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## What Drives Sustainability Reporting Practices in Selected South Australian Local Councils

A Case Study

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# What Drives Sustainability Reporting Practices in Selected South Australian Local Councils: A Case Study

Kuntal Goswami,[1] Charles Darwin University, Australia

*Abstract: This article aims to understand what drives the selected group of South Australian local councils to undertake sustainability reporting in the absence of a mandatory reporting framework. The case study uses new institutional theory as the theoretical framework. The study focuses on four selected South Australian local councils and uses semi-structured interviews to explore influences on sustainability reporting practice in these councils. The findings highlight a number of institutional factors that influence the sustainability reporting practices within these four councils. The South Australia's Strategic Plan, which acts as a quasi-coercive isomorphic pressure (semi-statutory obligation to abide by certain prescribed rules and regulations), is the most influential factor that motivates most councils to adopt sustainability reporting practices. In addition, evidence of normative isomorphism (information sharing among professionals) and mimetic isomorphism (following practices of other similar organisations) are identified in the study. Overall this research extends the applicability of institutional theory in the field of sustainability reporting and provides new perspectives to the limited literature on sustainability reporting in local councils.*

*Keywords: Sustainability Reporting, Local Government, Institutional Isomorphism, South Australia*

## Introduction

Traditionally, research on sustainability reporting has been business-focused, as companies controlled a substantial part of global economic activities, natural resources, and technologies (Gray and Bebbington 2001); however, this view is changing. The topic of sustainability has notably entered into the public policy domain, although sustainability reporting practice in the public sector is still in its early stages compared to the practices in the private sector (Dickinson et al. 2005; Herbohn and Griffiths 2008). Researchers in the field of sustainability reporting have suggested that democratically elected bodies need to embrace holistic sustainability disclosure practices (Ball 2002).

This study specifically focused on the motivations for South Australian local councils to undertake sustainability reporting in the absence of a mandatory reporting framework. The study contributes to the sustainability research agenda in the public sector by exploring the influences on sustainability reporting practices in selected South Australian local councils. While existing corporate sustainability accounting research focuses on legitimacy theory as an explanation for social and environmental disclosure (Deegan 2002), this article instead argues that in addition to the existing theoretical perspectives, further investigation into this topic needs to be done from an institutional theoretical angle. Hence, this article adopts an institutional framework to understand the various motivations for sustainability reporting by South Australian local councils.

## Sustainability Reporting Practices in Australian Local Governments

The local-government-specific research by Herbohn and Griffiths (2008) revealed that there are strong motivations to commence sustainability reporting at the council level and, in some cases, several local government managers had shown a personal interest to adopt change. However, it is not certain to what extent such systemic change is required at the council level. This is because

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[1] Corresponding Author: Kuntal Goswami, Northern Institute, Charles Darwin University, Alice Springs, Northern Territory, 0871, Australia. email: kuntal.goswami@cdu.edu.au

the sustainability outlook is not strongly integrated within the council's decision making processes (such as project assessment or managerial appraisal) (Herbohn and Griffiths 2008). A study by Sciulli (2011) highlighted that in addition to external influences such as population growth and new urban growth in lower infrastructure areas, there are internal influences from chief executive officers and elected councillors to report on sustainability issues. In addition, these senior figures also motivate staff members to seriously address sustainability issues. A separate study on six coastal councils highlighted that, in general, disclosure levels are low. The primary reasons for this are that council staffs lack the training and resources to implement the Global Reporting Initiative's (GRI) framework, and most importantly, there is a lack of statutory obligation to adhere to the GRI's reporting format (Sciulli 2011). A similar view was also reflected in Williams' (2011) research, which showed that the GRI's reporting framework has limited application at the local government level. The main reasons for this barrier are the lack of trained staff and resources, and most importantly, the lack of knowledge about the GRI guidelines. In this regard, Ball and Bebbington (2008) have argued that although in some instances the public sector is reporting sustainability issues, there is greater need for a common sustainability reporting format for comparability. Hence, the process of change requires further political support from both the federal and the state level, without which the process of change will be slow and evolutionary (Herbohn and Griffiths 2008).

