

1 Article

2 Trends in the Sustainability Reporting in Italian 3 LGOs: better Stick or Carrot?

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10 **Abstract:** The role of public-sector organizations (PSOs) for promoting the agenda of sustainability
11 accounting and accountability is often not adequately considered [1]. In the public sector universe,
12 Local Governments are close to their communities and thus have a particularly important role to
13 play in the pursuit of sustainability goals [2,3]. Hence, further research is still needed to understand
14 if Local Governments Organizations (LGOs) are still using reporting tools to promote sustainable
15 development. The empirical data show that the Sustainability Report (SR) is not having the spread
16 assumed in the past years; over time, the great majority of Italian Municipalities does not continue
17 or embark on a path of sustainability reporting. The findings suggest the fashion of SR in Italy is
18 falling and it seems that the SR tool is a “mere trend reporting based on descriptive indicators leads
19 to decreasing interest from internal and external audiences” [4]. The carrot is unsuccessful; maybe
20 the mandatory requirements could be a stick?

21 **Keywords:** sustainability reporting; local government organizations; sustainable development; mail
22 Survey; public sector
23

24 1. Introduction

25 Nowadays the paradigm of sustainable development (SD) is considered as one of the key
26 research and policy issues [5]. The concept of sustainable development was institutionalized at the
27 United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in
28 June 1992. During this conference, about 170 governments agreed on a common commitment—
29 defined Agenda 21—including programs and aims in the field of social and environmental
30 sustainability. Agenda 21 assigned a specific role and well-defined powers to Local Governments
31 Organizations (LGOs) because many of the issues addressed by Agenda 21 have their roots in local
32 activities. Hence, public institutions are specially involved not only at the central government level
33 but also at local level.

34 The role of LGOs towards sustainability is essential. Recently the United Nations Conference on
35 Sustainable Development, the so called Rio+20, emphasizes the issues related with sustainability and
36 the function of the Public Sector Organization (PSOs) in facing these topics: “Given the scale of the
37 challenges, the international community will not make meaningful progress without much greater
38 action by governments in the coming years and decades” [6]. Essentially, LGOs are the institutional
39 reference closest to the citizens and to economic and social organizations and they have the task of
40 promoting a culture of sustainable development [2,3].

41 The debate on the SD regards both the identification of the actors called upon to implement it,
42 both the methods and tools to achieve it. In this sense, a means considered useful for the promotion
43 of the SD agenda is the attention devoted by the accounting research related to the reports [7, 8, 9].
44 There are several kinds of reports dealing with sustainability issues, they may contain social aspects
45 only or environmental items only, or they may include these in connection with subjects such as
46 economic, safety, corporate governance, risks. In the present paper they will be identified using the

47 terms “sustainability reports” (SR). The sustainability reports are the external tools (written reports)
48 that communicate public policies of LGOs on sustainability matters [10,11].

49 In this scenario, the study focuses on the sustainability reports of the Local Governments and
50 the purpose is to analyze the trend and the barriers of the diffusion in Italian LGOs.

51 To examine the extent to which Italian LGOs are reporting on sustainability, it is used a mail
52 survey technique. Taking into account that literature [12, 13] suggests that the majority of Italian
53 municipalities do not produce sustainability report, two specific research questions area considered.

54 RQ 1 Are Italian LGOs reporting on sustainability nowadays?

55 RQ 2 Which are the barriers to the diffusion of the SR?

56 The paper contributes to the sustainability reporting in LGOs research field. The study provides
57 insights into the status of sustainability reporting in LGOs throughout a quantitative research that
58 shows the trend in a long period of reporting practices. From the theoretical perspective, the study
59 adds contribution to the existing literature on public sector sustainability reporting by analyzing the
60 barriers to the SR adoption. Considering that over 90% of Italian municipalities did not produce the
61 SR, Italy is a relevant case study because there could be a long evaluation period that allow to deepen
62 the reasons behind the choice to not adopt the SR (barriers) that validate the trend. On this basis the
63 study could suggest policy implications for local actors to go beyond the barriers and enhance the
64 diffusion of SR.

