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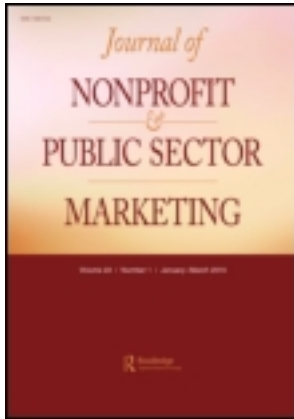
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Defining the Content of Sustainability Reports in Nonprofit Organizations: Do Stakeholders Really Matter?

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The aim of the article is to investigate the role of stakeholder engagement and participation in nonprofit organizations' sustainability reporting, according to the literature on third sector and stakeholder theory. To verify the levels of involvement, the authors conducted an empirical survey, using content analysis, on a sample of 54 sustainability reports of nonprofit organizations included in the Global Reporting Initiative database as of September 1, 2012. In order to strengthen the results obtained from the content analysis, the authors shared their findings with the organizations of the sample. The survey showed that there were some criticisms regarding stakeholder participation in the targeted research field. These are considered in the conclusions. Questions for the future included whether stakeholder engagement is moving from being simply a way to consult and influence stakeholders to being an effective instrument for involving them in nonprofit organizations' reporting and decision-making processes, through mutual commitment.

KEYWORDS *nonprofit, stakeholder engagement, strategy, sustainability reporting, content analysis*

Although the article is the result of a team effort, Giacomo Manetti can be considered the author of the first, second, third, and fifth sections and Simone Toccafondi the author of the fourth section.

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INTRODUCTION

Stakeholder theory has strongly affected and influenced management and accounting studies for corporations and nonprofit organizations (NPOs) for almost 30 years after Freeman's (1984) proposal of the "stakeholder approach." Stakeholder theory scholars have tried to classify the relational models between organizations and stakeholders, assuming a gradual growth path of the stakeholders' involvement and participation that includes the following three phases, according to Svendsen (1998) and Waddock (2002):

1. In the first phase, dubbed "stakeholder mapping," organizations identify and map their stakeholders, if possible distinguishing between primary (strategic in the middle long term for the organization) and secondary (that do not affect its sustainability) (Clarkson, 1995, pp. 92–117).
2. In the second phase, dubbed "stakeholder management," organizations try to manage stakeholders' expectations and the claims and issues that they support, balancing the positions (stakeholder management) (O'Dwyer, 2005).
3. Finally, directors and managers involve primary stakeholders in decision-making processes, making them participants of the organization's management and governance activities, sharing information, dialoguing, and creating a model of mutual responsibility—stakeholder engagement (SE).

Freeman's definition of stakeholders ("any group or individual who can affect or is affected by the achievement of the organization's objectives," 1984, p. 46) suggests a two-way relationship between an organization (or its management) and its stakeholders. His definition suggests both the possibility of an instrumental posture toward stakeholders on the part of the organization (in order to maximize its performance) and the possibility of a normative obligation to stakeholders on the organization's part. In this sense, the normative and multifiduciary approach to stakeholder theory suggests that managers have a moral duty toward all stakeholders that should be satisfied in the same way (Evan & Freeman, 1988).

These two aspects of Freeman's stakeholder definitions are summarized by the concept of "stakeholder orientation" (SO; Berman, Wicks, Kotha, & Jones, 1999). In fact, SO has been defined as "attention given to multiple stakeholder groups among companies," such as "customers, shareholders, and employees" (Greenley & Foxall, 1997, p. 263). In this sense SO is a strategic behavior aimed at managing and engaging stakeholders for both opportunistic and moral reasons in a combination of phase 2 (stakeholder management) and 3 (stakeholder engagement) of Svendsen (1998) and Waddock's (2002) model.

A primary concern of stakeholder management is the order of priority among the diverse categories, since not all stakeholders have the same level of strategic importance for the organization (Carroll, 1996; Clarkson, 1995; Donaldson & Preston, 1995). In this sense the needs of nonpriority stakeholders do not have to be satisfied by managers, since they are not strategic for the organization. This is especially true among NPOs, since identification of priority categories depends on statutory requirements and the specific organization's mission. Mitchell, Agle, & Wood (1997) proposed a framework that categorized stakeholders in terms of power, legitimacy, and urgency, so that the more of these attributes a stakeholder has, the more salient the stakeholder is in terms of managerial attention. The SE phase, unlike the first two, foresees a mutual commitment to resolving issues that may emerge in the relations between the organization and its general and specific environment. SE is therefore a process that "creates a dynamic context of interaction, mutual respect, dialogue and change, not a unilateral management of stakeholders" (Andriof, Waddock, Husted, & Rahman, 2002, p. 9).

Under ideal conditions, the involvement draws on a cooperative mechanism that has been described as a "mutually beneficial and just scheme of cooperation" (Phillips, 1997, p. 54), in which relations between stakeholders and organizations are based on the principles of reciprocity, interdependence, and power (Andriof & Waddock, 2002, p. 19; Roberts, 1992; Rowley, 1997). The main feature of SE, therefore, is not the mere involvement of stakeholders to "mitigate" or manage their expectations (stakeholder management), but the creation of a network of mutual responsibility (Andriof et al., 2002, p. 15; Unerman & Bennett, 2004; Voss, Voss, & Moorman, 2005; Windsor, 2002, p. 138).

If stakeholders have responsibilities and rights, then their interest in the relationship with the organization goes beyond the scope of mere satisfaction of their expectations. Stakeholders as petitioners with legitimate expectations assume the role of moral agents (Jones, Wicks, & Freeman, 2002, pp. 19–37), with the responsibility to consider the rights and interests of the organization and other parties, as well as promote effective and ethically correct relationships (Wicks & Goodstein, 2009, p. 15).

