Advancing Sustainable Development in the Public Sector via Stakeholders’ Engagement Disclosure Website

Mariam Midin\textsuperscript{a,}\textsuperscript{*}, Corina Joseph\textsuperscript{b}, Nafsiah Mohamad\textsuperscript{c}

\textsuperscript{a, b}Universiti Teknologi MARA Sarawak, Kota Samarahan, 94300, Malaysia
\textsuperscript{c}Accounting Research Institute, Universiti Teknologi MARA, Shah Alam, 40450, Malaysia

Abstract

One of the important elements in advancing sustainability agenda in the public sector is the public participation or stakeholders’ engagement. The dissemination of sustainability information is crucial in ensuring the effectiveness of the stakeholders’ engagement. Past studies have highlighted the importance of websites as a strategic tool in promoting the sustainability agenda. This study aims to determine the relationship between e-PBT star rating, ISO commitment e-community, internal goals and council’s size, and the extent of stakeholders’ engagement disclosure on Malaysian local authority website using an institutional theory framework. Adopting a modified stakeholders’ engagement index to measure the extent of stakeholders’ engagement disclosure, the unit of analysis for this research is 108 Malaysian local council websites. To reduce any subjectivity, the disclosure index is unweighted and consists of 40 items. e-PBT star rating, ISO commitment e-community and internal goals are found to have significant relationship with the extent of stakeholders’ engagement disclosure. Overall, the findings indicate the presence of institutional isomorphism – particularly coercive and normative isomorphism – in explaining the extent of stakeholders’ engagement disclosure on websites. The research has multiple implications as it provides insights into websites of stakeholders’ engagement disclosure in a developing country. It also adds support to institutional isomorphism as a valid theoretical framework within this context. One of the most important practical implications is to highlight the ability of local governments in a developing country like Malaysia for being able to disseminate stakeholders’ engagement information through their websites to increase greater transparency and accountability, which in turn, advancing sustainable development in the public sector.

Keywords: public sector; stakeholders engagement; isomorphism; website

* Corresponding author. Tel.: +6-082-677-200; fax: +6-082-677-300.
E-mail address: mariammidin88@gmail.com
1. Introduction

“Sustainable development” is a term that is gaining popularity throughout the world. Numerous strategic plans for implementing and monitoring sustainable development at national and local levels have been conducted. Within two decades after the Brundtland Report (1987) was released, the geopolitical and environmental landscape of the world has changed significantly (Sneddon, Howarth and Norgaard, 2006). With regard to this issue, there is a need to ensure people around the world understand the concept of sustainability and act towards overcoming challenges that lie ahead to achieve true sustainability. Therefore, in order to achieve true sustainability, institutions at all levels must be effectively committed, transparent and accountable on the occasion of organizing any programs or activities that can affect sustainable development. This is due to the fact that sustainable development requires concrete and urgent action thus can only be achieved with cooperation from a broad alliance of people, governments, civil society and the private sectors. The 2012 Resilient People, Resilient Planet report of the United Nations (UN) Secretary General’s High Level Global Sustainability Panel recommended that, the government of Malaysia should adopt national sustainable development plans and strategies, which include bringing together all relevant stakeholders from the governments, civil society and the private sectors in order to achieve sustainability (Malhotra, 2012). However, the mechanisms for public participation lack proper adherence and timing to allow for effective input, hence there is lack of access to official government information on all matters. Therefore, the Civil Society Organisation (CSO) has recommended that the government should provide technological and information access to all levels of society which is in line with the public sector reform (Singh, 2004).

During the late 1980s, government agencies around the world began to implement public sector management reforms to improve their efficiency and effectiveness due to demands placed on governments for improved usage of public funds (Mucciarone and Neilson, 2011). This includes several Organisation for Economic Co-operation and Development (OECD) countries that became the central to the rise of the “New Public Management” (NPM) and its associated doctrines of public accountability and organizational best practice (Hood, 1995, p. 93). In Malaysia, NPM has led to the introduction of electronic government (e-government) that encourages the usage of websites as a medium for communication with the citizens by disclosing as much information as possible relating to sustainable development including the disclosure of stakeholder engagement information which in turn, advancing sustainable development. This study aims to determine the relationship between e-PBT star rating, ISO commitment, e-community, internal goals and council’s size and the extent of stakeholders’ engagement disclosure on Malaysia local authority websites using an institutional theory framework.

The paper begins with an overview of prior literature, an outline of the theoretical framework and hypotheses development. In the subsequent two sections, the research design is described and results are delivered. Finally, implications and the conclusion are featured in the penultimate and final sections, respectively.