65 The paper is structured as follow. Second paragraph provides literature review on the diffusion
66 of SR while the third paragraph describes the institutional context of Italian LGOs. The fourth
67 paragraph presents the methodology. The fifth paragraph introduces and discusses the results.
68 Finally, the last paragraph presents conclusions, policy implications and future researches in the field
69 examined.

70 2. Literature review on the diffusion of sustainability report

71 Terms like “sustainable development” and “sustainability” are not covered by a universal
72 definition [14, 15, 16] and the most recalled arises from the Brundtland Report of the United Nations
73 World Commission on Environment and Development (WCED, 1987). SD is defined as
74 “development that meets the needs of the present without compromising the ability of future
75 generations to meet their own needs”.

76 Starting from the definition of the Brundtland Report, the sustainable development concept has
77 to be declined from theory into practice: according to Williams, Wilmshurt and Clift [17] there is the
78 need “to move the term from a theoretical concept to an operational concept”. This means translating
79 the sustainable strategies into sustainable practical decisions and activities.

80 This process is not so easy to do as to say but it is accepted that “the Local Government has a
81 key role to play if the sustainable development agenda is to be pursued” [2, 17, 6]. According to
82 previous literature the definition of sustainable development at local community level adopted in
83 this paper is “the sustainable development consists of local activities that create the conditions for
84 economic growth without damage the local territories and increasing social equity”.

85 The attention on sustainability matters in Local Governments is one of the core themes of
86 Agenda 21 [18] and the transparency on social, environmental and governance information in LGOs
87 is an issue also at European level [19].

88 To study the empirical application of the sustainable development one of the public
89 accountability tools, from an external point of view, is the sustainability report [10, 11].

90 The majority of researches in sustainability reporting have centered their attention on the private
91 sector that has devoted increasing attention to the issue of sustainability accounting [20, 21]. In the
92 public sector only in recent years has increased the interest on this topic [22, 23, 24]. As aforesaid,
93 public sector organizations, and Local Government in particular, play a central role in delivering the
94 sustainable development agenda [2, 1, 25].

95 The literature on the sustainability reporting in LGOs is concentrated in particular on the content
96 of SR in a single country, as introduced for example by Greco, Sciulli and D’Onza [26], or in a

97 multicultural context [19], discussing European LGOs in sustainability disclosure and linking it with
98 the administrative culture.

99 Only few researches have focused on understanding the characteristics and reasons for the
100 preparation of SR in the context of public sector [1, 27, 28, 24, 29] and even more limited are studies
101 that deepen barriers to diffusion [30, 31, 18].

102 In this regard, Ball and Grubnic [1] state that the economic dimension and the environmental
103 impact and responsibilities would be expected to lead sustainability reporting. According to Gray
104 [27], institutions disclose their SD activities only if they are convinced that this increases the perceived
105 value by the stakeholders. In this regard SR are perceived as useful to promote and enhance
106 accountability. The limitation to the spread of SR, so the barriers, would therefore result from LGO
107 perception of the lack of utility.

108 Another approach is proposed by Marcuccio e Steccolini [29] in which through interviews of 12
109 Italian LGOs, they show that LGOs' inclination to disclosure and ability to provide information, in a
110 non-mandatory SR framework, is the result of a path that drive organizations to become more similar,
111 without necessarily becoming more efficient. In a subsequent work the authors, Marcuccio and
112 Steccolini, [10] found that the legitimacy process is the driver of reporting sustainability matters. To
113 similar conclusions get to a subsequent study focusing on 55 Spanish LGOs [32]. These results recall
114 the work of Powell and Di Maggio [33]. In opposition to competitive isomorphism, authors purposed
115 three forms of institutional isomorphism: (1) coercive isomorphism, which can arise by requirements
116 required by law; (2) mimetic isomorphism, which relate to the introduction of practices used by
117 organizations defined as excellence; and (3) normative isomorphism, which emerges as the
118 consequence of shared values about proper behavior, often widespread through professional
119 communities. In this scenario, a barrier to the diffusion of SR is the non-compulsory prediction of SR
120 in the legal order.