Inspired by these considerations, the purpose of this study is to understand the role that SE plays in NPO sustainability reporting (SR). In particular, it seeks to determine whether and to what extent the SE in this kind of reporting is effective and/or whether it tends to assume the characteristics of stakeholder management and a balancing of different expectations (Owen, Swift, & Hunt, 2001). Of course the very process of analyzing these documents affects the categories of stakeholders upon which the reports are more focused. For example, we expect to find more attention being paid toward donors and volunteers in organizations that base their activities and survival on fund and people raising. However, in a broader sense, a strong orientation toward diverse stakeholder categories should also be noticed.

Therefore in the following sections we:

- describe the role that SE assumes in NPOs, with particular reference to social and SR;
- undertake empirical research on a sample of NPOs that report in accordance with the Global Reporting Initiative (GRI) guidelines, checking in their sustainability reports, by means of content analysis, the nature of their commitment to stakeholders;
- come to a conclusion on the state of the art, describing the current propensity of NPOs to involve or engage stakeholders.

THE ROLE OF STAKEHOLDERS IN NONPROFIT ORGANIZATIONS

There are numerous types of NPOs, and the definition of the third sector itself is often subject to different interpretations. To solve this problem, various attempts at classification have been made. For Hansmann (1980), financing and regulation methods should to be examined. Following this approach, organizations are identified depending on whether their financing is assured by donations or by the market, as well as based on the type of regulation—by donors or others—to which they are subject. According to Kendal and Knapp (1996), it is necessary to add the functions of altruism and community care. The United Nations (UN) offers a broad definition of NPOs in their *Handbook on Non-Profit Institutions in the System of National Accounts*: “organizations, that are not-for-profit and, by law or custom, do not distribute any surplus they may generate to those who own or control them, and that are institutionally separate from government, self-governing and non compulsory” (UN, 2003, p. 26).

In this article we adopt the well-known structural-operational definition of NPO elaborated by Salamon and Anheier (1997). Their definition involves five basic requirements:

- the presence of some structure and regulation to their operations, whether or not they are formally constituted or legally registered (organizations);
- they are not part of the apparatus of the state, even though they may receive support from government sources (private nature);
- they are not primarily commercial in purpose and do not distribute profits to a set of directors, stockholders, or managers (nondistribution constraint);
- they have their own mechanisms for internal governance, are able to cease operations on their own authority, and are fundamentally in control of their own affairs (self-governing);
- membership or participation in them is not legally required or otherwise compulsory (voluntary participation and work).

The influence of SE on reporting processes is particularly powerful in NPOs, since boards and managers should answer legitimate stakeholder expectations in an exhaustive manner by balancing their interests and claims, and should report and communicate internally and externally using engagement policies and practices to select relevant and material information for stakeholders (Middlewood and Cardno, 2001, pp. 24–25). The literature on the third sector also suggests that in NPOs where there are no special relationships with specific categories of stakeholders, consequences and pressures on accountability systems are more relevant because of the following reasons:

1. The absence of shareholders in the traditional sense makes stakeholder theory a viable perspective from which to understand accountability to multiple stakeholders, where power differentials in capital and factor markets and in regulation mean that differing interests need to be implicitly or explicitly prioritized (Collier, 2008, p. 935; Mulgan, 2000, p. 124; Murtaza, 2012).
2. In the third and quasi-public sectors, organizations need to ensure their survival and success in the long term by directly satisfying all stakeholders (Collier, 2008; Costa, Ramus, & Andraus, 2011; Woodward & Marshall, 2004, p. 124). Because institutional aims are at the basis of accountability systems, multiple-stakeholder theory is stronger in this field.
3. When the goal of profits is not a focus, accountability can have more than just economic importance (Dawson & Dunn, 2006). In traditional theories of organizational control, contract fairness is guaranteed through market efficiency, but social and moral responsibility extends beyond what is assigned to formal contracts (Antonacopoulou & Meric, 2005). Stakeholder theory offers organizations, especially nonprofit ones, a way of identifying and reconciling disparate stakeholder interests by recognizing organizational obligations to wider and more ethically concerned constituencies (Simmons, 2004).

Since civil society and the public sector have changed significantly over the last two decades, especially in Western countries, accountability is becoming a critical issue in the management and governance of third sector organizations and quasi-public administrations worldwide (Bendell, 2005; Benjamin, 2008, p. 201; Lee, 2004; Lyons, 2001). The choice to contract out public services, the degree of access to funds, and a lack of public trust have all contributed to the changes and continuous developments within the sector (Molnar, 2008, p. 128). However, NPOs must be accountable for actions and operations that cast doubts on the legitimacy and effectiveness of their public utility and advocacy activities, and their ability to act as a strong public voice (Bagnoli & Megali, 2011). Furthermore, accountability instruments can represent an effective

mechanism for balancing and adjusting conflicting stakeholder interests (Gray, Bebbington, & Collison, 2006).

Ebrahim (2003b, p. 194) suggests an approach to accountability that we adopt in this article, characterizing it as “the means through which individuals and organizations are held externally to account for their actions, and as the means by which they take internal responsibility for continuously shaping and scrutinizing organizational mission, goals, and performance.” More specifically, accounting literature has recognized the potential for inappropriate accountability mechanisms to damage, rather than enhance, the social and environmental benefits that many NPOs seek to realize through their socially useful activities (Dixon, Ritchie, & Siwale, 2006; Ebrahim, 2003a, 2003b, 2005; Najam, 1996; Unerman & O’Dwyer, 2006). Second, the emerging dominance of upward hierarchical accountability to donors at the possible expense of more holistic accountability to a broader range of stakeholders, especially beneficiaries, has created concerns that NPOs’ accountability priorities are being distorted (Blagescu, De Las Casas, & Lloyd, 2005; Ebrahim, 2003a, 2003b, 2005; O’Dwyer and Unerman, 2007).

