dialogue between stakeholders and the organization. (LIPOR)

... those who do not measure do not manage. Measuring helps to develop at all levels. (TT)

Although, in general, entities do not directly feel any kind of social or economic pressure, they do not want to be affected in the future for not having followed the good practices and international norms of sustainability. Thus, they prevent it in advance. This aspect reveals some preoccupation with human (internal and external), financial, social and environmental resources which may influence their results, as observed by RDT which predicts strategic responses to institutional processes.

Constituents – Multiplicity and Dependence

In the *constituents´* factor, a variety of stakeholders are presented as interested entities in sustainability information disclosure. Workers, collaborators, clients, consumers, the community, dealers, shareholders, the State as a shareholder, the grantor (Portuguese State), suppliers, other group organizations, labor unions, regulatory and supervisor entities, residents, individuals who are potentially interested to reside or establish organizatios in the city, and many others, according to their activity, are presented in the respective reports. Some entities state that as a "local/regional organization," they are very close and associated with many entities, the context, and areas where they develop their work, an aspect conveyed by the RDT, which believes that although organizations are constrained by their situation and environment, they possess both the desire and the ability to negotiate their positions. Although the constituents with which these entities relate are multiple and varied, in general, they have not yet felt any pressure from certain external bodies to disseminate these practices. However, they want to anticipate it, before such pressure can occur.

In this factor (P3), only three entities (APDL, MP, LIPOR) stated the existence of multiple requests for voluntary disclosure, and one did not answer. The entity which stated the existence of those requests justified them with the

...seek for nonfinancial information. (APDL)

... the influence level of some stakeholders in the company's activities. (MP)

... the commitments related to the membership of councils related to this issue (for example, the Business Council for Sustainable Development [BCSD], Portugal). (LIPOR)

When asked if they depend on other bodies or entities that somehow exert some pressure for disclosure (P4), the answers varied. One entity did not answer, while eight stated that there is no pressure from other bodies or entities:

...it was a voluntary decision. (CMPN, CMMG, CMS, CMIN)

... it came from inside. (STCP)

... it was free will. (UM)

The remaining entities (six) mentioned that, in some way, yes (STCP, AdZC, APDL, TT, MP, LIPOR). At present, there are:

... tutorage guidelines. (APDL)

... legal obligation, but not specifically on sustainability reports. (TT)

... commitment taken with external bodies on this matter. (LIPOR)

... orientations from the main shareholder. (MP)

... *we are paying attention to other entities' practices, and to some recent impositions by the do Decree-Law 133/2013*. (STCP)

... *impositions by the mother company.* (AdZC)

<u>Content</u> – Consistency and Constraints

Regarding the "norms or requirements on sustainability and SD an organization should obey," answers vary:

...we followed a set of mandatory legal requirements and another one of voluntary character. (ML)

... we adhered mainly to the GRI table. (TRATOLIXO, CMPN, CMMG, CMS, CMIN, EPAL)

... we implemented quality and management norms. (STCP, AdZC)

... we followed a framework of bodies we integrate. (AdDP, MP, TRATOLIXO, ML)

...we complied with commitments with otherbodies. (UM)

However, all the entities stated that disclosure was coherent with the organization's aims (P5), as it is

... in the company's policy. (ML, AdDP)

... in the established aims. (AdZC, TRATOLIXO)

... in commitments. (MP)

... in the mission's fulfillment. (EPAL)

As for the question "By not disclosing your sustainability, would the organization suffer any kind of (discretionary) constrains? Justify," (P6) the answers varied. Some entities clearly said yes (5) (UM, TRATOLIXO; STCP, APDL, AdDP), as

... it is mandatory to send it to the tutorage, on good management measures of the government business enterprises. (APDL)

... it could diminish the stakeholders' trust, especially if not verified by an external independent entity. (AdDP)

... it would show little proactive dynamics and transparency..., which could cause some constraints to the company. (TRATOLIXO)

... it would be left behind. (STCP)

At the institutional level, entities are governed by national, European and international regulations, which guide and regulate their practices in this area. Thus, it is understood that the sustainability policies in its triple bottom line (TBL) form an integral part of the goals, objectives and commitments of these entities. IT supports the exercise of this strategic choice by these entities until there is no discretionary limitation to their practices, with consequences to their own resources.

<u>Control</u> – Coercion and Diffusion

All entities stated that the organization's sustainability performance can be controlled, among other documents elaborated and audited by entities, through

... sustainability operational plan. (APDL)

... regulatory entity, complying with Decree-Law no. 277/2009[18] *(AdDP)*

... the GRI indicators (TT, MP, CMPN, CMMG, CMS, CMIN, EPAL)

... monitoring tools created for this aim. (LIPOR, TRATOLIXO, AdZC, STCP, UM, ML)

All entities also considered that there is no legal coercion to disclose sustainability in the country, as the sustainability report is not "mandatory" (P7 and P8). There is

...a greater consciousness of the international tendency to report in a global world where organizations expand internationally; it makes sense to evolve in terms of performance reporting strategy, to be closer to stakeholders and elucidate them on the activity's impact, conveying trust and credibility, it encourages a healthy competition and even experiences exchange. (TRATOLIXO)

Out of the 15 entities, 13 also stated that they did not feel pressure to voluntarily diffuse sustainability. This diffusion

...comes from an internal will to promote a transparent communication to stakeholders. (APDL)

... is a growing reality. (TRATOLIXO)

However, there were some entities that mentioned that if it had not happened, stakeholders would ask for it. Others added that there is pressure from the administration board to do and follow it (TT). Those who clearly mentioned this pressure justified it as being a more and more common practice and because the media is watching, so the ones reporting are the ones spoken about (STCP). It is a form to be known and positively spoken about.

Institutionally, all entities have internal means of control and analysis of their practices, not facing legal consequences for non-compliance, nor pressure for disclosure.

<u>Context</u> – Uncertainty and Interconnectedness

The organization's environmental context when disclosing its sustainability was reported as very varied (P9 and P10). Some stated the importance to

[18] It approves the organization of the Regulatory Authority for Water and Waste Services (ERSAR, IP). Its mission is to regulate the sectors of public water supply, urban wastewater sanitation and urban waste management and it is the competent authority for the coordination and monitoring of the water quality regime for human consumption (article 3).

...providing visibility to their efforts (CMPN, CMMG, CMS, CMIN), associated their image to positive things. (LIPOR, TT)

...being aware of the area they operate in. (TT)

... fulfilling the goals, aims, indicators, and commitments to their environmental performance, defined annually. (LIPOR)

... being in conformity, after having implemented and being certified by some standards (Standards NP EN ISO 9001 and NP EN ISO 14001, the OHSAS 18001:2007). (MP)

... reducing costs. (STCP)

When deciding to publish their sustainability report (GRI), the entities did not feel any kind of pressure because of environmental uncertainty. Regarding environmental interconnectedness, in general, they did not feel it. Nevertheless, there was one entity that stated that there was some pressure from clients, passengers and local government with regard to the environment (TT), and another from shareholders and government and companies in the same industry, national and international (STCP).