In general, the literature on local governments has highlighted the following: (a) local governments are a state's responsibility, and in different states, local governments are governed by different state-level legislation; (b) the local-government-related sustainability reporting research is at the nascent stage; (c) there is a lack of relevant data specific to local governments of a particular state; and (d) research is too academic and lacks applicability at the council level (Burton 2011; Pritchard 2011). Furthermore, the literature has also underlined that in some cases, councils within the same state or territory take different reporting approaches and disclose considerably different information (Macintosh and Wilkinson 2012). A separate study also revealed that local government specific sustainability reporting research is limited (Williams, Wilmshurst, and Clift 2009).

While existing studies provided an understanding of the factors that influence sustainability reporting in the public sector, there is a lack of theorisation of these influences. Therefore, there is a scope for further research to understand the motivating factors from the institutional perspective. In that respect this study has advanced the public-sector-based sustainability-reporting literature by studying the four selected South Australian local councils through the institutional theoretical lens.

## Local Governments in South Australia

In South Australia there are sixty-eight local councils. These councils are one of the major sources of employment and investment within South Australia and are a key provider of public goods and services. An estimate reveals that South Australian Local Governments manage about $10 billion worth of infrastructure, provide over $1 billion worth of services each year, generate more than 8,000 direct local jobs, and play a major role in local planning and economic development (Local Government Association of South Australia 2012). In South Australia, all councils are governed by the Local Government Act 1999, and pursuant to Section 7(e), it is the duty of each council to manage its business in a sustainable manner and to conserve the local environment (Government of South Australia 1999). Under Section 8(f) of the Act, councils are required to contribute to sustainable development and the protection of the environment, and to ensure a proper balance among economic, social, and environmental factors within the community (Government of South Australia 1999). However, there is still no mandatory requirement to publish sustainability reports. This research is undertaken in this context to demonstrate the motivations for adopting sustainability reporting practices by selected South Australian local councils in the absence of any mandatory reporting guidelines.

## Institutional Theory

Institutional theory has often been applied in the research to explain institutional behaviour. For instance, studies by Baker and Rennie (2006) and Carpenter and Feroz (2001) use institutional theory to explain what motivates organisations to adopt particular accounting practices. Larrinaga-González (2007) and Lodhia, Jacobs, and Park (2012) posit that a more comprehensive understanding of the motivations to adopt sustainability reporting practices can be developed by using institutional theory rather than legitimacy theory. Bebbington, Higgins, and Frame (2009) illustrated how institutional pressures motivate organisations to pursue sustainability reporting practices in order to "fit in" with similar organisations. Similarly, Joseph and Taplin (2012) highlight how Malaysian local authorities adopted sustainability reporting practices after following web-based disclosure practice of other councils. The application of institutional theory for this study is an extension of the previous institutional theory-based research.

Institutional theory is based on the notion of "institutionalisation," which motivates an organisation to transform and reshape its objectives, structure, and the way it operates (Meyer and Rowan 1977; Meyer, Scott, and Deal 1981; DiMaggio and Powell 1983). From an institutional theory perspective, an organisation operates within social norms and values (Oliver 1997), thereby conforming to institutional pressures for transformation in order to achieve acceptability in a particular society (Scott 1987). Researchers like Tolbert and Zucker (1983) and Scott (1987) have argued that change in society's norms and expectations leads to standardisation and homogeneity in the work practice across organisations of a particular industry. Hence, institutional theory provides a suitable theoretical perspective to analyse the different influencing external factors that are driving sustainability reporting practices, and how these external pressures are leading to uniformity in the sustainability reporting practices of selected councils.

The process that leads an organisation to homogeneity is known as isomorphism (DiMaggio and Powell 1983). Isomorphism is a "constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (Carpenter and Feroz 2001, 566). The focus of this study is on institutional isomorphism, as local government institutions are the central subject of this study. Institutional isomorphism is characterised by three types of external influences: coercive, mimetic, and normative (Meyer and Rowan 1977; Powell and DiMaggio 1991). Coercive pressure is manifested by an organisation's legal obligation to abide by certain prescribed rules and regulations, and where non-compliance may lead to legal sanctions or penalties (Scott 1995). Mimetic isomorphism derives from an uncertain environment. In such a situation, an organisation lacks guidelines to follow, and this results in the imitation of policies and practices of other similar organisations that it considers to be a leader, or more respected than itself, in order to gain legitimacy and survive in the difficult environment (Haveman 1993; Baker and Rennie 2006). Normative isomorphism is manifested by pressure to follow group norms and this can happen because of (a) pressure from professional networks, (b) information sharing among professionals, and (c) industry associations (Powell and DiMaggio 1991; Rahaman et al. 2004).

