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**An institutional approach to sustainable operations and procurement by third sector organizations<sup>1</sup>**

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*does not allow the upload of the final printed version*

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# **An institutional approach to sustainable operations and procurement by third sector organizations**

## **Summary**

Awareness of (un)sustainable operations is increasing in both academic research and practice. However, little is known about sustainable operations within the third sector. When it comes to sustainable practices, the role played by third sector organizations, and especially non-governmental organizations, has mostly been regarded as advocacy. We shift this traditional perspective by analyzing sustainability of internal operations, including procurement, by third sector organizations. Institutional theory is used to discuss the reporting trends that were found in a document analysis of reports by third sector organizations. We present research lines that might allow understanding drivers and constraints of such (reporting) practices.

***Key words:*** *institutional theory; procurement; sustainable operations; third sector*

## **Introduction**

There is an increasing interest in sustainable operations and supply chains, and the topic is becoming mainstream in literature (Corbett & Klassen, 2006; Corbett & Kleindorfer, 2003; Pagell & Wu, 2009). Internal (sustainable) operations include not only the daily operations performed by organizations, but also the procurement of new products and services to enable the organizations' activities. Similarly, the literature on sustainable procurement is growing and so is the number of scopes, labels and definitions in this area, from "purchasing social responsibility" (Carter, 2005) to "environmental supply chain management" (Walker, Di Sisto, & McBain, 2008) and from "sustainable supply chain management" (Seuring & Müller, 2008) to "green supply chain practices" (Vachon & Klassen, 2006). The private sector and, to a lesser extent, the government sector (Walker, et al., 2008) are subject of academic research in this area. Still, scarce attention has been devoted to sustainability of internal operations and procurement of third sector organizations, which is especially intriguing considering the growing economic and social importance of these organizations which often have social and environmentally oriented missions.

Third sector organizations (TSO) generally comprise a set of organizations in between market, the state, and the community (Pestoff, 1998). These include a wide range of nonprofits, associations, non-governmental organizations (NGO), mutual benefit societies, and some foundations, among others. In general, these organizations can be classified in terms of their approach as a) 'campaigning' - e.g. campaigning organizations, political parties, or b) 'mutual support' - e.g. trade unions, professional associations, cooperatives, or c) 'service-providing organizations' - e.g. most voluntary organizations, housing associations, and arts organizations (Hudson, 2009). For TSO, sourcing of products, materials and services can include organizational purchases to run the organization, like computer hardware and software, housing, traveling, or it can be related to the primary process of the TSO like material for service providing or tents for refugees, for instance. In this paper we do not make a distinction and we include all types of purchases by TSO, as well as general sustainable internal operations. In our research, sustainable procurement stands for 'buying products, materials or services, while integrating environmental and/or social criteria in the buying process, next to economic criteria'. Procurement is

closely intertwined with internal operations in general. Internal operations require procurement of services and materials like water, energy or office materials and so have a major influence on specifications and quantities of purchases.

In terms of sustainable operations and procurement, the most widely studied organizations are business firms. Among the several drivers that lead businesses to adopt a sustainable approach in their operations, there are pressures exerted by campaigning TSO such as non-governmental organizations, like Greenpeace, Amnesty International and Oxfam International, to mention a few. As noted by Waddock (2008, p. 91), since the mid-1990s “many large companies have focused on managing their stakeholder responsibilities explicitly, in particular their global supply chains, which have come under intense criticism and scrutiny by NGO and activists”. Widely known cases that involved malpractices in terms of sustainable procurement among business firms include the Nike scandals in the 90s, or more recently, the GAP scandal on child labor issues. The role of campaigning TSO as watchdogs of large multinational corporations, as well as their advocacy role in developing good practices is well established in the literature (e.g. Domeisen & Hulm, 2006; Kong, Salzmann, Steger, & Ionescu-Somers, 2002; Stonich & Bailey, 2000). However, after decades of being the demanders of accountability to major companies, TSO have started to be themselves questioned about accountability, and this has increasingly been discussed and researched (e.g. Jepson, 2005; O'Dwyer & Unerman, 2008). In this paper, we shift the traditional stakeholder perspective on sustainability, as TSO are becoming increasingly aware of their responsibilities towards their own stakeholders. As recently noted by Jeremy Hobbs, the Chair of the Board of the INGO Accountability Charter<sup>2</sup>, in order to strengthen accountability of these organizations, there is the need that they “commit to the same accountability standards they frequently demand from others”. The new NGO supplement<sup>3</sup> of the GRI

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<sup>2</sup> In the “Outcome of the Workshop on the GRI NGO reporting framework for members of the INGO Accountability Charter Company, London 14 October 2010”, available online at <http://www.ingoaccountabilitycharter.org/wpcms/wp-content/uploads/10-11-01-GRI-Workshop-Outcome.pdf>, on the 10<sup>th</sup> of February, 2011.