121 First Mercer et al. [30], then Pini et al. [31], identified some factors that inhibiting LGOs SR in
122 Australia. Graymore [18] gave a clear picture of these factors in her paper identifying that barriers
123 are related to capacity (i.e. lack of financial resources), commitment (i.e. lack of support from key
124 staff), coordination (i.e. lack of understanding of the various roles of LGOs), community (i.e. lack of
125 interest from the community on these topics) and finally to complexity of sustainability. She then
126 suggested an approach to foster the application of SR in Australian LGOs (a collaborative approach).
127 From this review emerges that there are no studies, focused on a single country so not influenced by
128 diverse culture, which analyzed jointly the trend of SR in a long period and the barriers that inhibit
129 the diffusion. The paper tries to fill the gap in this area and contributes to the research field connecting
130 trend and barriers in a long evaluation period.

131 3. The sustainability reporting in Italian LG

132 In order to explain the use of sustainability reporting by Italian LGOs, a brief description should
133 be given of the context in which it takes place. In Italy there are about 8,000 Local Governments, 70%
134 of them are small LGOs with fewer than 5,000 inhabitants. Italian LGOs are responsible in particular
135 for the following areas: management of social services, land charges register management, urban and
136 housing planning in the municipality and participation in territorial planning at a supra-municipal
137 level, organization and management of garbage collection and related tax collection, school building,
138 planning and management of school services, municipal police. Since 1990, LGOs have been given
139 more autonomy in setting taxes and fixing fees for public services and since 2010 they have witnessed
140 a heavy reduction in the number of transfers from central government and have been driven to
141 spinning off their activities. Italian LGOs have undergone a wide-ranging reform process covering
142 governance, the definition of the areas of action of politicians and managers and accounting systems.
143 Moreover, the Italian PSOs have been subjected to a general claim for greater accountability on the
144 one hand (accounting harmonization) and to the need for a cost reduction on the other (austerity
145 period). During this period, sustainability reporting has been one of the main issues of interest and
146 experimentation in Italian LGOs.

147 In Italy, the theme of sustainability reporting was first studied in the 1980s [34] focusing the
148 attention on the private sector. Lately, there have grown researches dedicated on reporting tools used
149 by Italian public sector organizations [8, 29]. However, SR in the Italian civil law system, public sector
150 organizations can voluntarily reporting their SR practices. Even if SR is not mandatory, public
151 institutions could disclose and report their choices on sustainable issues referring to three national
152 guidelines. These guidelines were born with the intent to increase the transparency of public sector
153 organizations on social and environmental issues. The first are issued by Gruppo Bilancio Sociale
154 (GBS Group) in 2005 while the other two of these guidelines have been issued by public agencies:
155 Presidenza del Consiglio dei Ministri, Dipartimento della Funzione Pubblica, and Osservatorio per
156 la finanza e la contabilità degli enti locali – Ministero dell'Interno, in 2006 and 2007 respectively. In
157 addition Italian LGOs can obviously refer to the international sustainability reporting guidelines
158 issued by the GRI.

159 With regard to Italy, it is interesting to research Siboni's work [12]: it is one of the few researches
160 empirically addressed the issue of social reporting. Through a survey involving 760 municipalities
161 and all Italian provinces, Siboni has empirically investigated the dissemination of accountability
162 tools, including the social report (in the selection of the sample, were excluded municipalities with
163 the population less than 1,999 inhabitants). The results, with particular reference to the LGOs,
164 highlighted a SR presence in 13% of respondents. Only a few LGOs claiming to involve stakeholders
165 in their social reporting process, and even where this is improved, it is a simple mapping of the
166 general stakeholders' classes, with no active involvement of identified stakeholders.

167 Recalling that research, and analyzing the few LGOs that involved stakeholders in drafting SR
168 (the so-called "better practice"), Farneti, Guthrie and Siboni [35] analyzed the SR content. Through
169 the content analysis they found that in practice the SR prepared by LGOs considered not include all
170 the voices outlined by the GRI framework and that social reports focus mainly on administrative and
171 managerial matters.