In the context of institutional isomorphism, the literature suggests that changes to an organisation are due to its external environmental influences rather than being in response to rational decision making processes (Larrinaga-González 2007). The public sector is seen as a sole governing institution of businesses, non-profit organisations and society; its influences lead to the convergence of all entities into one institutional value based eco-system (Frumkin and Galaskiewicz 2004). However, at times public sector agencies are themselves subject to institutional isomorphism (Frumkin and Galaskiewicz 2004). In this regard, this article seeks to establish whether institutional isomorphism has any effect on the prevailing sustainability reporting practice at local government level, especially among the chosen South Australian local councils.

Whilst there is no mandatory requirement for sustainability reporting within South Australian councils, coercive influences, such as financial reporting regulations for disclosure of economic issues, and specific environmental and/or social legislation could influence sustainability reporting. Normative influences through voluntary sustainability guidelines and professional networks could motivate councils to report on economic, social, and environmental issues. It would also be of interest to explore whether councils mimic the sustainability reporting practices of other councils and/or companies.

## Research Methodology

Case study methodology provides an opportunity to conduct an in-depth study of fewer units to understand the characteristics of more comparable units (Gerring 2004) and assists the researcher to offer comprehensive explanations of complex social issues (Yin 2009). This case study focused on four of the sixty-eight local councils in South Australia. The selection of these four councils is based on the categorisation of the Australian Classification of Local Government (ACLG) (Mansfield et al. 2008). The study has drawn one council from each category, namely metropolitan, metropolitan fringe, regional, and rural. These classifications are determined by population size and density.

The study involved face-to-face semi-structured interviews using open-ended questions (Corbetta 2003; David and Sutton 2004). This approach helped to obtain more detailed responses from the respondents. The interview participants were selected from different hierarchical levels (e.g., directors, managers, and senior officers) of diverse departments (e.g., finance, environment and sustainability, organisational development, and community services). The interviews were recorded and subsequently transcribed.

The core interview questions revolved around understanding the following: (a) each council's interpretation of the term "sustainability," (b) factors that were driving sustainability reporting practices, and (c) each council's sustainability goals and targets. As the study aimed for analytical generalisation instead of statistical generalisation (Yin 2009), the data analysis of the study was based on the analysis of transcripts from the interviews within the new institutional theory framework. To identify patterns in interviewee responses, a coding system was used and the analysis of response patterns assisted to identify the determinants of institutional isomorphism.

## Council Background

In this study, the four chosen councils are renamed as Council A, B, C, and D to uphold the confidentiality clause of the research. However, to identify characteristics of each council, ACLG codes are added to each council name. For example, Council A is identified as A-(UDV) (Urban Metropolitan Developed Very Large), Council B as B-(UFM) (Urban Metropolitan Fringe Medium), Council C as C-(URS) (Urban Regional Small), and Council D as D-(RAV) (Rural Agricultural Very Large). There are eight respondents from the four councils. The two respondents from Council A-(UDV) are identified as RA1 and RA2; Council B-(UFM) has three respondents, identified as RB1, RB2, and RB3; Council C-(URS) has two respondents, identified as RC1 and RC2; and Council D-(RAV) has one respondent, identified as RD1.

Each of these councils was selected from different groups of local councils within South Australia and was chosen based on a number of similar criteria, such as (a) a larger population and ratepayers' base within each category, (b) a comparable percentage of grant and rate revenue out of the total revenue, and (c) whether the selected councils disclose sustainability issues. This is to highlight that all councils are on the same footing in terms of resource availability and responsibilities to promote sustainability. Evidence suggests that these councils were extensively engaged in sustainability reporting compared to their counterparts and, therefore, they provided a

useful context for the study. Sustainability information was disclosed primarily through these councils' annual reports. The characteristics of each council are highlighted in Table 1.