In the end, most entities intended to continue to publish their sustainability reports according to the GRI guidelines. However, two were dependent on their restructuration (waters), and four (local government), according to the respondents, would depend on the financial crisis. Some entities also stated that they intended to go further, as the "certification phase (GRI)." Another one wanted to "sell the vision of a sustainable field" as this would be a choice and decision criterion.

Thus, although we live in a somewhat torpid context, entities are attentive to what surrounds them, both internally and externally, feeling able to adapt as quickly as possible if necessary, as the environment itself is uncertain and changeable.

5.5. Discussion

This study analyzes the strategic responses that PS entities gave to pressures related to CSR disclosure, using the GRI guidelines. Given the complexity of the theme and the limited number of cases studied, the aim is to create preliminary empirical knowledge regarding the institutional factors for CSR disclosure in the Portuguese specific context. Thus, a better understanding of the potential strategic responses to these pressures emerged, which may be used to guide future research studies on the theme.

We identified the behavior repertoire ordered from the organization's passive conformity to active resistance in response to institutional pressures and expectations. This way, responses to the 10 predictive dimensions support Oliver's conceptual model (1991). However, do not support our 10 propositions, built on the basis of acquiescence or conformity. Only three of our 10 propositions are verified (see Table 5.5).

Table 5.5 – Results from strategic responses

Predictive Factor	Cause		Constituents		Content		Control		Context	
Questions = Responses	Why? = High		Who? = High		To What? = High		How? = High		What? = High	
Predictive Dim. / S. R.	Legitimacy (P1)	Efficiency (P2)	Multiplicity (P3)	Dependence (P4)	Consistency (P5)	Constraint (P6)	Coercion (P7)	Diffusion (P8)	Uncertainty (P9)	Interconnectedness (P10)
Acquiesce	High	High	Low	High	High	Low	High	High	High	High
Compromise	Low	Low	High	High	Moderate	Moderate	Moderate	High	High	High
Avoid	Low	Low	High	Moderate	Moderate	High	Moderate	Moderate	High	Moderate
Defy	Low	Low	High	Low	Low	High	Low	Low	Low	Low
Manipulate	Low	Low	High	Low	Low	High	Low	Low	Low	Low

As acquiescence or conformity is the response that have received the lion's share of attention from institutional theorists (Scott, 2008b), our 10 propositions were based on this strategic answer. However, strategic responses to Oliver's model (1991) may vary from conformity to resistance, as we have found in our study.

Given the respondents' answers in this exploratory research, we evaluated the likely strategic answers standards to institutional pressures. From the respondents' perceptions, the 10 predictive dimensions may be seen as motivational institutional factors for the PS to disclose its CSR through GRI sustainability reports. However, only three of the responses are acquiescence.

The factor *cause* has an essential importance in adhering to GRI sustainability reports. In this factor, it is acknowledged that conformity to norms and standards promotes legitimacy and credibility. Jamali (2010) confirmed this in literature on the primordial importance of legitimacy issues and a predominant concern about reputation management by managers. When this factor is analyzed, it is found that elaborating sustainability reports according to the international GRI guidelines has brought organizations a number of advantages. These are a natural evolution in the way organizations communicate with stakeholders. The disclosure of their mission, vision, objectives, strategies, concerns, and social and environmental practices, in particular, brings them credibility, transparency, trust, an image of reliability, inspiration and rigor.

However, when legitimacy and efficiency are considered, the entities reveal that there is no social or economic pressure to disclose sustainability through these reports, not confirming P1 and P2. The results suggest, based on the patterns of responses obtained, that both legitimacy and economic efficiency pressures were low, confirming that when these predictive factors are low, the greater the active resistance is, which makes manipulation a likely response to institutional pressures and not acquiescence. Thus, based on the respondents' answers the responses to legitimacy and efficiency perceptions are not high when there is greater likelihood of organizational conformity to institutional pressures.

The RDT presents legitimacy like a resource that organizations must obtain from their environment. Thus, proactive organizational tactics prescribed by the RDT indicate a link between this theory and research on organizational legitimation strategies (Chen & Roberts, 2010). In this sense, the disclosure strategy according to GRI guidelines appears as a medium and long term resource for the entity. Even if they do not admit it, the fact of saying they want to follow best practices is a reason associated with legitimacy.

In the institutional factor *constituents*, the respondents mentioned the multiplicity of stakeholders involved with the organization. Entities stated a low level of requests for disclosure (three). When the level of requests for disclosure by the multiplicity of constituents is low, the likelihood of conformity to institutional pressures is greater. Also, only a reduced number of entities refer the dependence on other bodies for disclosing CSR (six)—moderate. Thus, based on the patterns of responses obtained, P3 is confirmed but not P4, because although the entities mention that there are many stakeholders interested in the disclosure, they did not ask for it. This was a voluntary practice.

In Jamali's work (2010), the degree of dependence on pressuring organizations (in this case, national and international NGOs) was generally characterized as moderate and linked organically to notions of legitimacy and isomorphic adaptation. When organizations are integrated or related to other bodies, they worry about the image conveyed and want to be seen and acknowledged as leaders, innovative, paying attention, and concerned about sustainability and CSR issues. This is a fact also observed in our respondents' responses. For Oliver (1991), when the dependence is low, manipulation is an expected response to institutional pressures. When dependence is moderate, avoidance is the likely response, as verified.

In the factor *content*, entities stated a number of fulfilled norms and/or requirements on sustainability. In the predictive dimension, consistency results suggested that the greater the likelihood of organizational conformity to institutional pressures, the higher the degree of institutional requirements and norms consistency with the organizational goals, and the lower the degree of discretionary constraints imposed on the organization by institutional pressures. Thus, based on the patterns of responses obtained, P5 and P6 are valid since most respondents have mentioned the state guidelines and requirements of councils they integrate as aspects of sustainability to comply with. There is a high degree of coherence with the organizational aims, postulating conformity with those norms. Organizations will be more willing to acquiesce to external pressures when these pressures or expectations are compatible with internal goals (Oliver, 1991). There is a high degree of consistency of institutional pressures with the organization's aims, internal values, conformity with norms and standards, commitment, trust, and transparency.