<sup>3</sup> <http://www.globalreporting.org/ReportingFramework/SectorSupplements/NGO/>, accessed on the 9<sup>th</sup> of December, 2010.

– Global Reporting Initiative<sup>4</sup> – Guidelines is an example of the reporting and accountability needs of these organizations. As Ebrahim (2005) alerts to accountability myopia, accountability should not be only towards donors, but instead to a larger set of stakeholders.

Nevertheless, when shifting this perspective of analysis, scant attention has been devoted in literature to TSO internal sustainable practices. Some examples include cases of nonprofit organizations buying fair trade products (Low & Davenport, 2009), or motivations to buy renewable electricity (Wiser, Fowlie, & Holt, 2001), or the use of sustainable timber in projects (Zuo, Potangaroa, Wilkinson, & Rotimi, 2009). More recently, Meehan and Bryde (2011) have concluded from a survey to Housing Associations in the UK, that there is not only a failure to overcome inertia in relation to sustainable procurement, but also, the fact that in the few associations with established practices, only the environmental element of the triple bottom line, rather than social elements is considered. This is particularly intriguing since this type of organizations “have sustainability-related issues in their missions and external and internal pressures to embed sustainability, yet this has not translated into widespread establishment of sustainable procurement” (Meehan & Bryde, 2011, p. 94).

The purpose of this paper is twofold. First, we want to explore a shifted perspective on reporting of internal (sustainable) operations, including procurement practices, by focusing on TSO. Second, we want to contribute to the theoretical background by directing questions for further research that will allow us to better understand drivers and constraints of such practices by TSO. We explore how TSO formally report on sustainability of their internal operations and procurement, combined with a discussion on institutional and organizational factors that might be driving their behavior.

After a discussion on the need for legitimacy and accountability of TSO based on both stakeholder and institutional theories, the empirical part of the paper focuses on reporting by TSO that follow the GRI Guidelines and could be considered as frontrunners. We explore the reported practices of 23 TSO using documentary analysis of public reports. From this analysis, we conclude that these frontrunner

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<sup>4</sup> GRI is a global multi-stakeholder network of people and organizations that collaborates to advance sustainability reporting world-wide. Its specific mission is to entrench sustainability reporting as a useful and robust practice both for organizations and for their stakeholders ([www.globalreporting.org](http://www.globalreporting.org)).

TSO generally report on sustainability of their internal operations and to a lesser extent report to have some formal approach to it, such as sustainability policies or guidelines. When it comes to sustainable procurement practices and concerns, although reported to a lesser extent, these organizations in general reveal an increasing awareness to these topics. The discussion and conclusion section is devoted to the articulation on the reasons why would TSO behave in a sustainable way and report it, enlightened mainly by the institutional theory and the results from the exploratory analysis, proposing further avenues for research.

## **Theoretical framework**

### ***Stakeholder theory: shifting the focus***

Stakeholder theory has been vastly debated in the literature for the last decades with seminal work that has enlightened researchers and practitioners (eg. Clarkson, 1995; Donaldson & Preston, 1995; Freeman, 1984; Mitchell, Agle, & Wood, 1997; Post, Preston, & Sachs, 2002). Freeman (1984) defines stakeholders as any group or individual who can affect or is affected by the achievement of the firm's objectives. Stakeholders may be external to the organization like NGO's, governments, customers, competitors, media, suppliers, but internal as well like owners, employees, managers. The literature on stakeholder theory has evolved into a more complex approach of what indeed comprises the stakeholders and their relationship with the organization. As Clarkson (1995, p. 106) noted, "the corporation itself can be defined as a system of primary stakeholder groups, a complex set of relationships between and among interest groups with different rights, objectives, expectations, and responsibilities". Among this large set of stakeholder groups, TSO, and particularly NGO have had an important role in areas such as sustainability or human rights.

When it comes to sustainable practices within the supply chain, the relationship between business firms and NGO has taken various forms, including an advocacy role (e.g. Domeisen & Hulm, 2006; Kong, et al., 2002; Stonich & Bailey, 2000), acting sometimes with a watchdog role. Yet, more and

more the collaborations between firms and NGO to address social and environmental issues are reported (eg. Bastmeijer & Verschuuren, 2005; Pagell & Wu, 2009). As noted by Pagell and Wu (2009, p. 50), some organizations “are treating these entities as knowledge suppliers, not potential sources of trouble”. Also, organizations with innovation capability and a managerial orientation towards sustainability view NGO differently, leveraging their skills and abilities (Pagell & Wu, 2009).