2. Literature review

2.1. Sustainable development

During the past decade, the concept of sustainable development attracted significant attention from researchers, governments of different countries and international environmental organizations. According to Joseph (2013), “due to the increase in environment complexities, it is becoming increasingly difficult to ignore the concept of sustainable development” (p. 442). Hsieh (2012) stated that, “the need for sustainability has assumed an increasing importance on the environmental agendas of nations around the world” (p.97). According to the United Nations (1987), the sustainable development refers to, “the needs of the present without compromising the ability of future generations to meet their own needs” (p.247). It contains two key concepts: the concept of 'needs', in particular, and the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs. Until today, there have been numerous conferences which have been held all over the world. A very important event that triggered the intention of worldwide nations is the United Nations Conference on Environment and Development or “Earth Summit” in 1992 which was held in Rio de Janeiro, Brazil (Elliot, 2006). The Earth Summit had triggered a chain reaction worldwide and the concept of sustainable development has become a global phenomenon (Ismail, 2012).
2.2. Stakeholder engagement

One of the major characteristics of good governance is stakeholders’ participation (Global Reporting Initiatives, 2013). Stakeholders’ participation and inclusiveness are part of multi-stakeholder engagement processes where they can strengthen sustainability, thus improving governance. The GRI’s guidance has focused on stakeholders’ inclusiveness in the reporting process. Stakeholders’ participation for good governance has been increasingly sought and embedded into national and international policies for sustainable development (Global Reporting Initiatives, 2013). Fundamentally, decisions made by organizations can harm stakeholders and affect their rights. Thus, it is very important for an organization to manage relationship with the stakeholders to motivate them to behave in ways that support the functions, goals, objectives and development of that organization. While stakeholder engagement is not new, it is now accepted as crucial to an organization’s sustainability and success (Accountability, 2008).

3. Theoretical framework and hypothesis development

3.1. Institutional theory

After a period of growth and high creative energy, the institutional theory in organizations has apparently entered a phase of more deliberate development (Scott, 1987). Since the publication of Meyer and Rowan’s (1977) classic article, organizational analyses which are based on an institutional perspective have proliferated (Tolbert and Zucker, 1999). Over the long history of social scientific thinking through the mid-twentieth century, institutional theories grew and improved (Meyer, 2007). Institutional theorists assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures.

This paper which adopts an institutional theory on the concept of isomorphism, introduced by DiMaggio and Powell (1983), is applied in the study. Isomorphism is related to the public sector reform (Frumkin and Galaskiewicz (2004). According to Frumkin and Galaskiewicz (2004), the isomorphism conception is related to the local government environment. Websites are considered as an important channel for organisations to communicate and to convince their multiple stakeholders that they are receptive to societal concerns (Othman, Darus, and Arshad (2011). Isomorphism is a process that forces one unit to conform with other units in the population, and deals with similar situations. DiMaggio and Powell (1983) presented three types of pressures namely: 1) coercive; 2) mimetic; and, 3) normative which persuade an organization to respond to its environment and become isomorphic. Due to the irrelevancy of mimetic isomorphism used in the quantitative research design, therefore, it is not used in this paper (Joseph and Taplin, 2012a).

Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and also by cultural expectations in the society within which the organization functions (DiMaggio and Powell, 1983, p. 150). DiMaggio and Powell (1983) also found that such pressure may be felt as force, persuasion, or invitations to join the collusion. Within Malaysia, federal and state governments use numerous forms of coercive isomorphic pressures, including both internal and external influences (Mucciarone and Neilson, 2011). In this paper, indicators for coercive isomorphism are e-PBT Star Rating and e-Community.

The next mechanism is normative isomorphism and stems primarily from professionalization whereby the first aspect of professionalization is “the resting of formal education and of legitimation in cognitive base produced by university specialists”. The second aspect is “the growth and elaboration of professional networks that span organizations and across which new models diffuse rapidly” (DiMaggio and Powell, 1983, p. 152). This can be achieved via formal and informal communication, for example, seminars, meetings and websites (Joseph and Taplin, 2012a). In this paper, the indicators for normative isomorphism are internal goals for sustainable values and resources which reflect and promote crucial organization’s objectives, goals and practices and ISO commitment.