In the factor *control*, all the entities stated that there are means to control the organization's performance. They mentioned that there is no legal coercion regarding disclosure or pressure for voluntary diffusion. But, based on the patterns of responses obtained, the institutional antecedents' perceptions of the predictive dimensions in the *control* factor may be characterized as low: P7 and P8 are not valid, because there are no legal institutional pressures on Portuguese public entities which could lead them to conformity. Thus, acquiescence is not a strategic response in our study. According to Oliver, manipulation is the response that best serves the organization's interests when predictive dimensions are low, with regard to coercion (laws and regulations) and diffusion. That is, "when sanctions for noncompliance with laws or regulations are minimal (...), nonconforming behaviour may not constitute a sufficient deterrent to organizational resistance" (Oliver, 1991, p. 168).

Uncertainty and environmental interconnectedness, as *context* dimensions, also affect the organization's conformity or resistance to institutional pressures and expectations. Therefore, a low degree of uncertainty and environmental interconnectedness makes resistance to institutional pressures easier, contrary to our ninth and tenth propositions. Although concerns about "image" and "visibility" are emphasized in the *context* factor, in its predictive dimensions' responses, this is not observed.

Thus, based on the patterns of responses obtained, P9 and P10 are not verified since the entities referred there were no pressures from the environmental context.

The RDT focuses on how organizations operate with other powerful external organizations that control vital resources required for continued existence instead of focusing on the social value system or institutionalized social patterns, adopting a narrower perspective. The level of specification of the RDT is increased as the goal of interacting with the environment is precisely stated and the strategies are explicitly proposed (Chen & Roberts, 2010).

According to Oliver's model, acquiescence is the dominant strategic response when the predictive factors are high. On the contrary, the low level of the predictive factors is seen mostly as an active resistance strategy. Consequently, our study shows that adopting this practice of disclosing sustainability and social responsibility through sustainability reports is a strategic response involving passive conformity in the predictive dimensions "Multiplicity" (Constituents), "Consistency" and "Constraint" (Content). This only proves three of our propositions, in line with "Acquiescence". This shows a conscious and strategic intention of adherence to institutional pressures. This previous (passive) compliance with these pressures will benefit these entities, with social support to resources and approval of society. This fact reinforces their legitimacy, increases stability and confidence in the performance of their activities. Whether by imitation of successful organizations behavior, or by comparison in the incorporation of values, norms and institutional requirements, the entities of the Portuguese PS studied adopted responses in compliance with the institutional environment, in these factors. On the other hand, the low level of response in the other dimensions can be seen as an active resistance strategy in predictive factors *Cause*, *Control*, and *Context*. Thus, by not acquiescing, in these factors, the entities may hold an active intention to influence, control and dominate (Manipulation), legitimizing their practices to be socially approved. This is the most active response of resistance to institutional pressures. Given the discussion of these results, we also illustrate, like Oliver, that the institutional framework can accommodate a variety of strategic responses.

Our open questionnaire sought information that would help apply Oliver's model, according to the five institutional antecedents proposed by her. However, it is curious that based on the analysis and the characterization of the responses obtained from the five institutional factors, we verify a low level of response, which may be seen as an active resistance strategy. Subsequently, in most questions concerning the 10 predictive dimensions, and according to the propositions considered for acquiescence, this level is rarely verified, although these answers are predictable in Oliver's model. The main reason for this, and despite legislative guidelines in this sense (such as the Decree-Law 133/2013, considered the "PS Bible" by STCP entity), is that entities still look at these practices as mere guidelines and of voluntary nature. According to the entities' responses, these will not bring them direct or immediate penalties by the DGTF, the entity they respond to.

According to Oliver's model (1991), the choice of a proper strategic response to institutional pressures is determined through a careful attendance to the 10 predictive dimensions. Thus, we consider our findings supply an empirical support for her proposal, and narratives show that business organizations do not always acquiesce to institutional pressure, such as Bebbington et al. (2009), who also show active resistance.

Oliver (1991, p. 175) "proposed that organizations do not invariably conform to the rules, myths, or expectations of their institutional environment." According to the responses obtained, we verify the organizations adapt themselves to their interests and to the pressures that may or may not feel. CSR and how organizations orient themselves toward stakeholders may also be explained by the increased importance of the institutional environment (Campbell, 2006). For scholars of the IT, we argue that CSR also represents an interesting domain of study where firms do not simply mirror institutionalized forms of behavior but also develop strategic responses to institutions in ways that may involve proactive attempts to fill institutional voids (Oliver, 1991; Jackson & Apostolakou, 2010).

We should bear in mind that in Portugal, as in most Western countries, sustainability reports disclosure is completely voluntary and not generalized. Sometimes it is restricted to large organizations because of the easy access to information, support, consultancy, and human and financial resources for that practice.

We also agree with Neu, Warsame, and Pedwell (1998) that organizations attempt to convey legitimizing behaviors to the most important relevant public and to defy or ignore less important ones when there are contexts of conflicting interests. As it can be seen from the answer to question one (cause factor), they have also found that the interests of less powerful publics were omitted in disclosures to meet the requirements of the most powerful ones (e.g., shareholders), concluding that a mix of acquiescence, compromise, and defiance strategies were used in voluntary environmental disclosures. Criado-Jiménez et al. (2008) state that "legitimacy is a matter of perception and we have described concealment tactics as managing an impression of compliance with the regulation" (p. 258). And Oliver (1991) mentions that the appearance of conformity is many times sufficient for attaining legitimacy, as we have also felt by the answers obtained.

It has also been suggested that regulatory pressures lead to a superficial conformity of organizations (Bebbington et al., 2009). Pedersen et al. (2013) show us that Danish companies may be influenced to disclose CSR information by governments through coercive pressures. Other studies have also shown the impact of regulation (or lack of it) on CSR behavior. However, we share Criado-Jiménez et al.'s (2008) opinion when mentioning that more powerful stakeholders may be attracted by further regulation and this may be the key to more effective accountability on sustainability and CSR. The more corporations meet strong regulation, the more likely they are to act in socially responsible ways (Campbell, 2006). This is achieved by entities through mimetic behavior, which do not want to stay behind, by trying to harmonize the report, striving to be seen and recognized by their best international practices and by a strategy based on high quality standards to be at the level of the best ones.

The responses to institutional pressures are influenced by a number of organizational factors (size, industry, profit, culture, management perceptions, etc.), and for the institutionalization process, what goes on inside and outside the organization is equally important (Bebbington et al*.,* 2009). The "heterogeneity in responses may be partly due to the fact that institutions are not necessarily simple and coherent" (Scott, 2008b, p. 159).