172 With another method, Farneti and Rammal [36] investigated motives and influence of
173 sustainability reporting in the Italian public sector. They conducted semi-structured interviews with
174 key informants from nine Italian public sector organizations. They found that the internal pressure
175 for writing the SR comes from individuals in the foreground positions in organizations that see SR
176 preparation as a way to highlight the results they have achieved. External pressure for editorial work
177 comes from stakeholders (general population), and is the result of greater attention, including media,
178 environmental and social issues.

179 It should also be remembered the study of Greco, Sciulli, D'Onza [26] to investigate the
180 motivations of Italian local councils for producing a sustainability report. The study is based on semi-
181 structured interviews with the sustainability report preparers of a sample of Italian local councils.
182 The findings demonstrate that initially transparency seems to be the main driver behind voluntary
183 SR adoption even if the findings also show limited interest from stakeholders for the sustainability
184 report produced. Moreover, authors highlight that LGOs moved from traditional SR to more
185 complete accountability tools of policy-making and reporting, aimed at increasing citizen
186 participation.

187 **4. Research method**

188 A technique of quantitative analysis was used to collect data: the mail survey, conducted on a
189 sample considered to be sufficiently large and representative to allow the generalization of the results
190 obtained on the sample to represent the entire population. This technique has allowed to reach a high
191 number of data which place this study among those with the largest number of municipalities'
192 involved.

193 *4.1. The sample*

194 It was considered appropriate, in terms of cost and time, to use stratified sampling, taking a basis
195 of all 8,003 Italian Municipalities. LGOs were classified, according to ISTAT criteria as of 31/12/2010,
196 according to: (i) size, measured on the basis of the population; (ii) geographical area. In relation to

197 the size variable, 3 clusters were identified: 5,000-20,000; 20,001-100,000; > 100,001. With reference to
198 the geographical area, 4 clusters were identified: north-west, north-east, centre, south and islands.
199 Once the population was stratified, a common contact was identified through the random selection
200 of 1,300 municipalities, accounting for 16.13% of the total, selected to be proportionate to the various
201 strata of the population "Italian municipalities".

202 The data obtained with reference to the diffusion of the SR were compared with the data
203 recorded in a previous survey conducted, with similar methodology, with reference to the year 2009
204 [37].

205 4.2. *The questionnaire*

206 This study is one of the first using the mail survey to collect data concerning sustainability
207 reporting diffusion [17]. With the aim of adopting an objective approach in the analysis, it was
208 decided to distribute a questionnaire to CFOs that had to be filled in by sending a certified email in
209 March 2015 and a second recall in June 2015.

210 Since the literature analysed suggests that in the absence of an isomorphistic tendency resulting
211 from coercive pressure, the reduction in SR spread is expected, the questions posed are aimed at
212 investigating the barriers to draft the SR. The questions are developed on the basis of the objectives
213 of the research, taking account of the indications contained in the literature and the Italian context,
214 summarized in the previous paragraphs.

215 The questionnaire was structured as follow:

- 216 1. Did you prepare the SR about the financial year 2013?
- 217 2. If not, what is the motivation (barriers) that led to the non-publication of the SR?