Still, the existing literature tends to regard TSO as a specific type of stakeholders that may have an interest in the behavior of certain other organizations (e.g. Clarkson, 1995; Freeman, 1984), promoting better practices in a variety of fields. Despite its valuable contribution, this conceals the role of these organizations as agents of sustainable conduct within their own operations and within their supply chains. When considering stakeholders within a larger network of relationships, TSO themselves have stakeholders which might call for sustainable practices in their supply chains, including those that claim for sustainable practices of business firms (Figure 1). For instance, increasing partnerships with corporations may lead them to meet similar standards as their partners who may ask for those standards as well (Jepson, 2005). The same can be expected from the relationships with governments.

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INSERT FIGURE 1 ABOUT HERE

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A similar perspective has been taken by Pollitt and Summa (1997) who have researched this shifted perspective in the field of Supreme Audit Institutions, which are national bodies that play a role in holding other public institutions accountable for the use of public funds. Although this shifted perspective is not original, the literature is scarce especially on the sustainable management of TSO internal operations and procurement practices.



### *Stakeholder expectations, legitimacy and institutional theory*

Stakeholder theory is closely related to legitimacy (Freeman, 1984; Mitchell, et al., 1997). Legitimacy is a potential important driving force and guidance for business conduct, since it is crucial for organizations in general, including not-for-profit oriented organizations. Suchman (1995, p. 574) defines legitimacy as a “generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions”. Legitimacy reflects congruence between the behaviors of the legitimated entity and the shared (or assumedly shared) beliefs of some social groups. Lack of legitimacy can be disastrous for an organization. For instance, Fernandez (2008) found that Spanish associations considered more legitimate lasted longer, while Singh, Tucker and House (1986) concluded that external legitimacy depressed organizational death rates. These results are in line with institutional theory, which sustains that institutional rules act as myths which are incorporated by the organizations, gaining legitimacy, resources, stability, and enhanced survival prospects (Meyer & Rowan, 1977).

Institutions “are comprised of regulative, normative and cultural-cognitive elements that, together, with associated activities and resources, provide stability and meaning to social life” (Scott, 2008, p. 48). According to the institutional theory, there are three pillars of institutions: regulative, normative, and cultural-cognitive systems (Scott, 2008).

First, the regulative pillar stresses “a stable system of rules, whether formal or informal, backed by surveillance and sanctioning power that is accompanied by feelings of fear/guilt or innocence/incorruptibility” (Scott, 2008, p. 54).

Secondly, the normative element of institutional theory emphasizes “the stabilizing influence of social beliefs and norms that are both internalized and imposed by others” (Scott, 2008, p. 56). Normative systems include values, norms and roles, which work as constraints to social behavior, while certification and accreditation are important instruments that somehow attest the compliance with such values and norms. Since the institutional environment is comprised of normative, legal and regulatory elements, organizations must conform to them if they are to achieve the legitimacy that is necessary for survival (DiMaggio & Powell, 1983).

Finally, the cultural-cognitive conception of institutions stresses “the central role played by the socially mediated construction of a common framework of meaning” (Scott, 2008, p. 59). This includes taken for granted routines, or shared conceptions and common beliefs that tend to lead to isomorphism (DiMaggio & Powell, 1983).

For the different pillars of institutions, there are different basis of legitimacy (Scott, 2008). Indeed, Suchman’s (1995) definition presented before reflects the idea that legitimacy depends on the collective audience, rather than on the perceptions of the individuals *per se*. Linking with the institutional pillars, the regulatory legitimacy depends on the conformity with rules, while the normative legitimacy is morally governed, since it requires conformity of values, and the cultural-cognitive legitimacy comes from “conforming to a common definition of the situation, frame of reference, or a recognizable role or structural template” (Scott, 2008, p. 61).

The relevance of institutional theory within this shifted stakeholder perspective on TSO lays not only on the link between the search for legitimacy by organizations and how this can be accomplished by behaving and reporting sustainable practices, but also in the notion that businesses and TSO are different types of institutions, which are subject to different institutional forces. This institutional theory framework has been applied before in research that touches on the research purpose of this paper. For instance, the analysis of NGO legitimacy according to different audiences or stakeholders (Lister, 2003), or the influence of normative and mimetic (cultural-cognitive) pillars on firms adopting sustainable initiatives (Perez-Batres, Miller, & Pisani, 2010), or the institutional and economic conditions under which corporations behave in socially responsible ways (Campbell, 2007).