3.2. Hypotheses development

In this paper, four hypotheses were developed and discussed as follows:
3.2.1. Internal goals

Under the institutional theory lens, internal goals are one of the normative pressures because vision, mission and objectives in an organization are driven towards achieving good performance and delivering excellent services to the users. Amran and Devi (2008) argued that normative isomorphism pressures may occur when a firm has a stated goal related to corporate social responsibility (CSR) such as a goal reflecting the way the company should behave. Cahaya, Porter, Tower and Brown (2012) argued that in the context of labour disclosure practices, a company that has an explicit and clearly stated goal positively impact the sustainable value of its employees. In this paper, when the employees in the local authorities, especially those who are involved in managing the websites, have core values that act as a norm that affect their behaviour needed in delivering the services to the community, it will directly influence the level of disclosure of stakeholder engagement on the websites. Based on the isomorphism concept, setting a clearer direction from top to bottom will promote normative pressure where it helps to conceptualize and articulate the future direction of the organization, thus allowing those responsible for setting that direction to develop a common understanding of where the organization is heading. Hence, it is hypothesized that internal goals will have a positive relationship with the extent of stakeholder engagement disclosure on Malaysian local authority websites.

H1: The extent of stakeholder engagement disclosure on the websites is higher on the local authorities that have stakeholder engagement elements contained in their internal goals.

3.2.2. E-community

As the lowest tier and the closest government to the public in terms of providing services, local government is indirectly dependent on wider public opinion to establish favourable government attitudes towards their organizations. To remain in the political power, the government is also dependent on positive public opinion towards their policy making. Public opinion can be easily accessed through online sources because of technology advancement nowadays. This is where the e-community on the websites can coercively influence the level of stakeholders’ engagement disclosure as there was an overall view that the formal and informal coercive pressures government had been facing by various public led to an overpromising of what public services can achieve. Government had come under increasing public pressure to enhance the performance of the service delivery and accessibility to the services the organization provides.

Kaur and Lodhia (2014) stated that, online forums are emerging as new and an efficient media for stakeholder engagement in local councils. They also stated that stakeholders are being engaged using two-way communication tools such as consultation. Hence, consultation can take place via online forums. Furthermore, when the public require feedback or demand explanations through these online forums, the local authorities will be compelled to reply or give feedback to whatever issues that will be brought up by the community. Failure to do so will bring about other consequences such as being reported to higher authorities, such as the federal government. This will tamish the reputation of the local authorities which leads to other issues such as accountability and transparency. As a result, this will influence the ‘extensiveness’ of the stakeholders’ engagement disclosure. It is expected that e-community will have a positive relationship with the extent of stakeholder engagement disclosure on Malaysian local authority website as a result of coercive isomorphism. In this paper, it is suggested that even though it is not a requirement from the ministry to have e-community, via feedback from shareholders, it will be one of the indirect coercive pressures as stakeholders will have chances to participate in the implementation of programs and policies of the local authorities through online forum and poll. Hence, it is hypothesized that:

H2: The extent of stakeholders’ engagement disclosure on the websites is higher on the local authorities that have E-Community.

3.2.3. e-PBT star rating

The introduction of e-PBT star ratings in 2008 via adopting online e-PBT under e-government initiative is used to encourage local government to strive for better management and service delivery. It is the Minister’s requirement for the local government to increase the star rating every year in order to increase the performance that leads to coercive pressure in line with isomorphism concept used in the paper. Coercive isomorphism is a response to
pressures from other organisations and that the organisation is dependent on, as well as the pressure to conform to the expectations of a society.

Prior study that has used star rating grading system in the study is Ismail (2012), where he examined the relationship between start rating results with the extent of sustainability reporting on local authorities websites. The study showed that the star rating system has influence the sustainability reporting on the local authority’s website. Similarly, it is expected that star rating results will have a positive relationship with the extent of stakeholder engagement disclosure on Malaysian local authority website. It is expected that star rating results will have a positive relationship with the extent of stakeholder engagement disclosure on Malaysian local authority website as a result of coercive isomorphism. Therefore, it is hypothesized that:

H3: The extent of stakeholder engagement disclosure on the websites is higher on the local authorities that achieved higher e-PBT star rating.

3.2.4. ISO commitment

In conjunction with many other countries in the world, Malaysia has implemented ISO standards. ISO standards draw on international expertise and experience and are therefore a vital resource for governments when charting public policy. International Standards by their very nature, are powerful instruments of governance. In public sector, the standards can enable greater transparency, openness, and effectiveness for a good policy-making. The standards emphasize the values of inclusiveness which is important for stakeholders’ engagement and they believe that it is important that stakeholders be able to express their needs in standards development efforts related to public policy that can guarantee a high level of acceptance of the policy.