Table 1: Council Characteristics

| Characteristic | Council A-(UDV) (Metropolitan) | Council B-(UFM) (Metropolitan Fringe) | Council C-(URS) (Regional) | Council D-(RAV) (Rural) |
|---|---|---|---|---|
| Population | 129,000 | 38,600 | 25,247 | 22,100 |
| Rate payers | 56,300 | 17,400 | 13,400 | 11,900 |
| Revenue | 72% Rate Revenue, 16% Grant Revenue | 79% Rate Revenue, 10% Grant Revenue | 70% Rate Revenue, 10% Grant Revenue | 75% Rate Revenue, 9% Grant Revenue |
| Awards | • Jim Crawford Award for Innovation in Public Libraries. • Excellence in Community Focused Environmental Health Practice. | • Local Government Landcare Partnership Award. | • Australian Tidy Towns Awards. • Applauded for its efforts in the Resource Recovery & Waste Management and Water Conservation categories. | • Local Government Landcare Partnership Award. |

*Source: Goswami 2012*

# Findings

As discussed earlier, face-to-face interviews were conducted with senior council employees to understand the driving factors for sustainability reporting. Presented below are the interviewee responses from each of the selected councils.

## *Responses from Council A-(UDV)*

The interviews revealed that the council has a holistic view of sustainability, which includes financial, environmental, and social sustainability. According to RA1, the council's present reporting style is oriented towards the Quadruple Bottom Line (QBL) Reporting. The respondent highlighted that South Australia's Strategic Plan is the prime factor that influences the council to address and report sustainability issues. In this regard, the second respondent mentioned that the South Australian Local Government Grants Commission's reporting request on emissions, in the Council's "Annual General Return" report, actually made the council aware of the need to report on this item. However, this is an intergovernmental report and neither a mandatory one nor required to disclose externally to the public. Both the interviewees agreed that these external factors are changing the views of top-level management in the council. The interview process also highlighted that the council has taken considerable action towards environmental sustainability (e.g., waste water recycling, storm water harvesting, re-vegetation of native plants, and other bio-diversity projects) and social sustainability (e.g., organising homework programs,

literacy and language programs, and assisting local "drop out" students to attain basic secondary school qualifications). However, measuring the council's social sustainability initiatives as well as reporting on them is a challenging issue.

Respondent RA2 mentioned that presently the council is more interested in gathering information related to emissions for its internal purposes, and there is no real push for the council to report on this to the community. The council wants its emissions-related information to be robust before reporting extensively to the community. Furthermore, there is no mandatory requirement for the council to report sustainability issues. However, the current reporting initiative is benefiting the council in its data management processes on carbon management, and equipping the organisation to quantify financial gains from its sustainability initiatives in addition to environmental benefits.

In the context of what motivates the council to disclose sustainability issues, RA2 stated that there is always a competition between councils in this regard; however, there is minimal governmental pressure on the council to report these issues. Rather the council's city plan and its four key directions are the major influences for addressing and reporting sustainability issues. Both respondents agreed that the council's service delivery departments and other relevant departments collectively report on sustainability issues. For example, the finance department reports on the financial sustainability indicators and the community development department reports on social sustainability issues. According to one respondent, the council should be careful of over-commitment on social and environmental sustainability issues as this could turn the council into a financially unsustainable entity. The council needs to take a balanced approach otherwise further tax may be imposed on the community. In this regard RA1 stated:

> Quite often at the end of the day what is hit on the hip pocket or wallet that actually drives sustainability [sic] . People do not think social development is the council's role, say in an issue related to education or employment. Quite often people say "I should not be paying my money as a resident for those people. Because they have got opportunity out there and other government departments look after that issue. Why council should be doing that?[sic]" For example in the case of new arrival communities, the Department of Immigration did not consult with the local government around settling these people here. The local government gets no aid relating to that. So responsibility is there but no money follows from that.