According to the literature, a particular form of external accountability, SR, has been used by corporations and NPOs as a legitimating tool to change the expectations of stakeholders (Campbell, 2003; Swift, 2001). Proponents of social accounting and in particular of SR offer numerous reasons why NPOs should adopt the process (Ebrahim, 2003a). First, it offers internal management advantages in terms of monitoring performance. A key component of SR is the development of social and environmental information systems. This is particularly useful for NPOs that do not already have systems for analyzing and reporting on their social performance. Second, as a mechanism of accountability, SR enables views of stakeholders (such as communities and funders) to be considered in developing or revising organizational values and goals, and in designing indicators for assessing performance (e.g., downward and upward accountability). Third, SR can serve as a valuable tool for strategic planning and organizational learning if the information on stakeholder perspectives and social performance is fed back into decision processes (Mayo, 1996, p. 9).

This disclosure function is especially important not only as a response to public fears about the quality and integrity of nonprofit work, but also as a means of tempering exaggerations by nonprofits of their own achievements. In fact, many studies on social and environmental reporting literature have shown that the rhetoric of reporting usually does not reflect a full or balanced picture of the underlying reality on many issues (O’Dwyer, 2002; Spence and Gray, 2007). In this regard the principles of relevance and materiality in the context of SR foresee that the SE will determine which information and data should be included in the report (Gray, 2000, pp. 249–250). Important international standards and guidelines for SR require SE as a compulsory stage to get a complete and useful overview for its intended users (AccountAbility, 1999, 2003, 2005; Global Reporting Initiative, 2006). In the last decade, many

scholars, both at the national and international level, have collected empirical evidence of unprecedented levels of stakeholder dialogue in SR, but they questioned the sincerity and the impact of these practices on sustainability reports (ACCA, 2005; Downey, 2002; Miles, Hammond, & Friedman, 2002; UNEP & SustainAbility, 1999).

If SE is indeed crucial in SR, we can affirm that NPOs that draw up sustainability reports in accordance with recognized international standards and guidelines should reach high levels of SE and participation in their reporting processes. NPOs that report at the highest levels of conformity to GRI guidelines insert in their sustainability reports fair and complete information regarding stakeholder mapping, engagement policies, and practices, to define the contents of the reports in accordance with the principles of materiality and relevance. These principles, however, don't foresee one or more categories of privileged or priority stakeholders on whom the report should focus. Thus, each organization is free to establish a different level of attention and priority on specific categories on the basis of their mission, statutory duties, and mid-long-term strategy. It is fair to suppose that donors, members, beneficiaries of activities, employees, and volunteers have a higher level of salience compared with less strategic actors, such as suppliers or traditional funders (banks) (Knox & Gruar, 2007)). Furthermore, several studies indicate that being accountable to other stakeholders when NPOs try to be responsive to the needs and objectives of a particular stakeholder group can have a negative impact (Wellens & Jegers, 2013). This justifies the complexity of and the need for SE in NPOs, if they want to be perceived as effective by their numerous stakeholders.

In light of the information presented above, we aim to verify whether NPOs that carry out their SR in accordance with international guidelines show, as indicated in the literature and in professional practice, high levels of SE and participation in the SR process. We expect that these NPOs achieve, in accordance with the GRI guidelines, reasonably high levels of stakeholder participation in the reporting process, and that this kind of information is traceable in the SE section—that is compulsory for these reporters—or, at worst, in the rest of the report. Furthermore, this kind of information should be coherent with the NPOs' mission and statutory duties.

METHOD

A sample was studied of 54 sustainability reports in Arabic (1), Catalan (2), English (23), French (1), German (3), Italian (1), Portuguese (4), and Spanish (19), drawn up in accordance with the Sustainability Reporting Guidelines (versions 3.0 and 3.1) that were issued by the Global Reporting Initiative (GRI, 2006). We collected, as of September 1, 2012, all the reports in the GRI online database for the period 2006–2011 at levels A and B in accordance with the guidelines in the nonprofit sector (assured or not by a third party).

However, it is important to point out that the eligibility requirements taken into account by the GRI correspond with those proposed by the UN and by Salamon and Anheier (1997), with the exclusion of the voluntary participation and work requirement. As a result, there was strong heterogeneity in our sample, which included associations, foundations, cooperatives, social enterprises, and other NPOs. We therefore analyzed all data and information by taking into account the different juridical natures of organizations.

A and B represent the highest levels of accordance with Sustainability Reporting Guidelines. Thus, the sustainability reports in our sample include a section that discusses the various SE policies and practices implemented by the NPO in the reporting process.

It is important to underline that the NPOs in our sample were chosen in order to verify whether SE was sufficiently reliable and clearly reported. We supposed, in fact, that high levels of involvement and participation in the sample organizations, easily verifiable through a content analysis, would emerge.

More specifically, the analysis of these sections enables verification of the level of SE and participation in the reporting system, since it is possible to find information on:

- a. Stakeholder groups engaged by the NPO;
- b. The basis for identification and selection of stakeholders with whom to engage. This involves the organization's process of defining its stakeholder groups and determining which groups to engage with or not;
- c. Approaches to SE, including frequency of engagement by type and by stakeholder group. This could comprise surveys, focus groups, community panels, advisory panels, written communication, management/union structures, and other means;
- d. Key topics and concerns that have been raised through SE, and how the organization has responded to them;
- e. If appropriate, the indication of representatives of stakeholders' categories that were appointed to governing bodies.