As noted before, literature on sustainable operations and procurement has traditionally mostly been focused on corporations, where the economic motivations are strong. According to Campbell (2007) “the relationships between economic conditions and socially responsible corporate behavior are mediated by several institutional factors”. The institutional factors that can play a role in the decision of the corporations to behave or not in a socially responsible way include public and private regulation (Campbell, 2007), or if there is the presence of NGO’s or independent organizations that monitor their behavior, cases where they operate in an environment that calls for such behavior are institutionalized,

or where there is associative behavior among corporations that promotes socially responsible practices, and there are organized dialogues among corporations and their stakeholders. To some extent, these institutional factors encompass what Waddock (2008) refers to as the ‘new rules’ that “reframe what companies need to do to sustain their legitimacy and be accepted social actors”. The author refers to “an emerging institutional infrastructure on corporate social responsibility” originated by state/government, as well as market/economic and civil society initiatives (Waddock, 2008, p. 87). Indeed, the interplay of these multiple forces has played a role in influencing the behavior of corporations. What remains to be explained is the potential reasons for TSO to behave in a sustainable way using the institutional framework. What may guide the behavior of TSO to adhere and report on sustainable internal operations and procurement practices? The next sections are devoted to the empirical research on existing reported practices of TSO that will enlighten the discussion of potential drivers and constraints.

## **Methodology**

The empirical part of this paper is based on exploratory research of secondary data with purposeful sampling, set up to investigate existing reporting practices in terms of internal operations and procurement. Theoretical sampling was used to facilitate theoretical generalization (Eisenhardt, 1989; Miles & Huberman, 1994). Based on the theoretical framework, we have decided to look for organizations that reported against sustainability reporting standards since they can be considered as exemplars which are most likely to provide insights by reporting on sustainable practices. This positively biased sample serves the purpose of our study, which is to explore existing reporting practices to raise research questions for further research. Frontrunners are most likely to have those practices for study in place. Considering the exploratory nature of the paper, we believe this is not a concern. Also, such reporting standards allow cross-comparison. As noted by Waddock (2008, p. 93), GRI guidelines allow “cross-company and cross-industry comparisons based on its common reporting framework. Since the reports follow the same reporting guidelines, it enhances the chances that uniformed coding procedures can be applied to the whole sample. Still, for the aim of this paper, these

guidelines only partially covered our research purpose and coding was adapted as the reports were being analyzed.

From a list of organizations reporting against GRI guidelines, we have selected the ones that fall under the non-profit/services category of the GRI listing of reports<sup>5</sup> published in 2009. From that first selection of thirty two organizations, we retained all retrievable reports of third sector organizations (and not public organizations), published in Dutch, English, German, Portuguese and Spanish. The final sample consisted of twenty three organizations.

Similarly to Pollitt and Summa (1997), our analysis is confined to documents, in this case annual or sustainability reports (or similar). For the purpose of this exploratory paper, we do not attempt to collect primary data, such as interviews or observations but we rather explore on the basis of publicly available reports which are there to provide transparency. Data from the reports were collected on internal operations and purchased materials or services<sup>6</sup>. For each case of the sample, the attributes were defined, covering the following areas:

- Classification by Approach: Campaigning (e.g. campaigning organizations, political parties), Mutual Support (e.g. trade unions, professional associations, cooperatives), Service-providing (e.g. most voluntary organizations, housing associations, arts organizations).
- Region: Europe; Asia; Africa; Latin America; Oceania.
- GRI Reporting level: A+; A; B+; B; C+; C.
- GRI Reporting status: Self-declared; Third Party checked; GRI-checked.
- Report Year
- Income (Euro): Less than 1.000.000; 1.000.000 – 5.000.000; 5.000.000 – 10.000.000; 10.000.000 – 50.000.000; More than 50.000.000.

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<sup>5</sup> Available online at <http://www.globalreporting.org/ReportServices/GRIReportsList/> on the 14<sup>th</sup> of December, 2010

<sup>6</sup> It is worth noting that Human Resources Management of the TSO is out of scope of our paper.

In order to explore the sustainable practices, both in terms of internal operations and procurement, the following codes were used to analyze the reports:

- Sustainable operations practices or guidelines in place or planned: Yes; No/Unclear.
- Sustainable procurement practices or guidelines in place or planned: Yes; No/Unclear.
- Report on internal operations: Water; Energy, batteries; Paper, ink, office materials; Travel, gas, petroleum; Infra-structure, buildings
- Depth of report: Use; Evolution; Target
- Examples of sustainable procurement: Fair trade products; Recycled paper; Other.
- Procurement concerns: Human rights and Child Labor; Environment; Fight against corruption; Other.
- Procedures related to pollution: CO2 emissions; Waste; Recycling/ Reuse.