We agree with Waddock (2008) and Pedersen et al. (2013) that the importance of using the IT as a lens for understanding CSR practices is highlighted by the limitations of voluntary CSR. This is the case when an institutional infrastructure for CSR emerges, likely to influence the homogenization of CSR approaches, "which pressures companies for greater accountability, responsibility, transparency, and sustainability, synthesized as greater corporate responsibility" (Waddock, 2008, p. 103). In this line, IT would be a more powerful lens for these practices in Portugal if, for example, the DGTF, or another government body, would make entities feel their normative or even coercive power towards sustainability. This is urgent for the sustainability of the nations. We have also verified that non-conformance "may also be caused by lack of awareness, resource limitations, misinterpretations, and a number of practical difficulties" (Pedersen et al., 2013, p. 371), according to some respondents.

The PS entities should comply with the "good governance" principles established by Decree-law no. 133/2013. We conclude that these entities adopt these practices to increase their conformity with institutional context and obtain internal and external resources to attain reputation, stability and success. Thus, according to the new institutional sociology (NIS), organizations do not adopt organizational practices just to increase their efficiency or performance. Isomorphic, mimetic, and normative pressures are present in actions and practices of socially responsible corporate behaviors, as also observed by González (2010).

The analysis indicates an element of mimetic isomorphism when the entities convey the importance of following the best practices and of being acknowledged internationally and by the councils, they are members of. We support that the IT may provide useful information to analyze organizations' motives and decisions to adopt GRI sustainability reports to disclose their social responsibility practices.

5.6. Summary

By documenting the crucial role of the institutional factors of PS entities, particularly at the national level, this study contributes to the CSR literature. It attempts to show the institutional framework of strategic responses suggested by Oliver, assuming that a variability of responses according to institutional environment constraints and expectations may accommodate a variety of behaviors/responses regarding CSR and determine predictive factors when organizations resist or comply with institutional pressures. A useful lens was provided by the IT to analyze the set of factors influencing these organizations to produce TBL reports (or SD), as also verified by Bebbington et al. (2009).

Like Pedersen et al. (2013), we concluded that CSR reporting is a form of summarizing CSR work; but it is also a driver of growth, innovation, and competitive advantage. CSR is a central chapter of public relations communication and mutual understanding creation, managing potential conflicts and achieving legitimacy. CSR is a communication tool used by organizations to convey a transparent image and followed by managers to assess the continuous improvement of nonfinancial areas. It is also an important tool to communicate an organization's social impact and CSR activities to stakeholders. It is a strategic tool to manage and protect organizations' reputation and to improve their performance and competitive advantage. Opinions also emitted by Golob and Bartlett (2007); Golob and Bartlett (2007); Jackson and Apostolakou (2010); Fernandez-Feijoo, Romero, and Ruiz (2012) and Cohen, Holder-Webb, Nath, and Wood (2012).

The SD communication by the PS creates an opportunity to supply information on ecosystems, regions, and countries' performance, as many other organizations (Ball & Bebbington, 2008). This disclosure may help ensure that the organization keeps the "license to operate" from community and general society, with the stakeholders' involvement, enhancing its activities' transparency and reinforcing its credibility (Skouloudis & Evangelinos, 2009), as it was referred by the respondents. Therefore, by embracing CSR disclosure, the organization shows understanding of its social obligations and will take measures (Huang & Kung, 2010).

This study also has limitations. The first is the limited number of entities, and the second is information coming solely from Portuguese PS entities. Regarding the methodology, respondents may not always provide complete information on the motives, agendas, and priorities behind decision-making processes and outputs, as Pedersen et al. (2013) stated.

We answer questions on PS entities' motives for voluntary disclosure of sustainability. But the application of Oliver's (1991) framework in the study of CSR requires additional research and refinement. Thus, "future empirical research in this area should take the form of longitudinal case studies to track differing paths of development and their effects through time" (Brignall & Modell, 2000, p. 281).

In the future, these questions could be asked to a number of other PS entities that do not report. Additionally, a higher number of participant-observation could provide valuable insights into the sense-making and sense-giving processes occurring when organizations report their CSR. A deeper analysis of the connection between disclosures and performance (of sustainability) is also necessary.

CHAPTER SIX

Conclusion

6.1. Conclusions and Contributions

Stakeholders' pressure for broad and transparent information on social responsibility is pressing organizations to explain and describe in sustainability reports their performance in the broader context of sustainable development (SD).

This thesis is the result of an in-depth study to better understand the voluntary social responsibility practices and disclosure of Portuguese public sector (PS) entities using sustainability reports prepared in accordance with the GRI guidelines.

In essay 1, the theories—institutional, legitimacy, stakeholders, and resource dependence - offer different explanatory perspectives of the sustainability phenomenon and provide a broad theoretical understanding for research advancement in social and environmental accounting. These theories have been the theoretical support to the research questions asked in the following essays. As stated throughout the thesis, we answer several calls regarding the development of accounting and accountability on social responsibility and the disclosure practices on sustainability accounting, especially in Portuguese PS entities.

Trying to answer the question "Which is the theoretical framework that is being used in the explanation of social responsibility and corporate sustainability disclosure practices?", essay 1 analyzed each theory and the relationship among them. Thus, this review of the theoretical framework on sustainability disclosure practices enables us to conclude that it is possible to make compatible interpretations of the empirical evidence under different perspectives. Although the different perspectives respond to the present issues on accounting and sustainability reports, it is necessary to understand the concepts and potential applications of each theory, individually and in relation with each other. Thus, they should be simultaneously studied, mutually complementing each other.

This essay presents three theoretical considerations for future research studies on accounting and sustainability reports. First, we must acknowledge that some entities start sustainability activities based on pressure to change or on direct interaction with stakeholders, while others may perform similar activities to manage their legitimacy. Second, from the analysis of the institutional, legitimacy, and stakeholder theories, it is possible to interpret economic, social, and environmental phenomena (of sustainability). Third, all these phenomena will be part of the executives' motivations to voluntarily get involved in corporate social responsibility (CSR) disclosure practices. We conclude that, although the legitimacy theory is the dominant theory used in accounting and sustainability reporting studies, it is related to the other theories. The selection and application of the theoretical frame will depend on the study focus.

This paper can be considered a reference for researchers interested in understanding the applications and individual concepts of each theory and the relations among them in accounting research and sustainability reports. Besides, as citizens, we are entitled to know the present sustainable accounting practices, namely, the sustainability reports of Portuguese PS entities. Thus, these theories will help to better understand the factors motivating their CSR disclosures. This study may be of interest for researchers who need to apply these theories and the relationships among them in accounting research and sustainability reports.

In essay 2, regarding our first research question: "Which TBL indicators are disclosed by Portuguese PS entities in GRI sustainability reports?" our findings show that Portuguese PS entities report triple bottom line (TBL), reflecting good CSR practices in their GRI sustainability reports. However, the entities present some supremacy of the economic indicators, followed by the social indicators in the two years studied.