### Responses from Council B-(UFM)

The respondents from Council-B mentioned that councils are more focused on financial and environmental issues rather than on social sustainability. However, for the past few years the council has adopted "triple bottom line" reporting for its annual report. According to RB3, this approach was taken due to the former CEO wanting the council's reporting practices to be on par with the industry standard. The respondent remarked "our former CEO looked at what the current best practice of reporting is, not just within the local government but also within the government sector as well." However, RB2 highlighted that the council is looking to adopt the QBL reporting approach since it will provide additional performance information. The respondent also highlighted that financial and environmental sustainability are linked. In this respect, the second respondent stated: "From a community perspective no one wants their bridges to fall over on which they are driving around and it needs finance to keep it up. At the same time they do not want their environment to be degraded in the process of maintaining the physical assets." The respondent also stated that the council's financial sustainability is guided by the financial regulations of the *Local Government Act 1999* (SA) and the accounting standard guidelines. However, neither of these regulatory documents discusses much about the other dimensions of sustainability. In this regard RB2 stated: "What we are trying to do is to demonstrate to our community that we are very good corporate citizens. Our objective is to be financially

sustainable and at the same time, be environmentally responsible as well. The good thing is that at least we can demonstrate this. We have a sustainability officer on board. She is a recent addition to our team and she is helping us in addressing our carbon footprint."

According to RB1, the local communities are environmentally conscious and the community has formed a sustainability advisory group to advise the council on sustainability issues. The respondents also highlighted that environmental sustainability is a relatively new area and "a lot needs to be learnt." Hence, information sharing amongst sustainability officers of other councils is very important, especially collaboration with larger councils. Interviewee RB1 said: "In the area of environmental sustainability there are good networks so you learn from each other. I have learnt a certain amount of things from other bigger councils but this council is lots smaller and lots different [sic]. So you need to adopt and tweak it according to our own organisation's requirement."

Furthermore, the acting CEO highlighted that the council works closely with the Natural Resource Management Board (NRM) and is also involved in the Torrens Land Management Project to restore native grassland and vegetation. All of the respondents mentioned that the council's strategic plan is currently the only guide to address and report sustainability issues. One respondent stated the following main benefit of reporting sustainability issues: "We can get the message out to the public that we are both financially and environmentally responsible. In addition to that, it keeps the public aware of the procedure and practices we are following to keep the council sustainable from all perspectives" (Respondent RB3). According to RB3, the main challenge in reporting sustainability issues is "to get information, because we do not always keep information in the form required for reporting. So the challenge is getting the information in the first place."

### Responses from Council C-(URS)

The interview process also revealed that the council is focusing on environmental and social sustainability issues in addition to the issue of financial sustainability. RC2 stated that most South Australian councils began addressing and reporting on financial sustainability after the South Australian LGA published a report on the topic. The study demonstrated that all councils have a large stock of old capital assets and each council needs to be financially sustainable to restore these assets. The finding of the study led to the formulation and implementation of financial regulations of the Local Government Act. However, the council's desire to adopt industry best practice is the ultimate motivating factor to report on additional sustainability issues. One of the respondents stated that the council is presently in the process of implementing the Natural Step Framework; and is debating how to take a balanced approach towards sustainability and how to link economic, social and environmental sustainability issues in light of this Framework. In this regard, respondent RC1 stated: "Now we assess all our projects against the Natural Step Framework and it includes three dimensions of sustainability (environment, economic, and social) and risk analysis. We are at a stage where we are testing a few projects under this framework and seeing how it works. It is said that you cannot have environmental sustainability without economic and social sustainability. One is dependent on the others. Lots of theory says economic development destroys the environment, but the Natural Step Framework talks about the harmony between the three dimensions."

The council's Strategic Plan is still considered to be the main framework that guides the overall aspects of sustainability. One of the respondents discussed that the council's long-term financial framework is the main guiding principle for addressing financial sustainability. The respondent also added that Council C-(URS) is in an urban area, and in recent years the council had undertaken many capital intensive projects to boost the central business district (CBD) of the city. It is expected that these investments will bring economic sustainability: "Several capital projects have been undertaken to develop the CBD area. We want Council C-(URS) to be a great place to live and work. I think the investment is really paying off now" (Respondent RC2). Both

respondents highlighted the importance of sustainable procurement. Presently the council procures 20 percent of its total electricity from renewable sources and its new library is 100 percent powered by green energy. The council also buys recycled paper for office use and purchases only low emission-rated vehicles: "The Council is ready to pay a premium as long as we can demonstrate the environmental benefit" (Respondent RC1).