With reference to the last point, another element that is particularly interesting in terms of the current study is the composition of NPO governing bodies. In presenting the results and conclusions of our research, attention will also be given to this aspect of SR, as we hope to verify whether the presence of representatives of various categories of stakeholders in the governing bodies influences the level of SE in SR.

The 54 statements refer to a sample of NPOs whose characteristics are listed in Table 1. By only analyzing organizations that pay particular attention to the form and substance of SR, and considering initial assumptions on materiality and relevance, we did not expect to find notable cases of weakness in their SE processes.

TABLE 1 Characteristics of the Sample

Juridical nature	Quantity
Association	20
Foundation	18
Consortium	2
Cooperative	2
Social enterprise	2
NGO	2
Religious institute	3
Trust	1
Other	4
<i>Total</i>	<i>54</i>
<i>Sector</i>	
Personal care	7
Development cooperation	5
Human rights	5
Research	7
Culture, education, and training	4
Housing	1
Service to enterprises	19
Other	6
<i>Total</i>	<i>54</i>
<i>Geographic origin</i>	
Belgium	1
Brazil	4
Canada	1
Chile	3
Colombia	1
Germany	2
Jordan	3
Italy	1
Kingdom of Saudi Arabia	1
Korea	1
Norway	1
Holland	4
Peru	2
United Kingdom	4
Spain	18
United States of America	4
South Africa	1
Switzerland	2
<i>Total</i>	<i>54</i>
<i>Dimension</i>	
Large	23
SME (small or medium entities)	31
<i>Total</i>	<i>54</i>
<i>Presence of volunteers</i>	
Yes, exceeding salaried workers	10
Yes, not exceeding salaried workers	6
No volunteers	38

(Continued)

TABLE 1 (Continued)

Juridical nature	Quantity
<i>Total</i>	54
<i>Level</i>	
First-level entity	35
Second-level entity (coordinator)	14
Umbrella organization	5
<i>Total</i>	54
<i>Territorial Environment</i>	
Local	10
National	28
International	16
<i>Total</i>	54

The majority of the statements relate to European (especially Spanish) organizations that are small or medium-sized, are first-level entities, are associations, foundations, and religious institutes, have a mission focused on providing services to enterprises and on research and development cooperation, do not involve volunteers, and have a national and international relevance. In stakeholder theory and in third-sector literature, little attention has been paid to the qualitative properties of information stated in sustainability reports regarding SE policies and practices for defining the organization's strategy and the report's contents.

The method chosen for the study of the SE quality is content analysis. It is a method widely adopted in corporate disclosure studies (Guthrie, Petty, Yongvanich, & Ricceri, 2004) because it allows repeatability and valid inferences from data according to their context (Krippendorff, 1980).

Neuendorf (2002, p. 10) defines content analysis as a summarizing, quantitative analysis of messages that relies on the scientific method and is not limited as to the types of variables that may be measured or the context in which the messages are created or presented. In other words, content analysis is a scholarly methodology in the social sciences and humanities, in which texts are studied as to authorship, authenticity, or meaning. It is conceived as a technique for making inferences by objectively and systematically identifying specified characteristics of messages (Holsti, 1969).

Four researchers conducted the analysis (two MA students, a PhD student, and an assistant professor as coordinator) with the assistance of two translators for the reports in Arabic and Catalan. On the basis of the research questions mentioned above, a list of detection and classification rules was defined and discussed with researchers, and classification criteria for each dimension of the research questions were subsequently identified.

We adopted a qualitative approach to content analysis based on categorization and classification of the communication that is disseminated through SR. The input was analyzed for frequencies and coded into categories for

building up inferences and for guaranteeing that the classification procedure was reliable and consistent (Weber, 1990).

In the survey we decided to analyze 12 items related to SE in reporting processes. In our survey form we chose a dichotomous (Yes/No in 3 items) or trichotomous (Yes, No, or “Yes, but this information is only partially disclosed” in 8 items) option in order to verify the mere presence or absence of particular elements or characteristics of the reports. The codes chosen were simply a dummy 0/1 for dichotomous items and 0/1/2 for trichotomous items. We chose an open item in one case, since we wanted to report the priority stakeholder categories as indicated in the sustainability reports by the organizations. The priority stakeholder categories have been identified by tracking the most cited phrases in the text or by concentrating on phrases that inspire the most discussion.

Our approach allowed us to easily verify the presence or absence of specific key elements that characterized SE in the SR and, consequently, to evaluate the materiality and relevance of information disclosed, reducing the level of subjectivity commonly associated with Likert scales or other research instruments. In almost all items the content analysis consisted of a search for key words and in counting the length of the text and the number of sentences dedicated to specific topics, as well as determining the frequency of specific words related to SE.

A preliminary test of the coding procedure was conducted to highlight ambiguous or unclear coding rules and to standardize the classifying capabilities of the researchers: four 2007 sustainability reports of NPOs included in the GRI database, checked at level A, were independently examined by the four researchers. The results of the individual classification were compared and the differences discussed. This preliminary activity resulted in a final set of detection and classification rules. Another 2007 sustainability report was similarly coded by all research members in order to test the alignment of the research team on the coding procedure. Attention was also given to additional elements, such as difficulties met in the SE and improvements over time in the sustainability reports’ structure and content.

Finally, in order to verify our findings, we decided to submit the results of the research to high-ranking representatives (presidents, CEOs, or equivalent positions) of the NPOs, in order to obtain their opinion on the reliability of the content analysis results. They were asked, in particular, to make and justify any requests for answers that were different from those obtained from the content analysis, as well as for an overall judgment on the adopted criteria.