As noted before, these codes have evolved throughout the analysis process, taking into consideration the data available in terms of reporting practices. The coding and analysis of the reports were performed using the qualitative analysis software MAXQDA10, which has enhanced the potential to explore the analysis process.

**Results**

The TSO that were analyzed differ in terms of organizational approach and income, are originated in different regions of the world, and vary in terms of GRI reporting. The profile of the twenty three organizations is presented on Table 1.

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INSERT TABLE 1 ABOUT HERE  
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Considering the organizational approach followed by the TSO in the sample, there were ten service-providing, followed by nine mutual supporting, and four campaigning organizations. It is noteworthy that whenever more than one approach would fit the mission of the organization, we have selected what we considered to be the dominant approach. Most of the sample is composed of European organizations (12), followed by Latin America (5) and Oceania (4). In terms of GRI reporting, the dominant level is C, which is the one with the lowest reporting requirements, and reports were mostly self-reported (17), although in the remaining cases they were either checked by a third party (2) or GRI (4). Finally, the income of these TSO is highly varied. The lower ranges until five million euros account for seven organizations, followed by the range between the five and fifty million euros with twelve organizations in total, and only four organizations have an income above fifty million euros.

Regarding the information reported, Table 2 provides a cross-code analysis that can enhance our understanding of the data reported.

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INSERT TABLE 2 ABOUT HERE  
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First of all, we have considered internal operations. From the document analysis, we found that all of the twenty three organizations reported some type of sustainable practices or guidelines in place or in development (ranging from informal to formal with a policy, or a department for instance) in terms of their operations. Mostly, the report is related to consumption of resources as energy (22), travel (18), paper (17) or water (15). Considering the different spend categories, or the procedures related to pollution, we looked for three levels of depth of report. Hence, we checked the extent to which the organizations reported only the use for the reported year, or if an evolution was presented in figures or at least referred to as an increase/decrease. As a sign of stronger commitment, we looked for organizations that established targets for those items. Considering that in some cases the organizations presented different reporting depth for the different categories (e.g. water, energy, paper, etc.), the same organization could have been coded as having reported use, and evolution, and target. The

reports referred mainly to the use of resources in the reported year (11) or some evolution from the past (16) but to a lesser extent there were targets established (9). Still, we could see that among those sixteen organizations that reported evolution and not only use, they did so sometimes for only one or two categories (4), until four or five categories (9). This reveals that even when monitoring systems are in place for at least one year, the basic reporting is normally related to energy and water consumptions. In most of the cases where evolution was presented there was a positive progress, but there were also cases where a negative progression were presented. In those cases, some organizations provided explanations for the figures, such as changes in the number of trips, activities developed and other operational needs. Finally, among the nine organizations that reported targets in at least one category, eight of them also reported evolution, suggesting that in order to define targets, organizations need to be aware of the underlying evolution. Yet, again the level of detail in the targets is varied, since some organizations quantify the targets, whereas others only give a qualitative indication (e.g. targets were accomplished but without referring the figures, or indicating that green energy is a target, or indicating the aim of reducing the use of a certain resource). Secondly, we have analysed disclosure on procurement. From the analysis of the reports, we concluded that when it comes specifically to sustainable procurement practices or guidelines, the extent of reporting is more limited. There were fourteen organizations that reported either formal or informal guidelines in terms of procurement practices, which were either in place or at least being developed. These guidelines range from references to informal purchasing criteria, into formal procurement policies. Some excerpts from the reports are useful to illustrate the increasing importance devoted to sustainable procurement issues:

*“When we spend money on our suppliers, we have two considerations in mind. We want value for money, and we want our suppliers to meet basic ethical standards. We have therefore been reviewing our procurement policies and procedures, giving particular attention to sustainable procurement principles, including ethical, environmental and economic considerations.”* (Camp3, p.65)

*“In our purchasing of goods and services, we have to balance cost-effectiveness with our responsibility to promote sustainable livelihoods and to minimise any negative impacts in our supply chain. This involves influencing companies to source their products ethically, promoting Fair Trade, and campaigning on labour rights and climate change.”* (Serv6, p.17)

As noted by Serv6, it is indeed noteworthy the reference that is made in some cases to the influence their own behaviours in terms of procurement might have on others in the supply chain:

*“Our Policy of Sustainable procurement, to be implemented soon, will formalize our search to influence positively through our choices.”* (Camp1, p.28)