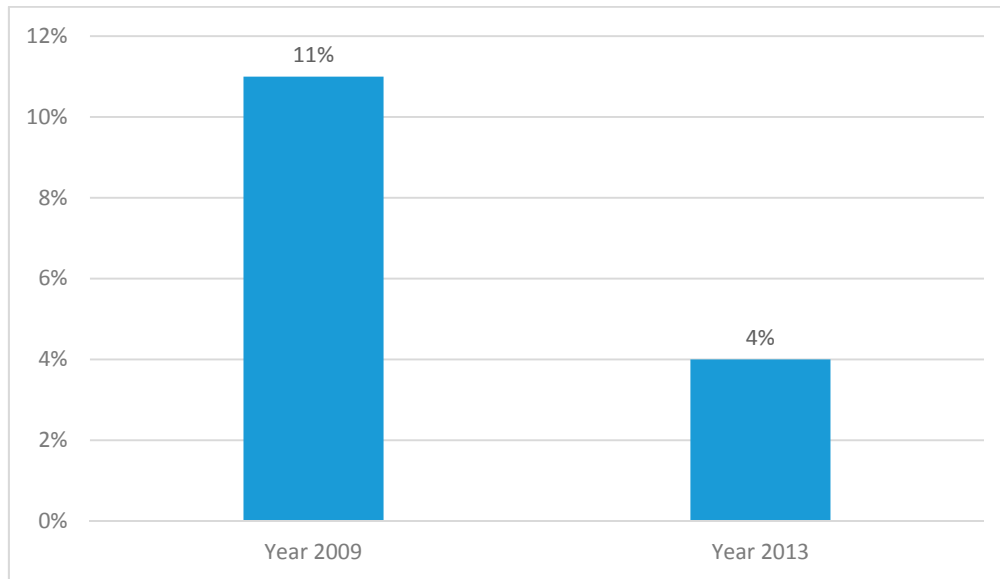
218 The results were analyzed both using descriptive statistics and investigating possible relations
219 between the variables considered. The data obtained with reference to the diffusion of the SR of 2013
220 were compared with the data recorded in a previous survey conducted, with the same methodology,
221 with reference to the year 2009 [37].

222 4.3. *The response rate*

223 In surveys carried out over the Internet, it is quite common to get a rather limited response rate.
224 An acceptable rate of response for this type of survey is equal to 10%. In this study with reference to
225 2013, a total of 234 usable responses were received, equal to a response rate of 18.0%, while in 2009
226 the response rate was 23.0% with 314 respondents [38].

227 5. Results

228 The first result is that only the 4% of the Municipalities prepares a SR in 2013 (no. 9
229 Municipalities among 234). This result highlights a strong decrease (Figure 1) considering the results
230 of 2009 (11%).



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Figure 1. Diffusion of the sustainability report in 2009 and 2013

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The evident decline in the widespread of sustainability reports could demonstrate the theory that the managerial fashion of the early twenty-first century led to the introduction and distribution of the sustainability report [29]. After that, and without a coercitive approach or incentive for LGO that drawn up the SR, phenomenon is abandoned by LGOs. The most recent trend demonstrates that SR has substantially disappeared. The answers can be deeply investigated considering the size of the LGOs. Data analysis (Table 1) showed a significant association between the population groups and the sustainability report adoption: variable (Pearson χ^2 (2)=24.19, $p<0.01$, Kendall's tau-b=0.24).

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Table 1. Diffusion of the sustainability report in municipalities aggregated with demographic and area criteria. Years 2013 and 2009

2013	North			Centre			South			Total		
	N.	Tot	%	N.	Tot	%	N.	Tot	%	N.	Tot	%
Fewer than 5,000	1	94	1.1	0	21	0.0	1	47	2.1	2	162	1.2
5,001-20,000	2	28	7.1	0	6	0.0	0	16	0.0	2	50	4.0
20,001-100,000	3	6	50.0	0	6	0.0	0	6	0.0	3	18	16.7
Over 100,000	2	4	50.0	0	0	0.0	0	0	0.0	2	4	50.0
Total	8	132	6.1	0	33	0.0	1	69	1.4	9	234	3.8

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2009	North			Centre			South			Total		
	N.	Tot	%	N.	Tot	%	N.	Tot	%	N.	Tot	%
Fewer than 5,000	3	120	2.5	0	23	0.0	5	61	8.2	8	204	3.9
5,001-20,000	9	37	24.3	2	9	22.2	2	22	9.1	13	68	19.1
20,001-100,000	5	12	41.7	0	4	0.0	0	9	0.0	5	25	20.0
Over 100,000	5	9	55.6	1	3	33.3	2	5	40.0	8	17	47.1
Total	22	178	12.4	3	39	7.7	9	97	9.3	34	314	10.8