### Responses from Council D-(RAV)

According to RD1, South Australia's Strategic Plan and the disclosure practices of local private sector organisations are the prime drivers of sustainability reporting practice for the council. In addition to this, the council needs to be at par with the performance of its neighbouring councils. For example, the council works jointly with neighbouring councils as part of the Upper Torrens Land Management Program and it partly funds this program. The council also works closely with the Regional Development Board and industries to ensure that the region remains economically viable. In this regard the respondent stated: "The State Strategic Plan tries to drive what we want to do and we have to contribute towards the State Government's direction regarding sustainability. There are a number of larger industries in this area in the field of grapes/wine production with whom we work very closely as well as we need to make sure that we are fitting with our neighbouring councils. So we notice what they are doing."

The respondent also stated that the council adopted the Australian Business Excellence Framework, and sustainability is one criterion of this framework. The council's view on sustainability is holistic, covering all dimensions of sustainability, not solely environmental sustainability. RD1 mentioned that sustainability issues are considered in every council decision, such as in asset management. According to this respondent, the council also looked at the QBL reporting approach as a way to report sustainability issues. However, the biggest challenge in reporting sustainability issues is "getting the information in the first place. The idea of sustainability is relatively new. It is changing the way people think and act and the way we report certain things. That is a challenge on its own. Even our organisation is not always geared to report certain sustainability issues" (Respondent RD1). The respondent also highlighted that out of all of the sustainability indicators, financial sustainability is the most critical for the council: "Financial sustainability is the most important area because if we are not financially sustainable we do not deserve to exist" (Respondent RD1).

## Institutional Influences

The study observed evidence of quasi-coercive isomorphism in addition to coercive, mimetic, and normative isomorphism. The new term "quasi-coercive isomorphism" was coined to explain semi-coercive institutional factors, and these are discussed further in this section.

The analysis of all interview responses highlighted the influences of normative isomorphism amongst all selected councils, while evidence of quasi-coercive isomorphism was observed among Council A-(UDV), Council B-(UFM) and Council D-(RAV). The influence of coercive isomorphism was identified amongst Council B-(UFM) and Council C-(URS), whereas influence of mimetic isomorphism was observed amongst Council A-(UDV) and Council D-(RAV). In the context of quasi-coercive and coercive isomorphism, the study assumed that although these factors were not highlighted by all respondents, both of these isomorphic factors have equal influence on all selected councils as each one operates within the same political and legislative environment. All respondents observed institutional isomorphic factors in their councils, and these are summarised below in Table 2 for subsequent discussion.

Table 2: Institutional Isomorphism in the Selected South Australian Local Councils

| | Quasi-coercive isomorphism | Coercive isomorphism | Mimetic isomorphism | Normative isomorphism |
|---|---|---|---|---|
| **Council A- (UDV) (Metropolitan)** | (a) *South Australia's Strategic Plan*; and (b) South Australia's Local Government Grants Commission. | | (a) Competition amongst other city councils. | (a) QBL reporting. |
| **Council B- (UFM) (Metropolitan Fringe)** | (a) Natural Resource Management Board. | (a) Financial regulations of the *Local Government Act 1999* (SA); and (b) Accounting Standards. | | (a) Desire to be at par with industry standard; (b) Triple bottom line reporting; (c) QBL reporting; and (d) Information sharing amongst sustainability officers of other councils. |
| **Council C- (URS) (Regional)** | | (a) Financial regulations of the *Local Government Act 1999* (SA) | | (a) Desire to adopt industry best practice; and (b) The *Natural Step Framework*. |
| **Council D- (RAV) (Rural)** | (a) *South Australia's Strategic Plan*; and (b) Regional Development Board. | | (a) Following the disclosure practices of the local private sector; and (b) Fitting in with neighbouring councils. | (c) QBL reporting; and (d) The *Australian Business Excellence Framework*. |