*“The reason ‘Camp2’ chose to focus on the development of a procurement policy is that procurement is a unique opportunity for any organization to promote concrete change on a broader scale, to make a real difference and scale up the positive effects of responsible business outside of its own operations for the benefit society as a whole.”*  
(Camp2, p.30)

The environment seems to be the major area of concern for sustainability of operations and procurement, with all the fourteen organizations reporting something related to that topic, rather than Human Rights and Child Labour, where only eight organizations specifically revealed some concern. In some cases, they mentioned that considering the nature of their activities and where they were placed, human rights were not a concern. Still, the conscience that these organizations have to account for these issues is present in statements such as these:

*“Regardless of the type of work we do, if we have an impact on the environment, we want to account for it and minimise any negative impacts”* (Sup6, p.27)

*“As an NGO whose primary focus is on the psychosocial and physical well-being of children, we are keenly aware that in today’s society no one can ignore the connection between social, economic and environmental sustainability. We cannot presume to be*



*able to provide for healthy children in the absence of either a healthy economy or a healthy natural environment” (Serv7, p.42)*

Also, a note should be made to the fact that among the eight organizations that revealed some concern about Human Rights, seven of them also had, or planned to have, sustainable procurement practices or guidelines. Such connection can be viewed from two of the reports:

*“‘Serv4’ is aware that the purchasing decisions that it makes can have human rights implications for people who produce goods. We consider these issues and choose to buy fair trade items in some cases (...) ‘Serv4’ will continue to evaluate the purchasing decisions that it makes to become more aware of its human rights impact, and to change purchasing behaviours where possible” (Serv4, p.12)*

*“We expect that our new procurement policy will incorporate the following principles: We will support the Ethical Trading Initiative Base Code, and expect our suppliers to adhere to its principles throughout their supply chains; We will not deal with any companies involved in the supply of arms, or strategic services for military, security or police forces or involved in the production of tobacco; We will commit to using companies that can demonstrate sound environmental policies and practices; (...) We will not knowingly work with or recommend companies that oppose the principles of trade unionism” (Camp3, p.65)*

Examples of sustainable procurement included the acquisition of recycled paper, fair trade products, or products with eco-certification, or green power, to name a few. In terms of selecting suppliers, some TSO opted to buy from travel companies offering a service to offset carbon emissions, or preferential purchases of products from disabled and small and medium enterprises. Statements like this reinforce this idea:

*“We will not discriminate against local and smaller suppliers in our procurement process and give them preferential treatment wherever possible” (Camp3, p.65)*

Also, several other measures in place to prevent future procurement included energy- and water-saving equipment, or investment in more efficient appliances, or the introduction of e-books, online seminars and similar procedures to reduce the demand.

Finally, we found various procedures related to the reduction of pollution, including data on CO<sub>2</sub> emissions, waste and recycling (and reuse). One of the most common issues in the reports, and more developed in terms of detailed information, is related to CO<sub>2</sub> emissions (19). Often, we could find references about the calculations of emissions, and ways to account for them. In general, these reports were accompanied by the energy and travel information. Procedures to deal with waste (15) and recycling of materials (14) such as paper, plastic, or glass are also common among the sample.

## **Discussion and Conclusion**

As expected, we recognize the influence of GRI guidelines on the reports. The group of selected frontrunner TSO reports –in a varying degree- about sustainable practices within their own internal operations. This is an up going trend if we consider that from the twenty three TSO in the sample, the earliest record of report published following GRI guidelines is of two organizations in 2005, another two in 2006 (not the same), and then four in 2007 and finally seven in 2008. Within this positive trend, a tendency seems to be in place from consumption of resources (demand management) to also include guidelines on procurement (e.g. supplier selection criteria). At this respect it is noteworthy that the GRI organization itself refers in its report to the need for a formal procurement policy, arguing that it is an opportunity to influence the behaviour of others. Still, the fact that there is no specific section in the GRI guidelines currently about procurement might lead the organizations not to report about this. Also, the fact that in reporting, emphasis is placed on environmental aspects rather than social factors is in line with other studies across different sectors (Meehan & Bryde, 2011; Pagell & Wu, 2009; Seuring & Müller, 2008).

Considering the results from document analysis, what institutional drivers can be driving these trends in terms of reporting and ultimately behavior in itself? More than finding a full answer to this

question, this paper aims at raising the discussion of these issues that have received scant attention in the literature, opening avenues of research.