Joseph and Taplin (2012) found that international initiatives can influence the local government’s sustainability disclosure. In the study, it is identified that international sustainable development initiatives had motivated Malaysia to adopt the Local Agenda 21 programs. This had significantly influenced the sustainability disclosure on local government websites. Similarly, an ISO standard is also an internationally recognised standard which may influence stakeholders’ engagement disclosure for sustainable development on local authority websites. Based on their study, Joseph, Jonathan and Nichol (2014) found that local authority is motivated to implement ISO 14001 due to rigorous competitions and issues of environmental sustainability, thus lead to the desire to set an example for other organizations and raise awareness of environmental issues within the organization and the community. Joseph et. al (2014) found that ISO is one of the quality improvement programs which brought a positive impact to an organization. It is expected that ISO commitment results will have a positive relationship with the extent of stakeholder’s engagement disclosure on Malaysian local authority website as a result of normative isomorphism. For this reason, it is hypothesized that:

H4: The extent of stakeholder’s engagement disclosure on the websites is higher on the local authorities that have greater commitment towards ISO program.

3.2.5. Control variable

A control variable which may affect the extent of stakeholders’ engagement disclosure on Malaysian local authority website used is total population distribution which is a proxy to council’s size. It is suggested here that larger council population will disclose more stakeholders’ engagement information on the website.

4. Research method

The entire web site of Malaysian local authorities was examined for disclosures, but other links to another organisation were excluded. To assist with reliability and validity, all web sites were accessed during July 2014. This study adopts a modified stakeholder engagement index from a study by Kaur and Lodhia (2014) to measure the extent of stakeholders’ engagement disclosure. The population of this paper is Malaysian local authorities consisting of City Councils, Municipal Councils and District Councils. Since a sample size of 108 is needed out of 149 councils, all City Councils and Municipal Councils are included in the paper. The remaining sample size was taken from District Councils. The rationale behind this is, according to Joseph, Pilcher and Taplin (2014), larger councils, which are the City and Municipal councils, disclosed more sustainability information. The extent of disclosure was
measured by using the dichotomous approach where “0” was assigned for non-disclosure and “1” for items that were disclosed in the annual report. Three independent variables (internal goals, e-community and ISO commitment) are measured with dummy variables with 1 indicating presence and 0 absence. For e-PBT star rating, a five-star rating will be given to those getting 90 to 100 marks, followed by four stars for those with 75 to 89 marks, three stars for 60 to 74, two stars for 46 to 59 and one star for 45 marks and below. The General Linear Model (GLM) was used due to the presence of categorical independent variables. This provided not only tests for individual dummy variables but also the overall tests for each variable.

5. Results

Based on the results derived from Table 1, in average, the local authority have disclosed 12 (M=0.3056 X 40 items) items out of 40 items being tested. The maximum number of items disclosed by the councils are 0.5 or 20 (0.5 x 40) items out of 40 and the minimum items disclosed are 0.05 or 2 (0.005 x 40) with a standard deviation of 0.11250. Meanwhile, there are several councils which reported the maximum number of items with a total of 19 items each.

Table 1. Descriptive statistics for the dependent variable.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder’s engagement disclosure</td>
<td>0.05</td>
<td>0.50</td>
<td>0.3056</td>
<td>0.11250</td>
</tr>
</tbody>
</table>

The independent variables in this study are summarised as follows. The results generated for internal goals showed a total of 70 councils or 64.8% samples did not have stakeholder’s engagement information in their internal goals and 38 councils or 35.2% samples had stakeholder’s engagement information in their internal goals. Secondly on the second independent variable, e-community, 49 councils or 45.4% samples were found not to have e-community, and 59 councils or 54.6% were discovered to have e-community. Thirdly, e-PBT star rating results showed that there was only 1 council or 0.9% which had a score of 45 marks and below. Meanwhile, there were 14 councils or 13% samples which scored between 46-59 marks. 36 councils or 33.3% samples scored between 60-74 marks and 20 councils or 18.5% samples had a score between 75-89 marks. No councils scored between 90-100 marks. Finally, on the ISO commitment, a total of 62 councils or 57.4% samples did not disclose any information on ISO. The remaining of the councils disclosed the ISO on their websites with a total of 42 councils or 42.6% samples.