*Source: Goswami 2012*

The study revealed that in the absence of any mandatory regulation to report sustainability issues, South Australia's Strategic Plan is the most important guiding framework to influence the selected councils' sustainability disclosure practices (quasi-coercive isomorphism). The Strategic Plan's objective of creating a sustainable society is based on three main foundations, "Our Community," "Our Prosperity," and "Our Environment." The Plan also stresses that in order to accomplish a sustainable society, the community needs a healthy population and environment, good educational facilities, and innovative ideas (Government of South Australia 2011). The Plan highlights the need for adopting an all-inclusive approach to address the issue of societal wellbeing, acknowledging the importance of integrating the expectation of diverse communities within the government's objective of a sustainable society. The philosophy of the Plan influences the councils' strategic and corporate plan and that, in turn, reflects the extent of sustainability disclosures in annual reports.

Other quasi-coercive isomorphic influences are from the Natural Resource Management Board (NRM) and the Regional Development Board. Both of these organisations operate at a regional level and work closely with local councils to address environmental and economic sustainability issues in a particular region. For example, the NRM advises local councils and works in partnership with councils, local industry, and local communities to protect natural resources within the region (i.e., land, water, air, and sea). The NRM also collects levies from communities through local councils (Natural Resources Management Board 2012). Similarly, the Regional Development Board liaises with local councils and local industries of a region, and works towards regional economic development, job creation; and provides free assistance to businesses on how to develop a business and marketing plan, as well as advice on process improvement and export opportunities (Regional Development Australia 2012).

The study also highlighted the semi-obligatory intergovernmental reporting commitment to the South Australian Local Government Grant Commission on emissions-related data as another quasi-coercive influence. This was an important catalytic influence on the decision of all South Australian local councils to start generating emissions and other environment-related data. In relation to coercive influences, the study found that the financial regulations of the Local Government Act 1999 (SA) are the most important coercive factors, since these regulations are the guiding principles to achieve financial sustainability (a subset of economic sustainability) for all councils. Although the influence of the financial regulations is only discussed by two of the councils, it can be assumed that the factor has equal influence on the other councils since the operations of all South Australian councils are governed by the Act. In this respect, evidence of coercive isomorphism can also be established, aligning with the findings of previous public sector-based research conducted by Lodhia, Jacobs, and Park (2012).

Among all institutional influences, normative influences are the most prominent among all of the selected councils. The evidence of normative influences is reflected from the interview responses such as "desire to meet the industry standard," "desire to adopt industry best practice," and "adoption of frameworks." In the absence of an industry-specific reporting framework, councils are following different available reporting frameworks, such as the Natural Step Framework and the Australian Business Excellence Framework for local governments. The Natural Step Framework mainly directs an organisation's attention towards increasing sustainability by the following: (a) reducing the concentration of hazardous heavy metals, chemicals and degradation of natural resources; (b) establishing a vision so that the organisation does not violate sustainability principles; and (c) setting up plans to increase the consumption of renewal energy (The Natural Step 2012).

The other normative framework used by local councils, the Australian Business Excellence Framework, is based on valued principles: (a) leadership (lead by example); (b) community and customers (understand what our community and customers value); (c) system thinking (continuously improve the system); (d) people (develop and value people's capability and realise their skills); (e) information and knowledge (improve performance through the use of data, information, and knowledge); (f) corporate and social responsibility (behave in an ethically, socially and environmentally responsible manner); and (g) sustainability (focus on sustainable results, values, and outcomes) (Artist 2010). Both of these frameworks address the issues of sustainability from a holistic perspective and guide reporting councils in terms of cost saving, by the setting up of long-term sustainability goals, addressing community expectations, increasing internal efficiency, improving service delivery processes to increase community wellbeing, and meeting all compliance requirements.