Firstly, considering the regulative pillar, the existence of regulation, such as tax exemptions influences the behavior of corporations in terms of their socially responsible practices (Campbell, 2007). But, considering that typically the activity of not-for-profit organizations is tax-exempt (excluding, for instance, some commercial activities), what other regulative institutions could exert some influence on TSO behaving in a sustainable way? Also, as mentioned before, it can be expected that firms will act in a more socially responsible way when TSO or other outsiders in their environment that monitor what they do and mobilize when necessary (Campbell, 2007). But who is there to monitor what TSO themselves are doing? Does the fact that there is self-regulation in the sense that standards are set by other TSO (e.g. GRI or INGO Accountability Charter) influence the way they behave and report their behavior?

Secondly, and considering the normative element, to which extent do TSO operate in environments where normative claims are institutionalized, mutually reinforcing their obligations? Does the fact that TSO are increasingly reporting against standards, which are themselves progressively being adapted to the NGO sector (e.g. The GRI NGO reporting framework recently developed through multi-stakeholder consultation), mean that there is a reinforcement of their social obligation towards sustainable behavior and report? Additionally, is the normative status of TSO themselves, as not-for-profit mission oriented organizations playing a role? By the simple fact that they are not-for-profit oriented, with socially and/or environmentally oriented missions, may legitimacy automatically be guaranteed, excusing them from reporting sustainable practices? Moreover, accountability pressures tend to emphasize for example mission accomplishment and use of funds, and annual reports are naturally built around this mission. Can this deviate TSO from reporting sustainability of internal operations and procurement?

Finally, considering the cultural-cognitive element, pressures from other peers may influence companies' socially responsible behavior, by participating in dialogues, conferences, for instance (Campbell, 2007; Waddock, 2008). Can the same be expected to happen in TSO? Does the fact that

increasingly these organizations are members of institutions that promote reporting and accountability standards, such as GRI and INGO Accountability Charter, increase their shared conceptions of what comprises sustainable practices in their supply chain? Considering that these accountability standards tend to promote dialogues with stakeholders, to which extent does it enhance the chances of shared understanding and common beliefs? Or can we say that these TSO come from countries where sustainability is culturally supported, increasing the shared beliefs about sustainable practices? Are these principles taken-for-granted in a way that TSO do not consider necessary reporting those practices? Finally, can their own campaigns trigger them to practice what they preach?

When exploring these questions in the future, one should not forget that besides institutional factors that may drive the practices, other internal issues may play a role in the reason why a TSO would develop and report on sustainable practices in their internal operations. First, one can consider the economic conditions (Campbell, 2007) as potential enabler or disabler of sustainable practices. In some cases, to behave in a sustainable way may cost money, although it could pay-off in the long term. For instance, the investment in more efficient equipment or insulation of buildings, that prevents future (energy) consumption, or the consumption of fair trade products, are expected to be more costly to TSO. On the other hand, there are sustainable practices that do not require additional money, but on the contrary, allow saving money, such as an energy reduction policy or reduction of other resources like paper. Second, the level of professionalization in general has been pointed out as a major challenge of the nonprofit sector (Helmig, Jegers, & Lapsley, 2004). Hence, the extent of managerial competencies in TSO can affect the extent to which they behave in a sustainable way and procure sustainably (and report it), as supply management resources and capabilities are important enablers of sustainable procurement (Bowen, Cousins, Lamming, & Farukt, 2001). Finally, the organizational size can play a role as well. In the for-profit world, among buying firms, those with larger purchasing volumes are more likely to be involved in green purchasing than smaller ones (Min & Galle, 2001). This might be similar for TSO.

The results of our study give an important indication about developments in the area of sustainability reporting by TSO. However, results cannot, and are not intended, to be generalized to the whole TSO

community, since our sample has been based on purposive selection. Also, the fact that in the document analysis we look at what has been communicated through annual reports may raise some issues, since the sources of data are the organizations themselves. On the one hand, as noted by Campbell (2007), it is important to distinguish the rhetoric behavior from the substantive action. Some green washing by the organizations is possible on sustainable procurement. On the other hand, TSO may in fact be developing much more in practice, but not feel the need to report on it.

We believe this paper contributes to stakeholder theory by shifting a usual perspective to the internal processes of TSO. For academic research, the shifted perspective on internal operations of TSO will be an interesting area for future research. From the institutional perspective, additional research could shed light on the mechanisms that are triggering TSO's apparent tendency to increasingly report on their internal sustainable operations, and especially in terms of sustainable procurement. Further research could include in-depth qualitative research on the drivers and constraints of TSO to develop sustainable practices, exploring the extent to which institutional and internal factors -as discussed above- do play a role as they do for business firms. Furthermore, a subsequent quantitative study with a large sample that combines both TSO reporting or not against guidelines as these of GRI would enrich the understanding of the role of these factors, while enhancing the possibility for generalization of the conclusions.