Regarding the last research question: "What are the GRI application levels presented by the Portuguese PS entities in their sustainability reports?", we conclude that some entities do not declare their GRI application level. However, there are a significant number of entities that self-declare a certain level, based on their self assessment of the report content. Other entities have asked for an external assessment to issue an opinion about self-declaration and/or asked GRI to examine their self-declaration. Despite the low level of external verification, often because of the differences in the resources' availability, we believe that entities try to be transparent when declaring their GRI application level.

This essay is of interest to academics, practitioners, and regulators who are interested in the theory and practice of sustainability reporting. It is important to understand why the disclosure of social responsibility and corporate sustainability is still so incipient, despite legal recommendations to disclose and the existence of guidelines from international entities, such as the GRI. In this regard, there are numerous possibilities for future research in this area, especially in the PS.

The third essay, in answering the question "What factors and motivations lead Portuguese PS entities to elaborate sustainability reports, produced according to the GRI guidelines?". The first conclusion is that the PS entities in the sample present a socially responsible image before their stakeholders, legitimizing their behavior and influencing the external perception of their reputation. Second, the theoretical frame—legitimacy and stakeholder theories—supports the formulated hypotheses. Lastly, the voluntary disclosure in accordance with the GRI sustainability reporting guidelines is related to the size, industry, certification, award, and visibility of the PS entities when disclosure is analyzed, taking the number of employees into consideration.

Since there is no study on the factors influencing the disclosure levels in GRI sustainability reports in the Portuguese PS, this study fills this gap. These results can also be seen as a contribution to the theoretical development in GRI sustainability reports in the PS in countries such as Portugal since most studies have focused on the private sector and on other countries.

The results of the fourth essay support Oliver's model when we try to respond "What institutional pressures and consequent strategic responses, according to Oliver's model (1991), are presented by Portuguese PS entities to voluntarily disclose their sustainability in GRI sustainability reports?". They suggest both conformity and resistance responses when adopting voluntary disclosure practices of social responsibility using GRI sustainability reports. Most entities under study reveal that there is no social nor economic pressure motivating the disclosure of their social responsibility in GRI sustainability reports. Just a few stakeholders request disclosure of CSR information. However, the number of requests from agencies is moderate. The entities state that this practice is consistent with their organizational objectives, and most of them consider that there is no restriction from nondisclosure. In general, they point out that there is no legal coercion over their sustainability performance or pressure to disclose sustainability. They also state that uncertainty or environmental interconnectedness does not press them to disclose. Regarding the response pattern, it can be deduced that an institutional perspective can be a fruitful lens to enlighten the adoption of voluntary CSR disclosure practices.

This study has implications at the theoretical and practical levels. First, we expand Oliver's theoretical framework, anchored on the IT and resource dependence theory (RDT) to predict Portuguese PS entities' strategic responses to institutional processes regarding sustainability reporting. This contributes to a better understanding of organizational behavior in institutional contexts. Second, we show that Oliver's model can be used to study the institutional factors that lead organizations to disclose their social responsibility in sustainability reports. By analyzing the answers' pattern, we verify that the responses of the Portuguese PS entities can vary from resistance to conformity as they regard institutional pressures and expectations.

The work developed throughout this thesis allows us to conclude that the different theories offer different explanatory perspectives on the phenomenon of sustainability and dissemination practices, especially in the sustainability reports that follow GRI guidelines. Although this practice is still very incipient and insufficient in Portugal and especially in the PS, there is some effort for transparency and accountability in the performance of its activity.

This disclosure practice is used to promote a shift towards the SD not only because of legitimacy, but also because of concern for its stakeholders, in order to maintain or regain confidence with its stakeholders and differentiate themselves from other organizations.

The use of the GRI framework provides guidelines for the preparation of the report, allows a better understanding of TBL in the SD path, and comparability.

We have seen that in Portugal, employees, as internal stakeholders, put pressure on organizations to actively implement environmental strategies and thus successfully carry out their CSR disclosures. Thus, firm size, industry, environmental certifications, awards and visibility of the organization are determinants of voluntary disclosure in GRI sustainability reports when employees are considered. The higher the number of employees, the greater their influence on the CSR policies of the organization, supporting the LT and ST, legitimizing their actions and increasing the pressure of their stakeholders.

Finally, we have sought to create preliminary empirical knowledge on the institutional factors for the dissemination of CSR in the specific Portuguese context, following Oliver's model (1991). We have identified the repertory of orderly behavior of passive conformity of the organization to active resistance in response to institutional pressures and expectations. It is curious that, based on the analysis and the characterization of the answers obtained from the five institutional factors, a low level of response is verified, which can be seen as an active resistance strategy. We see that organizations adapt themselves to their interests and the pressures they may or may not feel, so that responses to institutional pressures are influenced by a number of organizational factors.

In short, the different theoretical perspectives reviewed and presented respond to the current issues of accounting and sustainability reports and the motivations of executives to voluntarily engage in corporate social responsibility (CSR) disclosure practices. And if studied simultaneously they complement each other.

In Portugal, as in most western countries, we must take into account that the dissemination of sustainability reports is totally voluntary and not generalized. However, it does present a potential transformation of accounting and sustainability accountability.

The seventeen objectives of sustainable development (OSD) have changed the way development is approached, integrating, among other things, the three dimensions of SD (economic, social and environmental) and a new dynamic of multi-stakeholder efforts.

In fact, we believe that when entities integrate TBL and SD in their growth and value chain strategies they will benefit from new opportunities and improved reputation on the eyes of the wide society. However, it is also obvious from the low number of sustainability reports issued that most Portuguese PS entities do not have these as their first objectives or sufficient experience and resources to take a deep approach to TBL and report them in their reports.

In short, although there are different factors and motivations for the dissemination of TBL, there is still a long way to go for sustainability, SD and reporting of these practices.

For example, the 2030 agenda for SD requires a new economic model, aligned with the organization's strategy, measurement and management of its contribution to the OSD, reporting and reporting performance on OSD. It requires organizations to prioritize OSD in the non-financial reporting, whether in the sustainability or integrated report.

Despite the new challenges to achieve the United Nations ODS, Portuguese organizations have not effectively taken on this commitment. Despite this dynamic context, good practices and improvements are still far from widespread to all organizations and it is necessary to understand the reasons for so little action.

With this thesis, we contribute to the literature on accounting research and social responsibility disclosure in the PS; to understand how theoretical frameworks can be used to explain social responsibility and corporate sustainability disclosure practices by Portuguese PS entities in GRI sustainability reports; to the knowledge of the TBL disclosure and GRI application levels; to the understanding of the factors associated with PS entities' preparation of sustainability reports in accordance with the GRI guidelines; and to identificate the strategic responses presented by the Portuguese PS entities to prepare GRI sustainability reports.