RESULTS

SE in SR has been analyzed using the 12 items listed above, with the relative results, in Table 2. Before illustrating the results of the empirical research,

TABLE 2 Stakeholder Engagement and Reporting

	Quantity
1. Does the report contain a separate section dedicated to SE (as per GRI guidelines) or can the information be obtained by reading the entire document?	
Section on SE	40
Entire document	14
2. Is the section on mapping identifiable and distinct from that on engagement?	
Yes	21
Yes, but this information is only partially disclosed	14
No	19
3. Is there coincidence between mapping and engagement (all categories mapped are also included)?	
No	47
Yes	7
4. If not all the categories mapped are also involved in the reporting process, the priority categories of stakeholders are specified and distinguished from others on the basis of suitable criteria (e.g., power, legitimacy, and urgency, following the model of Mitchell, Agle, and Wood, 1997)?	
No	14
Yes, but this information is only partially disclosed	32
Yes	8
5. With reference to the previous question and in particular to the reports where priority stakeholders are fully (8) or partially (32) specified, what are the most recurrent categories? (More answers are possible)	
Beneficiaries of activities (users/customers)	31
Donors	25
Partner organizations	19
Local community	15
Employees/volunteers	15
Other categories	21
6. Within the categories involved, are representatives consulted in drawing up the report clearly identifiable?	
No	36
Yes, but this information is only partially disclosed	8
Yes	10
7. Does this section show that SE was used to define report contents so as to select relevant and significant information?	
No	11
Yes, but this information is only partially disclosed	15
Yes	28
8. Can the approaches and channels used to consult stakeholders when preparing the report be identified in it (one-to-ones, meetings, road shows, hotlines, online forums, e-mails, websites, etc.)?	
No	13
Yes, but this information is only partially disclosed	16
Yes	25
9. Does the document contain mention of difficulties or problems encountered in mapping or engagement for reporting?	
No	42
Yes, but this information is only partially disclosed	10
Yes	2
10. Is there a section for stakeholders' opinions on previous editions of the report?	
Yes	5
No	32

(Continued)

TABLE 2 (Continued)

	Quantity
First edition of document	17
11. Does the report state objectives for continuous improvement of SE?	
Yes	12
Yes, but this information is only partially disclosed	18
No	24
12. Have specific guidelines or standards for SE in reporting been identified (AA1000 SE, national standards, etc.)?	
Yes	5
No	49

it is necessary to consider that different approaches were used by NPOs in disclosing SE, and few organizations adopted national or international SE guidelines. It was often found that the report was based on highlighting communication channels and approaches with stakeholders, while there was often a lack of clarity in explaining the kind of engagement that was ultimately intended. Furthermore, content analysis does not allow verification as to whether the declared objectives were actually achieved, but only evaluation of the level of disclosure on those targets.

Information on SE was found in every report, as foreseen in GRI guidelines. Although a specific section on the matter is mandatory for applications of A and B levels, in 14 cases it was not found, and the information has been deduced from reading the entire report.

Nevertheless, where a specific section was found, the stakeholder map and identification was discernible and separated from the SE section in the majority of cases (21 cases with a clear approach and 14 with only partial disclosure). In 19 cases we did not find a stakeholder map distinct from the section on engagement, suggesting that this type of information is not essential for organizations, despite being required by GRI guidelines. The 19 cases are related to all types of juridical natures we found in our sample. However, the stakeholder map was found even in reports that do not include a section on engagement.

Although all reports provided information on SE, thereby demonstrating the general attention paid by NPOs to their stakeholders, it was important to verify if the information's aim was opportunistic and strategic (to promote the image of the NPOs and attract more resources), or finalized toward effectively fulfilling external accountability requirements. Therefore, both the level of representation and the degree of SE were verified.

With reference to representation levels, the connection between mapping and engagement appeared to be very weak or even nonexistent: 47 out of 54 NPOs did not engage all the mapped stakeholders. If the "salience" stakeholders are properly involved in the reporting process, this is not in itself a particularly negative aspect. In this respect, where not all categories

mapped were engaged in the reporting process, the priority stakeholders were specified on the basis of suitable criteria (e.g., power, legitimacy, and urgency, as proposed by Mitchell et al., 1997) in a large majority of cases (40/54), although only in 8 organizations using clear expressions on their role. Power, legitimacy, and urgency of stakeholders have been evaluated using the quantity of quotes and citations received in the report, as well as the length of discussion dedicated to each category. Furthermore, we verified the coherence between the results of the content analysis and the priority stakeholder categories as they emerged from the reading of the statute.

Considering the characteristics of the sample and the consequent heterogeneity of stakeholder mapping, it is not possible to identify a class of stakeholders that is generally excluded from mapping in the NPOs we examined. There were, however, categories that were engaged in the majority of cases, for example, beneficiaries of activities (in 31 reports), donors (25), partner organizations (19), local community (15), and employees and volunteers (15). Beneficiaries, volunteers, and donors are particularly cited among associations, mutual entities, and social enterprises, but receive less attention among foundations in which the most cited category is the local community.

We also verified that these most engaged categories were generally coherent with singular NPO statutes and missions. For example, we found longer sections and recurring key words related to donors in the NPOs that base their survival on fund-raising (especially foundations), or with beneficiaries of activities and users in NPOs that are more oriented toward specific services, such as social enterprises. Surprisingly, we didn't find many references to members in associations or voluntary organizations, which might be due to the fact that they are already well engaged in the organizations' governance and decision-making processes.