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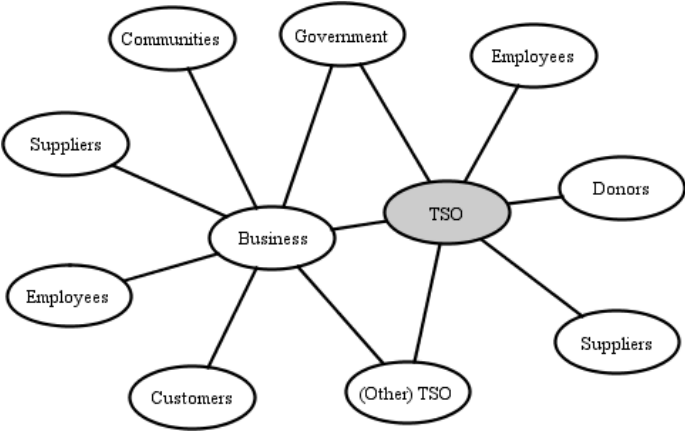
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**Figures and Tables**

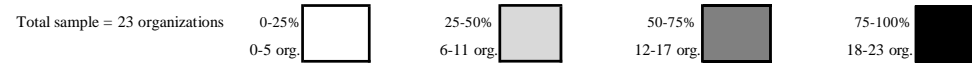


**Figure 1** – A shifted perspective: TSO as focal organization amongst its stakeholders

		Organizational approach			
		Campaigning	Mutual Support	Service Providing	Total
Region	Europe	2	3	7	12
	Asia		1		1
	Africa			1	1
	Latin America	2	2	1	5
	Oceania		3	1	4
GRI Reporting level	A+			1	1
	A	2	2		4
	B+		1		1
	B	1	2		3
	C+		1		1
	C	1	3	9	13
GRI Reporting status	Self-declared	3	5	9	17
	Third Party checked		2		2
	GRI-checked	1	2	1	4
Income (Euro)	Less than 1.000.000	2			2
	1.000.000 – 5.000.000		3	2	5
	5.000.000 – 10.000.000	1	1	4	6
	10.000.000 – 50.000.000	1	2	3	6
	More than 50.000.000		3	1	4
Total		4	9	10	23

**Table 1-** Attribute profile of the sample

	Sust. operations practices in place or planned	Sust. procur. practices in place or planned	Report on internal operations					Depth of report			Eg. sustainable procurement			Operations or procurement concerns				Procedures related to pollution				
			Water	Energy, batteries	Paper, ink, office mat.	Travel, gas, petrol.	Infra-struct., buildings	Use	Evol.	Target	Fair trade products	Recycled paper	Other..	Human rights and Child L.	Envir.	Fight against corruption	Other..	CO2 emissions	Waste	Recycling/ Reuse		
Sust. operations practices in place or planned																						
Sust. procurement practices in place or planned			14																			
Report on internal operations	Water	9																				
	Energy, batteries	14	15																			
	Paper, ink, office materials	11	17	11																		
	Travel, gas, petroleum	12	18	12	13																	
	Infra-structure, buildings	9	7	6	9	8																
Depth of report	Use	6	11	7	8	9	4															
	Evolution	10	16	13	12	13	6	5														
	Target	5	9	6	9	7	3	4	8													
Eg. sustainable procurement	Fair trade products	5	7	5	6	7	3	3	5	3												
	Recycled paper	7	9	7	8	8	5	5	7	3	3											
	Other..	10	14	10	11	12	7	7	11	5	5	6										
Operations or procurement concerns	Human rights and Child L.	7	8	3	6	6	4	3	5	3	4	3	4									
	Environment	14	22	15	17	18	10	11	16	9	7	9	14	8								
	Fight against corruption	0	1	0	1	0	0	1	0	0	0	0	0	1	1							
	Other..	4	3	4	3	3	2	4	1	0	2	4	4	0	4	0						
Procedures related to pollution	CO2 emissions	12	18	12	15	16	9	10	13	8	6	9	13	5	19	0	4					
	Waste	11	15	10	11	11	7	7	12	6	4	6	11	7	15	1	4	12				
	Recycling/ Reuse	10	14	9	11	10	8	7	10	5	3	6	10	6	14	1	3	12	12			
<i>No. Organ. Reporting on each code</i>			23	14	15	22	17	18	10	11	16	9	7	9	14	8	23	1	4	19	15	14



**Table 2 – Cross-code analysis**