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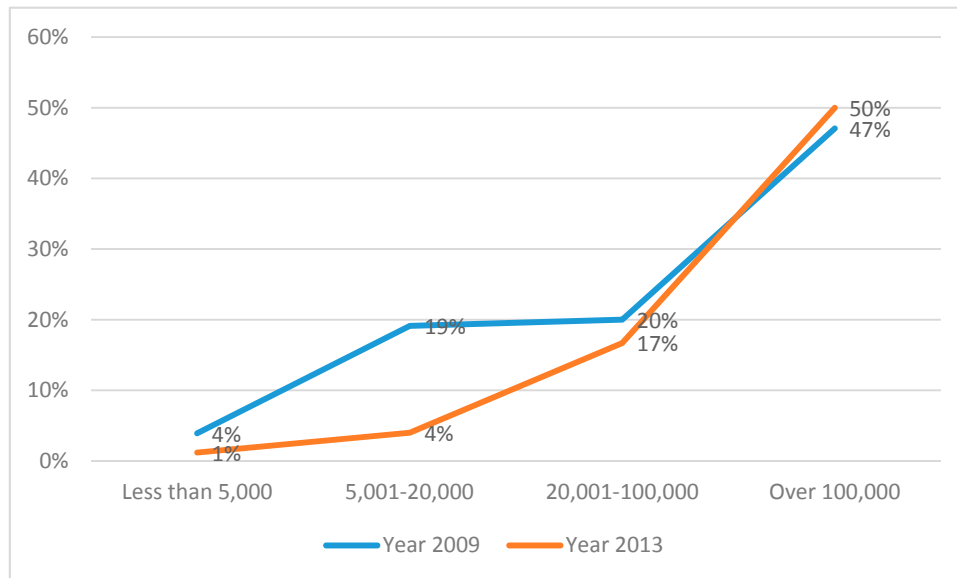
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On the one hand, only 1.2% of the municipalities belonging to the "fewer than 5,000" category compiled the sustainability report. Similarly, 4.0% of the municipalities belonging to the "5,000-20,000" category compiled the report. Results are better regarding bigger Municipalities. The 16.7% and the 50.0% of the municipalities belonging to the clusters "20,000-100,000" and "more than

247 100,000" compiled the report. In conclusion, the highest propensity towards preparation of the
 248 sustainability report is of the largest municipalities.

249 By comparing the results of 2013 with those obtained with reference to 2009, we can observe the
 250 general reduction in the spread of SRs except LGOs with more than 100,000 inhabitants (Figure 2). In
 251 fact, with reference to 2009, the SR spreads were 3.9% in LGs belonging to the "fewer than 5,000"
 252 category, 19.1% in the cluster "5,000-20,000" and 20.0% in the "20,000-100,000" clusters.

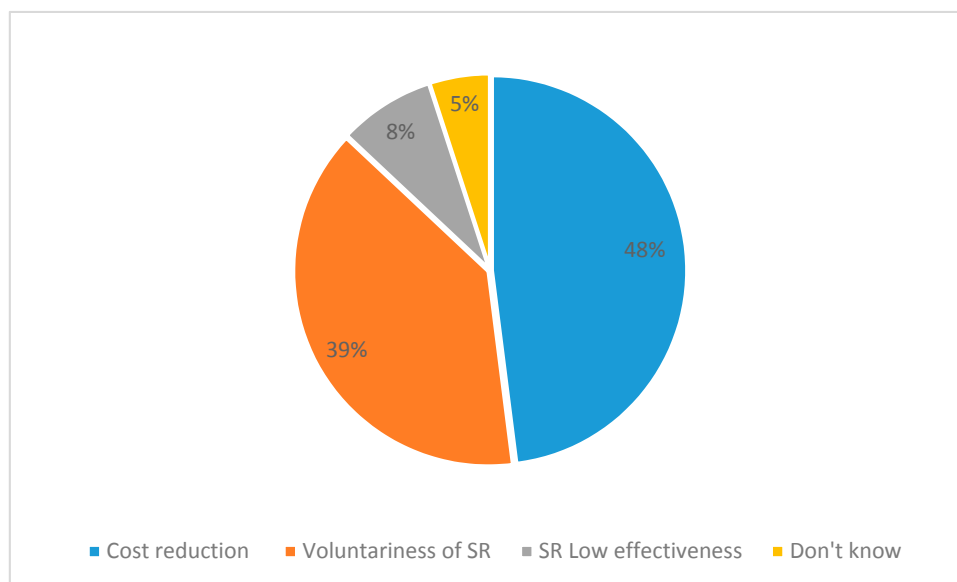
253 As regard the RQ 1, results confirm the suggestion provided in literature about the difficulties
 254 in the diffusion of the SR without any incentives or the mandatory adoptions of the reports.