A large majority (36/54) of NPOs did not identify stakeholder representatives that were consulted in the drafting process of the sustainability report—a lack of transparency that raises serious doubt about the effectiveness of the engagement declared. In 18 cases the stakeholder representatives, consulted for selected relevant ethical matters adopted in the drafting process of the sustainability report, have been identified, but not always (8 documents) with a clear indication of the adopted criteria and consequent outcomes. More generally, NPOs do not clearly mention the process of appointment of representatives, while levels of representation showed excellent results in just two cases (a cooperative and a religious institution), in which SE addressed all mapped stakeholders, and their representatives were precisely identified.

See the following example from one of the two cases that obtained good results using content analysis (the symbol X stands for the NPO's name, which has been redacted for privacy reasons) where there is an explicit indication of the number of representatives of each category involved in the process:

Based on the conclusions of the benchmark, the most relevant stakeholder groups were summoned in order to introduce the first proposal's content, listen to their views, and collect their expectations in relation to how an X sustainability report should be.

This process—called “stakeholder engagement”—was attended by the following stakeholders:

1. three representatives of the employees of X;
2. two representatives of the member companies;
3. two representatives of the partner organizations;
4. two representatives of organizations linked with the activities of X;
5. nonmember companies with a strategic role for X;
6. organizations specializing in CSR.

Regardless of the level of representation, the degree of SE in reporting is generally quite different among the sample. In 28 cases out of 54 the degree of adoption of SE in defining relevant and significant information materiality for inclusion in the report was particularly evident. As a result, the participation of stakeholders in the reporting process was clear and well indicated in the documents, without significant differences among the diverse juridical natures of these organizations. However, in another 15 cases the information on SE was incomplete, and in 11 reports this information was completely absent. Surprisingly, among these reports there are only two associations that are particularly engaged in protecting and promoting human rights, despite our expectations of finding reasonably high levels of information on this topic.

For the most virtuous cases, an active and *ex-ante* SE was detected, achieved through focus groups, workshops, and interviews that aimed at identifying information that would be contained in the report. In one case an *ex-post* engagement is integrated, requiring a limited assurance of the report by some stakeholder groups. Considering that this double engagement is accompanied by a continuous improvement process, full engagement is ensured, allowing constant adjustment of report content to the changing informational needs of the stakeholders.

Concerning the analysis of approaches and channels used for engagement in reporting, almost half of the NPOs analyzed (25/54) clearly indicate recourse to various communications and dialogue instruments. In 16 other cases, however, we did not find completely clear and transparent reporting on this topic.

An example of clear indication is the following:

X believes that the core of the sustainability report is listening to the stakeholders and reflecting their views and opinions on its commitment. Therefore, X conducted research to listen to internal and external stakeholders before preparing the 2009 Sustainability Report.

Through this process we got to listen to the stakeholders actively and take time to figure out the solutions to various problems at the company level, regardless of duties and positions.

The research on the stakeholders was conducted for 3 months from May 2009 to July 2009 and followed an orderly procedure that included: Identification of stakeholders—Collection of opinions—Internal preparation of measures to cope with opinions. The concrete research process is presented below.

A total of 48 stakeholder groups were drawn by selecting the stakeholders in each business group via email by X internal employees. The importance of each group was measured through a quantitative analysis. A total of 25 in-depth interviews and focus group discussions were carried out for 14 stakeholder groups with high importance. Through this process, we listened to the major issues concerning X.

By holding a workshop participated in by 12 junior employees of each business group of X, the importance of each issue as drawn from interviews with stakeholders was analyzed, and measures for coping with the issues were prepared.

Quantitative assessment was conducted concerning each issue targeting X's internal and external stakeholders; we ultimately chose the major issues of X based on the response results of 185 stakeholders.

After collecting and reflecting on all the results of the prior stage, X's sustainability management strategies were formulated through the participation of 10 employees with various duties and positions.

The principal difference in the sample emerged between those organizations that illustrate a different and custom channel or instrument of communication for every single group (highlighting a more effective engagement) and those that evidence a general channel for all stakeholders, frequently represented by an indication of an e-mail address, an online forum, or a hotline for receiving any comments or proposals on the content of the report. Nevertheless, where an analytical description emerges, the most used instruments in engagement are focus groups, workshops, one-to-one interviews, and questionnaires, with a prevalence of collective meetings when strategic or primary stakeholders are concerned. We found that greater attention was paid to this topic among associations and mutual entities than in foundations.

In addition, we considered declarations of difficulties related to the mapping process or to engagement in reporting, on presence and target of a constant adjustment process, and on adoption of SE guidelines. Difficulties or problems relating to stakeholder mapping or engagement were mentioned in a very explicit manner in only two cases. In 10 other cases difficulties

or problems were stated in a not entirely clear manner, using expressions with multiple subjective meanings and very often associating the disclosed problems with a series of justifications aimed at diminishing their possible consequences for the report materiality. Consider, for example, the following section of a sustainability report where the difficulties met in the stakeholder engagement process are explicitly reported:

To summon the different stakeholder groups was also difficult because, as far as we are concerned, there are not many actors familiar with this type of process.

Moreover, it was found that some indicators are incompatible with the reality of a foundation, specifically those related to products and services, business strategies, and community relations. This last item is particularly confusing for a civil society organization, since its activities are related directly or indirectly to what is meant by “community”. Thus, in the case of X, it corresponds to everything that promotes the building of a more sustainable society. That was why we opted to refer to “Impact on society,” instead of “Relationship with the community.”

These problems mainly consisted of incomplete mapping or the lack of a process of effective engagement during the financial year that was reported on (Hubbard, 2009). The cause of these problems primarily lies in the fact that SE has only recently become part of organization policies. In two cases (two foundations) the main problem derived from a lack of familiarity with the SE process.