Summing up, we contribute to a better understanding and knowledge of the importance of sustainability accounting and the need to change organizations' disclosure practices, emphasizing the visibility that the accountability disclosure, including the good economic, environmental, social and even cultural practices, offers to entities. In this sense, we contribute to a higher level of motivation for the sustainability disclosure from organizations, both from the public and private sector, which will eventually lead to a change in their procedure. These actions will lead to a transformation of society towards a mandatory SD if we regard future generations, their quality of life and well being.

6.2. Limitations and Future Research

In this investigation, we verified that despite the large number of entities in the PS, few divulge their CSR practices in sustainability reports, limiting the availability of reports for analysis. Moreover, it was difficult to receive answers to the open questionnaires; the respondents may not always provide complete information; and the entities are from a single geographical area (Portugal).

As a result of a reduced sample in empirical studies (essays 2 and 3), the findings may have a narrow base for generalization. However, this research does not attempt to generalize but rather offers a set of insights into the social, environmental, and economic aspects of the disclosure practices of Portuguese PS organizations.

Limitations may be seen as opportunities for future research. Case studies focusing on nondisclosing entities can be developed; case studies with interviews would allow corporate managers to explain in greater depth their approach the factors influencing the decision to disclose in GRI sustainability reports; and compare studies to the indicators used in the public and private sectors.

As future lines of research, it will be pertinent explore the sustentability reporting version (G4) of the GRI framework, released in May 2013; the disclosure of other parameters of indicators—such as the complementary indicators—could also be explored; it would be interesting to do studies to the administrative PS and the GBEs, separately, and by sector of activity; and an observational analysis can be developed to verify whether the 2030 agenda for SD is being prioritized and incorporated into the sustainability strategy of NGOs and non-financial reports.

With our essays, future studies can complementary this research and allow a different approach to the accounting practice and a better understanding of sustainability reporting.

APPENDICES

Appendix 1: Literature review on CSR and sustainability reporting in the PS

Authors examples	Theme	Methodology	Findings
Albareda, Lozano & Ysa (2007)	Analysis of the different CSR public policies adopted by European governments to promote responsible and sustainable business practices.	The authors built an analytical framework based on a relational approach focused on the interrelation, collaboration, and partnership between the different actors: governments, businesses, and civil society stakeholders.	A unidirectional approach to the public policy analysis neither gives an answer to the needs of today's societies nor makes it possible to understand the new challenges facing social governance in depth.
Antoni & Hurt (2006)	How the State of the Environment report for eThekwini Municipality has been developed, emphasizing how the GRI has been used to provide structure and guidance to the report.	Construction of a framework of indicators based on an international literature review undertaken by the United Nations, the World Bank, the GRI, the Government of the United Kingdom, the European Union, the United States Environment Protection Agency, the Australian Government and South African, national, provincial and cities' SOE reports.	The environmental and 'green' focus of the sustainability report is a shortfall. The Municipality must focus on complete sustainability reporting including economic and social aspects.
Ball (2004)	Why accounting for sustainability has received less attention in the context of the PS in general, the possibility of a 'sustainability accounting' project for the UK local government sector is put forward.	Use of a social theory 'mapping' process (Burrell and Morgan, 1987) to develop a frame of reference with the main theoretical possibilities through which it might be possible to work.	In the context of the sustainability accounting literature, the social theory mapping process failed. According to the work of the ecological accountants, ideas about 'change' that are being developed in ecological thinking simply are not suitable within traditional debates on societal changes.
Ball (2005)	The author explores social and environmental accounting in terms of long-term societal transition towards "sustainable development" through a case study of change in a UK local government county council.	The case study was based on reading background papers, reports and other internal documentation relating to the council's performance systems, reporting channels, service plans and strategies and on17 semi-structured interviews carried out at the county council over a 14-month period.	Environmental accounting is pressed into use to promote a change towards "sustainable development".
Ball & Bebbington (2008)	How public service entities are complying with the sustainable development objectives.	Literature review on how public service organizations are engaging with the sustainable development agenda.	The PS's distinctive profile and particular opportunities can support society's pursuit without imitating the private sector on accounting and reporting for sustainable development.
Ball, Broadbent & Jarvis (2006)	The potential for 'sustainability reporting' in the context of waste management contracts let under the Private Finance Initiative (PFI) and in the public services.	From a normative approach, the authors drew on experience of research and practice in the field of municipal waste management.	Using PFI can be the base for a discussion that might lead to the promotion of a more embedded attitude to sustainability.
Ball & Grubnic (2007)	The possibilities in the PS for development in sustainability accounting and accountability are frequently ignored.	Literature review in social and environmental accounting research in PS.	PS organisations present a transformative potential of sustainability accounting and accountability.

Dumay, Guthrie & Farneti (2010)	Critical summary of the application of the GRI guidelines, sustainability reporting guidelines, examining their applicability to public and third sector organizations.	Literature review and critical overview	GRI can develop additional guidelines in line with existing practice to increase their relevance and utility.
González & Martinez (2004)	Attempt to answer some questions regarding the voluntary and obligatory cases for CSR. Focus on the Spanish case, as an example of the failure of an exclusively voluntary approach, in CSR promotion strategies.	Review of the debate between proponents of the voluntary case and the obligatory case for CSR, and critically analysis of the current international government-led initiatives to foster CSR.	Recommendations about a regulatory framework and other policies to promote CSR in Spain as well as in other OECD countries. Fostering CSR should be seen as a complement to voluntary initiatives.
Farneti & Guthrie (2009)	The preparers' motivation and factors leading to the voluntary reporting of sustainability information in Australian PS organisations.	Semi-structured interviews (in-depth nature).	Disclosing sustainability information aimed to inform internal stakeholders. Several different media are led to report on the complexities inherent in the organisations' sustainability objectives and activities. The main motivation that led the PS organisations to report was the role of a key individual within each organisation.
Fox, Ward & Howard (2002)	The roles that PS agencies have played in preparing an environment to facilitate CSR.	Internet-based research to identify concrete examples of initiatives, supplemented by email, telephone and face-to-face discussions with a variety of PS officials, entrepreneurs, NGOs, and consultants in industrial and developing countries alike.	Each country has different public policy choices about to what extent and how individual business decision making should be framed by public policy intervention, also depending on particular socioeconomic circumstances. Also the appropriate and effective roles for the PS differ from country to country.
Guthrie & Farneti (2008)	Analysis of voluntary sustainability reporting practices in seven Australian PS organizations using the GRI guidelines.	Content analysis (Krippendorff, 2004; Guthrie et al., 2008) to determine the extent of disclosures and patterns in disclosure. A coding instrument was developed to analyse the disclosures against GRI G3 Guidelines, including the Sector Supplement for Public Agencies.	The G3 Guidelines and the Sector Supplement for Public Agencies are too broad to be used by all PS organizations. Sustainability reporting may be said to be in its infancy for PS organizations.
Larrinaga-González & Pérez-Chamorro (2008)	Explores the possibility of using distinctive and more progressive processes of sustainability accounting and accountability in public-sector organizations.	Case study that included nine public water utilities situated in Southern Spain (Andalusia). Evidence from the field study was gathered through semi-structured interviews and the analysis of documents.	Existence of an intense communication activity through reporting media that is different from the conventional stand-alone sustainability reports. Moreover, these disclosures seem to be related with real organisational strategies and operational activities.
Lewis (2008)	Debates the repercussion for accountants of PS Sustainability Reporting	Critical analysis of the debate.	Tendency for the assurance function to be increasingly related to compliance and conforming to the standards. Sustainability reporting is still in an immature stage comparing to financial reporting. Thus, sustainability issues needed to be coupled to organizational strategy so that sustainability targets would be established.
Lynch (2010)	Review of environmental disclosure practices within the annual reports produced by a sample was 18 Australian state government departments	An environmental disclosure index (EDI) developed by Frost (1999) was used as a framework to develop the EDI for this study. The EDI was supplemented with environmental disclosure indicators from the GRI and indicators produced by the	There is capacity for improving reporting practices. Disclosures are predominantly positive, despite the acknowledged negative impact society has on the environment. Mandatory GRI adoption should be introduced for all government departments which would provide a