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256 **Figure 2.** Diffusion of the social report in municipalities aggregated with demographic criteria.
 257 Years 2013 and 2009

258 The results of the second question, related to the causes of the diffusion of the sustainability
 259 report, are shown in Figure 3.



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Figure 3. Reasons why the SR has not been published

262 The most common answer (Table 2) given by 225 municipalities is that the cost reduction, related
 263 to austerity, represents a barrier to the sustainability report preparation in terms of time and
 264 availability of staff (48%). The voluntary nature of the reporting tool is the second reason, indicated
 265 by 39% of the municipalities surveyed. Only the 8% linked the SR with its usefulness.

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267**Table 2.** Reasons why the SR has not been published, results aggregated with demographic criteria. Year 2013

	Cost reduction	Voluntariness of SR	SR Low effectiveness	Don't know
Fewer than 5,000	56%	38%	4%	3%
5,001-20,000	33%	35%	21%	10%
20,001-100,000	20%	60%	13%	7%
Over 100,000	0%	100%	0%	0%

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Looking at reasons why the SR has not been published conditionally demographic classes (Figure 4) it emerges that the theme of the cost reduction weights more on smaller Local Governments. The result is not surprising: the preparation of the SR affects proportionally more on the budgets of small municipalities although the incidence on total expenditure also if in these cases is extremely limited. In simple words the lack of financial resources to devote to SR, influence the significant number of disappearances of the sustainability report in municipalities with fewer than 20,000 inhabitants. In middle municipalities, with inhabitant from 20,000 to 100,000, and in the bigger cities with more than 100,000 inhabitants, the most relevant reason is the voluntariness of SR. So in these cases it seems to be that the decline of SR phenomenon in LGOs is not related to managerial fashion but to the absence of a coercive isomorphism. In the municipalities from 5,000 to 20,000 inhabitants, the causes at the limited diffusion of the SR are equally distributed between the cost reduction and the voluntariness of report. Finally, the opinion that SR is not useful prevails in municipalities with a size ranging from 5,000 to 20,000 inhabitants.

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282**Figure 4.** Reasons why the SR has not been published, results aggregated with demographic criteria

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6. Conclusions and policy implications

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In the light of evidence emerging from empirical research it is possible to formulate some conclusions and policy implications for the development of the diffusion of sustainability reporting in Italian municipalities.

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Sad to say but evident from the available data: better stick than carrot in Italian framework. Research has shown that the SR in LGOs was a phenomenon of considerable relevance but with a decreasing trend. Comparison data from 2009 to 2013 shows that there has been a drastic reduction in the diffusion of sustainability reporting: is the fashion effect finished? The main barriers to the SR are on one hand the prevalence of short-term goals (cost reduction) versus those of long-term (sustainability) and on the other hand, the voluntary nature of the SR that does not lead to a growth of sustainability reporting since the Italian LGOs focus solely on mandatory accounting obligations

294 required by the Central Government (coercive isomorphism). The choice of the vast majority of
295 municipalities not to draft SR is not based on assessments of the usefulness of the reporting tool but
296 it happens for other reasons just mentioned. The choice of the Central Government to promote
297 sustainable development appears particularly schizophrenic. On one hand by creating, through the
298 Ministry of Public Organization, a social accounting model addressed to local authorities and on the
299 other hand to heavily cut (-80%) the resources allowed to LGOs for publications addressed to citizens
300 (which also includes the SR). Italian LGOs have been subjected to a general claim for accountability
301 on the one hand and the need for a cost reduction on the other, and they chose the latter. The barriers
302 that are found in the survey validate the trend that is falling.