Furthermore, a constant adjustment process was not adequately detected in all of the reports, as 24 NPOs did not attribute relevance to this aspect and avoided identifying specific targets for future reports (such as expanding groups of stakeholders engaged, and improving channels of communication and the efficiency of the engagement process). In the remaining cases, a general reference to improving SE was found in 18 cases, while only 12 organizations properly reported aims and goals for the continuous improvement of SE policies and practices. In addition, almost all of the NPOs in the sample that presented a second or third edition report (32/37) did not dedicate a section or mention the feedback of stakeholders on previous editions of the report.

Here is a clear example of NPO reporting that touched on possible improvements of the SE process:

X recognizes that stakeholder engagement is a continuous process and will go on with filling the gaps in formal stakeholder consultation during the coming year.

Concretely, these are the targets for next year:

- Interviewing governmental organizations, civil society organizations, and community members related to X;
- Organizing a general meeting with the management crew of all business units;
- Interviewing suppliers of X that have signed a shareholder agreement in 2010;
- Performing the routine consultation round of local management, employees, and supplier smallholders where relevant in all business units;
- Setting up a formal description for determining materiality based on stakeholder consultation.

Finally, only five NPOs declared that they had adopted national or international SE guidelines, which was confirmed by the complex heterogeneity detected in the SE processes described in the various reports.

It is also necessary to note that the survey has shown that SE in reporting is not always related or clearly linked with stakeholder representation in the organization's governing bodies. In cases where we found high levels of SE in reporting, about half of NPOs had multi-stakeholder governance (almost all of them are mutual entities and associations). In these organizations many representatives of priority stakeholders and some representatives of nonpriority stakeholders had a seat in the organization's board of directors or supervisory board, or had a staff (consulting) role for the organization. The high presence of representatives of different groups of stakeholders in the governing bodies of these NPOs was not a free choice; rather it was strictly linked to legislative or statutory requirements to reserve seats for them. The former are related to the specific legal form adopted (e.g., cooperative), while the latter represent the formal recognition of the stakeholders' moral role as agents (Hill & Jones, 1992), especially among associations.

One more aspect that emerged from our research is related to the type of language utilized in the documents. Contrary to our expectations, we found a few cases in which the language and the expressions utilized might produce concerns about the use of rhetoric and the presence of greenwashing policies (O'Dwyer, 2002; Spence and Gray, 2007). In some cases we found reports in which the description of the SE process was illustrated by referring to adopted standards rather than declaring the type of actions that had actually been carried out. Thus, the transparency of information, according to GRI principles, is questionable. Consider the following example (a foundation) in which the text reported is the only information on SE:

X actively supports several national and international initiatives focusing on sustainable development and responsible business practice. We are strongly committed to the principles of the UN Global Compact, and are represented on the advisory committee on Supply Chain Sustainability. X is an organizational stakeholder and member of the Stakeholder Council

of the Global Reporting Initiative (GRI) and continuously works to ensure transparency in its corporate reporting. It aims to have achieved A+ level on the GRI index by 2014. We are members of AccountAbility (AA) Technical Committees, and were members of the AA Standards Board until it was dissolved at the end of 2010. . . .

Similarly, the X units holding accreditation from national accreditation bodies have set up advisory boards. Committees and advisory boards are examples of our commitment to embracing the notion of multi-stakeholder engagement. Also, regular customer surveys provide essential feedback to continuously improve the quality and relevance of our services in alignment with stakeholder expectations.

Nevertheless, due to the limits of content analysis and in absence of a process of direct consultation of stakeholders, we were not able to evaluate possible misreporting behaviors on specific aspects of the sustainability performance, such as difficulties and problems met in the organization management with stakeholders and local communities. In this regard, the principles of relevance and materiality in the context of SR suggest that the SE will determine which information and data should be included in the report (Gray, 2000, pp. 249–250).

Finally, as mentioned before, the findings obtained from the content analysis were shared with the representatives (presidents, CEOs, or equivalent positions) of the NPOs in order to obtain their views on the evidence gathered. We sent the survey form with the single organization results by e-mail twice and we obtained feedback from 41 of the 54 sample organizations. In other words, the return was positive for the purpose of verifying the findings. Thirty-five organizations basically agreed with the results of the survey, responding with “we agree” or “we almost completely agree” to each of the items we analyzed in our survey form.

Among representatives from three foundations, with reference to certain items characterized by particularly negative answers to specific elements related to the materiality of SR, the results were disputed. These organizations stated that the section dedicated to the SE in the SR, reported in accordance with the GRI guidelines, “did not require the explanation of some elements investigated,” or “is reported in a synthetic way but it is even so present,” or “is implicit in the reporting process and there are evidence of that in section on results that are declined by stakeholder categories.” They, in effect, justified the particularly low levels achieved in these items. This could suggest that content analysis, as we declare in the conclusion of this study, might have some limitations in terms of evaluating real levels of SE in SR. Nevertheless, since these organizations have adopted the GRI guidelines, this kind of reply is only partially acceptable. GRI guidelines, in fact, require full and exhaustive information on this topic through an analytic close examination of the SE procedures adopted.

Three other NPOs explicitly criticized the methodology of the survey, stating that “a content analysis does not detect the level of SE achieved by the organization” (or similar expressions) in any of the areas investigated. In these cases, however, the SE sections of their sustainability reports were particularly poor in terms of both the quality and quantity of information.