		Australian Government Department of Environment and Heritage (2003) well as a Natural Heritage Trust publication.	uniform set of environmental disclosure indicators, allowing comparison both over time and between departments. This standard set of indicators would enhance efficiency in the reporting process by providing it such a basis. Government action and leadership is the most important driver of the adoption of sustainability reporting.
Sciulli (2009)	Ascertain the type of sustainability reporting practices in six Local Councils located on the Australian coast line, with GRI index.	Development of a sustainability reporting disclosure index and calculation by comparing the disclosures provided by the GRI with the annual reports of the six coastal councils.	There are high disclosures for water and biodiversity and low disclosures for compliance and overall which records total environmental expenditures by type. Being a relatively new practice, it is expected that disclosures will increase over time.
Sciulli (2011)	The key influences affecting the pattern of sustainability information, in determining the extent of sustainability reporting in a group of five Australian Local Councils.	A qualitative approach was used. Primary information was collected from observations, interviews and archival material. Secondary information came from published annual reports, and other specialised reports relating to the environment.	Population growth, climate change and the extension of the urban growth boundary are the predominant issues impacting on local government. These concerns together with local government leadership, communication with stakeholders and community engagement are influencing sustainability reporting.
Williams, Wilmshurst & Clift (2011)	Examining the extent to which local government authorities are reporting on sustainability, enabled an initial understanding of sustainability reporting within the Australian local government context.	Exploratory study using a mail survey instrument sent to the chief financial officers.	Local government in Australia reports on aspects of sustainability, with 50% of respondents reporting on at least one area of sustainability, with social reporting being most prevalent. 40% of current non-reporters indicate that they are likely to report in the future.

Appendix 2: Study sample

Entities	Industry	Sustainability Report Study Years (Publications)	
Câmara Municipal de Proença-a-Nova (CMPN)	Local government	2008 (1st)	—
Câmara Municipal da Marinha Grande (CMMG)	Local government	2008 (1st)	—
Câmara Municipal Sertã (CMS)	Local government	2008 (1st)	—
Câmara Municipal Idanha-a-Nova (CMIN)	Local government	2008 (1st)	2012 (2nd)
Administração dos Portos do Douro e Leixões, S.A. (APDL)	Transportation	2008 (3rd)	2012 (7th)
Grupo Transtejo, Transportes Tejo, S.A. (TT)	Transportation	2008 (1st)	2012 (5th)
Metro do Porto, S.A. (MP)	Transportation	2008 (3rd)	2012 (7th)
Metropolitano de Lisboa, E.P.E. (ML)	Transportation	a)	2012 (6th)
Sociedade de Transportes Coletivos do Porto, S.A. (STCP)	Transportation	a)	2012 (4th)
Rede Ferroviária Nacional – REFER, E.P.E.	Transportation	2008 (3rd)	2012 (7th)
Instituto de Infra-Estruturas Rodoviárias, I.P. (InIR)	Transportation	2008 (1st)	a)
CP - Comboios de Portugal, EPE	Transportation	2008 (1st)	2012 (4th)
CARRIS - Companhia Carris de Ferro de Lisboa, S.A.	Transportation	2008 (4th)	2012 (9th)
ANA - Aeroportos de Portugal, SA.	Transportation	2008 (2nd)	2012 (6th)
APL - Administração do Porto de Lisboa, S.A.	Transportation	2008 (2nd)	—
APA - Administração do Porto de Aveiro, S.A.	Transportation	2008 (2nd)	2012 (6th)
Grupo TAP	Transportation	2008 (3rd)	2012 (7th)
APSS – Administração dos Portos de Setúbal e Sesimbra, S.A.	Transportation	2008 (2nd)	—
Grupo Águas de Portugal, SGPS, S.A. (AdP)	Water and/or waste management	a)	2012 (5th)
Empresa Portuguesa das Águas Livres, S.A. (EPAL)	Water and/or waste management	2008 (4th)	2012 (8th)

Águas do Douro e Paiva, S.A. (AdDP)	Water and/or waste management	2008 (4th)	2012 (8th)
Águas do Zêzere e Côa, S.A. (AdZC)	Water and /or waste management.	—	2012 (3rd)
Águas do Algarve, S.A. (AA)	Water and/or waste management	2008 (1st)	—
AdTMAD – Águas de Trás os Montes e Alto Douro, S.A.	Water and/or waste management	2008 (2nd)	—
TRATOLIXO - Tratamento de Resíduos Sólidos, EIM, S.A.	Water and/or waste management	a)	2012 (5th)
LIPOR - Serviço Intermunicipalizado de Gestão de Resíduos do Grande Porto	Water and/or waste management	2008 (5th)	2012 (9th)
SIMTEJO - Saneamento Integrado dos Municípios do Tejo e Trancão, S.A.	Water and/or waste management	2008 (1st)	2012 (5th)
VALORSUL, Valorização e Tratamento de Resíduos Sólidos da Área Metropolitana de Lisboa (Norte) S.A.	Water and/or waste management	2008 (5th)	2012 (9th)
Grupo EDP	Energy	2008 (6th)	a)
Galp Energia, SGPS, S.A. (GE)	Energy	2008 (3rd)	2012 (7th)
Grupo REN – Redes Energéticas Nacionais, SGPS, S.A.	Energy	2008 (4th)	2012 (8th)
Grupo CTT	Communication and Logistics	2008 (4th)	2012 (8th)
Grupo Rádio e Televisão de Portugal, S.A. (RTP)	Communication and Logistics	—	2012 (3rd)
Grupo Parque EXPO	Tourism, Urban Management and Infrastructures	2008 (3rd)	—
Parque Escolar (PE)	Tourism, Urban Management and Infrastructures	2008 (1st)	—
Turismo de Portugal, I.P. (TP)	Tourism, Urban Management and Infrastructures	2008 (1st)	—
CGD – Caixa Geral de Depósitos, S.A.	Financial	2008 (1st)	2012 (5th)
Companhia das Lezírias, S.A. (CL)	Agriculture	2008 (2nd)	—
Universidade do Minho (UM)	Education	—	2012 (2nd)
TOTAL REPORTS (58)		**32**	**26**