303 This article presents a quantitative analysis of sustainability reporting implementation in Local
304 Government. It responds to calls for studying accounting for sustainability in Local Governments by
305 providing a twofold contribution. The article first provides quantitative data to support a clear view
306 of the trend of sustainability reporting among Italian LGOs. Faced with a growing academic interest
307 in the subject of sustainability accounting and numerous contributions from a theoretical point of
308 view, it was considered useful to support a large-scale empirical survey on the diffusion of the
309 phenomenon over a long period. Secondly, even for sustainability reporting it seems that local
310 politicians and public servants, rather than looking at the relationship with the various stakeholders
311 they give priority to the regulatory requirements (coercive isomorphism). In the past, both the lack
312 of recognized standards together with the absence of incentive to change their choices on the
313 environment and social needs lead the Local Governments to ignore the importance of disseminating
314 information on sustainability [39]. For ten years, however, LGOs have the ability to choose among
315 the many frameworks and guidelines that have been implemented for sustainability reporting.
316 Hence, that reason cannot explain the choice not to publish the sustainability report followed by 96%
317 of the municipalities surveyed. Most spread of the sustainability report in large municipalities, in line
318 with findings in previous years [37] confirms what also found in other studies related to sustainability
319 practices: larger LGOs have more human and financial resources hence, they are therefore more likely
320 to engage in sustainable development [40].

321 In terms of policy implications results suggest that decision makers must take into account that
322 although socio-psychological forces can be sufficient to legitimize the introduction of a new technique
323 in the short term, they cannot be sufficient to guarantee their long-term legitimacy, for which careful
324 consideration of techno-economic forces is crucial [41].

325 In this regard, two policy implications that can be formulated to overcome barriers to the spread
326 of the report. On the one hand, monetary incentives or professional updating of human resources to
327 issues that are far from the background and the culture of the public administration. On the other
328 hand, the introduction of an obligation seems consistent with the context of local authorities, highly
329 responsive to the coercive pressure. Obviously, the introduction of mandatory SR brings a high risk:
330 a reformed enforced by law tends to become a matter of compliance rather than a mechanism for
331 enabling change [42].

332 As any piece of research, also this paper presents limitations. First, data about municipalities
333 over 100,000 inhabitants should be improved. In addition to this purely methodological detail, it
334 should be recognized that the quantitative analysis approach used in this article has significant
335 limitations. Further work is required to identify more fully how sustainability reporting is practiced
336 within the public sector and how the choice to do sustainability reporting is influenced by the values,
337 interests and pressures of internal and external stakeholders. Whilst the quantitative analytical
338 approach adopted here has the advantage of producing generalizable results, case studies will be
339 needed to explore the role of political leadership and public managers' values and skills in promoting
340 SR reporting practices.

341 Could the study suggest a mandatory requirement for SR in LGOs as a 'stick'? More research is
342 needed in the public sector to enforce this option. At the moment, the 'carrot' proves to be
343 unsuccessful.

344 Furthermore, the role of information and accounting tools applied to sustainability deserves
345 further attention. In this regard, for example, Thomson, Grubnic and Georgakopoulos have written

346 about the concept of accounting sustainability hybrids [43]. Future research, both qualitative and
 347 quantitative can help to understand better whether and how the need to provide information on
 348 sustainability issues can lead to increase engagement in sustainability or, in other words, what is role
 349 of accounting in promoting sustainability practices in Local Governments. Finally, the European
 350 Directive 95/2014 requires all 'large public interest entities' to start disclosing 'non-financial
 351 information' that could be a starting point to think about a similar directive or law for government
 352 (at all levels). The introduction of a mandatory minimal sustainability report may bring also small
 353 municipalities to work on the theme of sustainability thanks to the information inductance process
 354 started from the obligation of reporting and reinforced by the subsequent coercive isomorphism.
 355 Information inductance is the process by which the behavior of an individual is influenced by the
 356 information that is required to disclose [44].

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