The study also revealed the change in the sustainability reporting approach of the councils and the evolving trends in reporting sustainability issues. Currently the QBL reporting approach is the emerging reporting approach. QBL can be considered as an extension of the triple bottom line reporting approach. The four "pillars" of QBL are economic, environmental, social, and governance (Olesson et al. 2012). These influencing factors can be termed as normative

isomorphism. The interviewees' responses highlighted that in order to compete with other councils or to fit in with neighbouring councils, individual councils follow the disclosure practices of other councils. In some cases, in order to improve their own disclosure standards, councils will adopt the disclosure practices of the local private sector. This makes a case for mimetic isomorphic influence, and this finding is concurrent with the earlier research of Joseph and Taplin (2012). Similar to the previous study of Bebbington, Higgins, and Frame (2009), the study suggests that councils do follow the reporting practices of others, and consequently, the councils adopt these practices in order to "fit in" with their surrounding councils.

In summary, the interview responses revealed that the importance of adopting a comprehensive approach to sustainability is well recognised by the selected local councils. In this respect, the findings suggest that the extent of coercive isomorphism is evident mainly in the area of financial sustainability and in the categories of waste management, and health and safety. This is due to financial decisions and disclosures being guided by the financial regulations of the Local Government Act 1999 (SA) and the accounting standards, whereas the core function of waste management is mandated by the Local Government Act 1999 (SA), and health and safety practices are guided by occupational health and safety regulations. However, the evidence of quasi-coercive isomorphism and normative isomorphism are more profound, consequently, it can be suggested that these two isomorphic conditions are major factors motivating sustainability reporting practices at the selected councils.

The study observed that the selected councils are adopting a holistic approach to address sustainability issues and spreading sustainability values amongst the local communities as recommended by Agenda 21 (United Nations 1992). This Report emphasised that sustainability-related issues need to be addressed at all levels; however, more robust action is required at the local government level. The study ultimately highlighted that influences on sustainability reporting practices in selected South Australian local councils are externally driven and institutional in nature. This also underlines how the different dynamics of institutional isomorphism are leading to homogenisation of sustainability reporting practices as illustrated by Larrinaga-González (2007). Similar to the findings of Farneti and Guthrie (2009), the study found that although the selected councils are taking the initiative in reporting environmental information, their main reason for developing this information is to assist with their internal decision making rather than to report this information to the community.

## Conclusion

This research provided an in-depth contextual understanding of the various institutional factors that influence the sustainability reporting practices of four selected South Australian councils. It has also reinforced the importance of disclosing sustainability issues and spreading sustainability values as discussed by Gray (2006). The study found that sustainability values are integrated into the councils' strategic plans, and in turn, these values flow through to the respective departments' objectives and goals. This research revealed that the responsibility of addressing sustainability issues is not just vested upon one department; rather, the responsibility is spread across different departments. During the annual report preparation, the sustainability performance of all departments is collated, and comprehensive sustainability performances disclosures are presented in the council's annual report. It was also found that although evidence of quasi-coercive isomorphism had been observed, the levels of sustainability disclosure are high where the indicators are linked with coercive factors. The research also revealed the evolving trend of the sustainability reporting approach: a move from the triple bottom line reporting approach to the quadruple bottom line reporting approach (Olesson et al. 2012).

The study has extended the application of the new institutional theory in the field of sustainability reporting by illustrating how the different dynamics of institutional isomorphic factors are leading to the standardisation of sustainability reporting practices. Therefore, the study reinforced the claim by Frumkin and Galaskiewicz (2004) that although the public sector

acts as a catalyst to trigger institutionalisation in other sectors, at times they themselves are susceptible to institutional isomorphism. The study highlights multiple influencing factors in the absence of any regulatory guidelines. Understanding the motivations for sustainability reporting practices of the four selected councils would be beneficial to other South Australian councils to ascertain whether they are being guided by similar factors. However, there remains scope for similar future research that involves participation from a greater number of councils. An increase in participation would allow for the development of more robust conclusions about the overall motivating factors since the present case study is only based on limited numbers of South Australian Councils. Given the high degree of influence of quasi-coercive and normative isomorphic factors in this case study, it is recommended that other councils should adopt sustainability guidelines and initiatives so that they are prepared for the likely possibility of a sustainability reporting framework being mandated for South Australian councils in the future.

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# ABOUT THE AUTHOR

*Kuntal Goswami:* Northern Institute, Charles Darwin University, Alice Springs, Northern Territory, Australia; RegNet, Australian National University, Canberra, ACT, Australia

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