We believe that neither form of contestation can be accepted. In the first three cases, this was because the previously mentioned sections are compulsory for reports issued in accordance with levels A or B of the GRI guidelines. In the other three, this was due to the fact that content analysis was used as a first stage of verifying the levels of SE that were declared by the NPOs. In fact, the presence of the 12 items, according to the content analysis, does not automatically prove high levels of SE. At the same time, however, we believe that the total absence or the poor quality of certain mandatory elements required by the GRI guidelines represent a preliminary indicator of SE weakness and deficiency.

CONCLUSIONS

The main aim of the present research has been to understand the role that SE takes in SR, determining whether and to what extent the engagement is effective or rather tends to assume the characteristics of stakeholder management and a balancing of different expectations (Owen et al., 2001) in the reporting processes. The empirical research carried out has enabled identification of a limited level of stakeholder involvement in the reporting process, despite the fact that NPO reports were all inserted into the GRI database with high levels of conformity to respective guidelines. The latter, as already mentioned, indicates the need to make adequate SE—before, during, and after drafting the report—in accordance with principles of materiality and relevance of information disclosed (GRI, 2006).

The assertion maintained in the literature that NPOs should satisfy the information needs of various categories of stakeholders—while for companies the main intended users are the investors—is not fully confirmed by the present study (see primarily items 4, 6, 9, 10). Our research has shown that the quality of reporting in terms of observation of the materiality and relevance principles is not high and is based on a stakeholder management outlook, rather than on effective SE, which calls for reciprocal commitment on all sides in defining report contents (Manetti, 2011). The results are even less encouraging if we consider the scarce attention paid by NPOs to declaring an intention to improve SE (see items 10–11).

In order to verify if, in addition to obvious balancing of key stakeholder expectations in SR, management also identifies and declares NPO-stakeholders’ reciprocal rights and duties, our research would have to be developed using different and more extensive methodology. We refer

primarily to interviews with directors and managers, on the one hand, and stakeholder representatives, on the other, along the lines of what similar research studies have already done (Edgley, Jones, & Solomon, 2010). Certainly the lack of reference in the reports to the identification of stakeholder representatives and to problems or difficulties encountered in involving them leads one to doubt the actual substance of these practices.

The NPOs analyzed showed low or intermediate levels of participation in reference to reporting for definition of information given. This aspect is not always significantly linked to the higher or lower presence of stakeholders' representatives in the governing bodies. In other words, our study has discovered a prevalence of stakeholder management policies and practices over SE ones, which ought to set up a mutual and reciprocal system of rights and duties between the NPO and its stakeholders. The sampled organizations partially failed in terms of demonstrating transparency and openness to stakeholder scrutiny, which could be useful in facing competition and uncertainty due to the changes in the economic environment in the third sector. Some NPOs, however, have started to disclose in order to signal a higher level of efficiency and socially responsible behavior (Mussari and Monfardini, 2010), but the lack of SE seriously affects the credibility of the information disclosed. This lack of materiality could be related to a low level of experience in SR and to the shortage of resources (both financial and human). In any case, the reports analyzed do not seem to be real instruments of "dialogic" accounting (Bebbington, Brown, Frame, & Thomson, 2007) and are not fulfilling their fundamental role of maintaining and strengthening organizational legitimacy through dialogue and participation (Suchmann, 1995).

Furthermore, under an interpretive perspective, SR, if based on the principles of materiality and relevance, could represent the NPOs' growing attention to their external accountability by a more social constructivist view of social impact and influence (Dart, 2004; Gray, 2002; Kendall & Knapp, 2000; Nicholls, 2009; Paton, 2003). This form of "dialogic accounting" would reflect the changing institutional context within which their organizational legitimacy is constructed. However, it is important to note that dialogic-informed engagements extend beyond notions of communication. They refer to iterative mutual learning processes that are designed to promote transformative action (Bebbington et al., 2007). In particular, SR should be able to explore the potential for dialogic processes to inform accountability relationships between stakeholders and NPOs, especially among third sector organizations that are deeply rooted in the local communities (Gray, Owen, & Adams, 1996).

The "bottom up" trend toward facilitating greater SE in designing the reporting practices that affect NPOs (Jacobs, 2006) collides with the evidence we collected in the present study. The prevalence of stakeholder management practices over SE strategies represents, in fact, a meaningful and powerful obstacle to the implementation of such a form of dialogic accounting.

Among the limits of this present study, we note that we didn't find possible links between the quality of SE in reporting and possible benefits in terms of social, mission, or even financial performance for the organizations, for their stakeholders, or for their local communities. More specifically, we didn't study whether NPOs with high SE achieve better results in terms of social or financial performance in comparison to those that did not. Furthermore we didn't verify if this behavior has possible consequences for stakeholders and local communities in the long term, but only whether this process contributes to a better respect of the principles of materiality and relevance of information communicated. Consequently, we cannot recommend higher or lower levels of SE in SR to NPOs without recalling the normal duties of accountability and the correlated problem of the quality of information disclosed. As a result, we noticed limited practical consequences from our study, producing, instead, evidence of a divergence between the declared relevance of information reported and the actual implemented practices.

Moreover, we should also note that it would be advisable to go beyond content analysis of sustainability reports (e.g., carrying out structured or semistructured interviews with directors, managers, and stakeholder representatives). Here, a possible development of this present study might be identified where, by direct consultation of those concerned in the processes, an in-depth examination could be made as to the quality of SE. This could be very important to verify the propensity to SE by the NPOs that do not report this type of information in their sustainability reports for specific reasons: privacy policies, lack of awareness about requirements and strategic opportunities of accountability systems—and especially SR systems. At the same time, the interviews might reveal lower levels of SE than those declared in sustainability reports, thus confirming, through stronger evidence, the results and the conclusions of the present research.

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