Legend: a) Not available / Not published according to GRI

Appendix 3: Email and questionnaire sent to PS entities

First contact by email:

ASSUNTO: Sustentabilidade – Pedido de colaboração TESE doutoramento

Bom dia.

Venho solicitar a V.a Ex. a a colaboração na resposta ao questionário que anexo e que é <u>imprescindível para a continuação do meu trabalho</u>.

Este **questionário** fará parte da minha Tese do Programa Doutoral em Contabilidade, pelas universidades do Minho e de Aveiro, sob o tema "Relatórios de Sustentabilidade GRI no Setor Público Português". Pretendo, com esta amostragem, complementar a pesquisa para **explicar os fatores que motivaram o setor público a divulgar voluntariamente informação sobre a sua sustentabilidade** (económica, ambiental e social**) nos Relatórios de Sustentabilidade (RS)** seguindo as diretrizes da **GRI** (2008 – 2012).

Mais informo que estou disponível para agendar com V.a Ex. a entrevista/reunião (presencial) se considerarem oportuno.

Desde já grata pela atenção dispensada, aguardando as V/ respostas a este pedido e ao guião que segue em anexo.

Cumprimentos,

Conceição Tavares

A VOSSA COLABORAÇÃO É IMPRESCINDÍVEL PARA A CONTINUAÇÃO DO MEU TRABALHO.

(Maria da Conceição da Costa Tavares; Rua da Ponte, no.121- Espinhel; 3750-403 ESPINHEL; e-mail: concei@iol.pt; Tm: 919 102 969)

Questionnaire attached to the email message (Portuguese version):

DATA: ________/______/______
Nome: ______________________________________ **Função/Título:** ______________________________
Telefone: ________________________ **E-mail:** ____
Este **guião de questionário** fará parte da Tese do Programa Doutoral em Contabilidade "Relatórios de Sustentabilidade GRI no Setor Público Português" e pretende, com esta amostragem, **explicar os fatores que motivaram o setor público a divulgar voluntariamente informação sobre a sua sustentabilidade** (económica, ambiental e social**) nos Relatórios de Sustentabilidade (RS)** seguindo as diretrizes da **GRI.**   *Responda com o maior rigor possível. A confidencialidade é garantida.*   *Desde já agradeço a sua colaboração.*

⇨ A organização possui **um departamento/responsável** cuja principal atribuição é a sustentabilidade e a elaboração dos RS GRI?

R:

1. **Porque emitiu** o seu 1° RS GRI? **O que motivou** a organização à adesão dos RS GRI?

R:

1.1. Considera ter existido alguma <u>pressão de ordem social</u>? Justifique.

R:

1.2. Considera ter existido alguma <u>pressão de ordem económica</u>? Justifique.

R:

2. **Quem são** as partes interessadas pela divulgação da informação da sua sustentabilidade?

R:

2.1. Considera ter existido uma multiplicidade de pedidos para a divulgação voluntária? Justifique.

R:

2.2. Possui alguma dependência de outro(s) organismo(s) que, de certa forma, exerça alguma pressão para esta divulgação.

R:

3. **Que normas ou requisitos** é que a organização deve obedecer no âmbito da sustentabilidade e do desenvolvimento sustentável?

R:

3.1. Esta divulgação estava coerente com os objetivos da organização? Justifique.

R:

3.2. A não divulgação da sua sustentabilidade poderia trazer algum tipo de limitações (discricionárias) à organização? Justifique.

R:

4. Considera que **existem meios para controlar** o desempenho da sustentabilidade da organização? **Se afirmativo**, indique quais e como é feito o controlo.

R:

4.1. Parece-lhe que no nosso país existe algum tipo de coerção legal ou ordem no sentido da divulgação / não divulgação da sustentabilidade?

R:

4.2. Sente, de alguma forma, que existiu pressão para a difusão voluntária da sustentabilidade? Justifique.

R:

5. Refira o **contexto ambiental** vivido pela organização no período de divulgação da sua sustentabilidade.

R:

5.1. Quando decidiram emitir o relatório de sustentabilidade (GRI) sentiram algum tipo de pressão pela <u>incerteza ambiental</u>? Justifique.

R:

5.2. A organização sentiu alguma pressão pela <u>interconectividade ambiental</u>? Justifique.

R:

⇨ **Pensa** continuar a emitir RS segundo as diretrizes da GRI?

R:

Questionnaire attached to the email message (English version):

⇨ Does the organization have a department/ person held responsible for sustainability and GRI sustainability reports elaboration?

1. **Why** did you publish your GRI sustainability report? What has motivated the organization to adhere to GRI sustainability report?
   1.1. Do you consider there has been any kind of social pressure? Justify.
   1.2. Do you consider there has been any kind of economic pressure? Justify.

2. **Who** is interested on the disclosure of your sustainability information?
   2.1. Do you consider there has been a multiplicity of requests for the voluntary disclosure?
   2.2. Is there any kind of dependency on other bodies which exert any pressure for this disclosure?

3. **What** norms or requirements should the organization comply with regarding sustainability and sustainable development?
   3.1. Was this disclosure coherent with the organization aims? Justify.
   3.2. Would the non-disclosure of sustainability bring the organization any type of limitations (discretionary)? Justify.

4. **How** is the organization's sustainability performance controlled?
   4.1. Does it seem to exist any kind of legal coercion or order in our country regarding the disclosure/non-disclosure of sustainability?
   4.2. Do you feel any pressure for the voluntary diffusion of sustainability? Justify.

5. **What** is the environmental context of the organization in the period of the sustainability disclosure?
   5.1. When you issue the (GRI) sustainability report, did you feel any kind of pressure due to the environmental uncertainty? Justify.
   5.2. Did the organization feel any kind of pressure due to the environmental interconnectedness? Justify.

⇨ Are you thinking of continuing issuing sustainability report according to GRI guidelines?

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