To achieve the objective of this paper, the multiple regression was performed (refer Table 2). Internal goals were significantly related with stakeholders’ engagement disclosure as its P-value (0.009) is smaller than 0.05 significant level. This means that, in Malaysia, local authorities that have stakeholders’ engagement elements contained in the internal goals disclosed more stakeholders’ engagement information on their websites as compared to local authorities that do not have stakeholders’ engagement elements in the internal goals. This corresponds with the normative isomorphism tenet. E-community is significantly related with stakeholder’s engagement disclosure as its P-value is smaller than 0.05 significance level. This means that, Malaysian local authorities that have e-community on the website disclose more stakeholders’ engagement information as compared to local authorities that do not have the e-community on their websites. E-community is found to be a significant independent variable in explaining the extent of stakeholders’ engagement disclosure on the websites due to the pressure from the stakeholders especially the public in the form of complaints and feedback on the issues raised through the online polls or forums via e-community. This is in line with the coercive isomorphism tenet.

e-PBT star rating is highly significant as its p value (0.001) is equal to 0.01 significant level. Thus, there is sufficient evidence to conclude that e-PBT star rating is associated with the extent of stakeholders’ engagement disclosure on the websites. This indicates that, in Malaysia, local authorities that have higher star rating disclose more stakeholders’ engagement information on the websites than local authorities which have lower star rating. e-PBT star rating is found to be corresponding with the coercive isomorphism tenet due to the facts that it is introduced by the Ministry of Housing and Local Government to assess councils’ performance in delivering their services, thus in influencing the level of disclosure.

ISO commitment is also highly significant when associated with the extent of stakeholders’ engagement
disclosure as its p-value (0.001) is equal to 0.01 significant level. This indicates that, Malaysian local authorities which have commitment towards ISO implementation disclose more stakeholder’s engagement information on the websites that local authorities that do not have ISO commitment. It appears that ISO commitment has some impacts on the usage of website in promoting stakeholders’ engagement disclosure under the normative isomorphism, which is consistent with the findings by Joseph and Taplin (2012b) that international initiatives can influence local government’s sustainability disclosure in adopting Local Agenda 21.

The results show that the controlled variable which is the council’s size is significantly influenced by the extent of SED on websites. The p-value of 0.032 is smaller than 0.05 significant level. This indicates that the larger the total population of distribution of the council, the more stakeholder engagement information would be disclosed on the websites.

Table 2: Relationship between dependent variable and independent variables.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Expect sign</th>
<th>p-value</th>
<th>Coefficient</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal goals</td>
<td>+</td>
<td>0.009*</td>
<td>0.190</td>
<td>Accepted</td>
</tr>
<tr>
<td>E-community</td>
<td>+</td>
<td>0.014**</td>
<td>0.234</td>
<td>Accepted</td>
</tr>
<tr>
<td>e-PBT star rating</td>
<td>+</td>
<td>0.001*</td>
<td>0.350</td>
<td>Accepted</td>
</tr>
<tr>
<td>ISO commitment</td>
<td>+</td>
<td>0.001*</td>
<td>0.253</td>
<td>Accepted</td>
</tr>
<tr>
<td>Council’s size (total population distribution)</td>
<td>+</td>
<td>0.032**</td>
<td>0.190</td>
<td>Accepted</td>
</tr>
<tr>
<td>Adjusted $R^2$</td>
<td></td>
<td></td>
<td></td>
<td>0.498</td>
</tr>
</tbody>
</table>

Notes: *Highly significant at p-value < 0.01 level; **significant at p-value < 0.05 level; ***moderately significant at p-value < 0.1 level

6. Conclusion

This study contributes to the growing literature on the extent of stakeholders’ engagement website disclosure by focusing on the public sector’s environment. One of the most significant contributions made is the finding that e-PBT star rating and e-community are significantly influenced by the extent of disclosure established evidence of coercive pressures from the stakeholders, particularly the public and higher levels of government. Next is the contribution of institutional isomorphism in understanding factors such as internal goals which may influence the extent of the stakeholders’ engagement website disclosure by the local authority. A third contribution is, this research appears to be the first research in Malaysia analysing stakeholders’ engagement website disclosure using a modified stakeholders’ engagement index in a local government setting. Therefore, this is a significant contribution to the pool of literature, not only to developing countries, but also as a tool for future use in public sectors of CSR related research.

Finally, this research uses a developed stakeholder engagement checklist instrument which was constructed based on past studies. These include the stakeholder engagement index from Kaur and Lodhia (2014), 17 categorizations of non-financial data on websites from Ghani and Said (2010), additional elements from Chinyio and Olomolaiye (2010) and a preliminary observation of nine selected local authorities consisting of city and municipal councils. This provides new insights into stakeholders’ engagement disclosure on local authority websites in Malaysia. The modified checklist can also be extended to private companies.

References
