



Seeking legitimacy: Social reporting in the healthcare sector

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ARTICLE INFO

Article history:

Received 19 June 2012

Received in revised form 4 October 2012

Accepted 8 November 2012

Keywords:

Legitimacy theory

Social reporting

Healthcare sector

ABSTRACT

This study aims to contribute to the legitimacy theory by evaluating the legitimizing capacity of a social reporting practice performed by a healthcare trust. The study is based on an in-depth analysis of a significant case of social reporting by an healthcare trust, using a multi-method research approach.

The study revealed that a social report can provide legitimacy, although a number of factors may impede it. Managing these factors is crucial in order to avoid cynicism from stakeholders. Distrust may emerge when the social report is (mis)used to legitimize the management and the organization instead of the performance achieved.

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1. Introduction

Legitimacy theory (henceforth LT) has been widely used by scholars to explain certain behaviours adopted by organizations in both the private and public sectors. A vast body of literature explains social reporting practices as a legitimizing strategy, suggesting that the disclosure of information is beneficial to organizations. Here we aim to investigate whether social reporting practices are as effective as a legitimacy tool as they are presumed to be.

This study is based on the in-depth analysis of a significant case of social report (henceforth SR) compilation by a local healthcare trust, which we will call Alpha. Alpha is an Italian public healthcare trust with one of the longest histories of uninterrupted SR compilation in the country. This study adopted a multi-method approach, making use of both semi-structured interviews and focus groups.

Following an analysis of LT, the paper offers a brief review of key research on the subject of social reporting in the public sector. It subsequently illustrates the empirical study of Alpha. Finally, the paper concludes with a critical discussion of the data gathered in the case studied.

The paper contributes to the literature in several ways. Firstly, it does so from a methodological perspective, as it uses a case study to explain the achievement of legitimacy; secondly, it offers a more detailed picture, distinguishing among different internal and external corporate stakeholders and, finally, it provides empirical evidence of the fact that social reporting does not automatically result in legitimacy. Reporting may be a tool of legitimacy, but when it is used as a strategy to legitimize the compiling organization it prompts suspicion from stakeholders, who react with cynicism and mistrust in the reliability of social reports.

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2. Theoretical framework

LT has developed from the definition of the concept of legitimacy, the most used definition of which is that of Mark Suchman, who claims that “*Legitimacy is a generalised 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*” (Suchman, 1995: 574). As Dowling and Pfeffer put it “*organizational legitimacy is the outcome of, on the one hand, the process of legitimation enacted by the focal organization, and on the other, the actions affecting relevant norms and values taken by other groups and organizations. Social norms and values are not immutable. Changing social norms and values constitute one motivation for organizational change and one source of pressure for organizational legitimation*” (Dowling & Pfeffer, 1975: 125). Legitimacy is a complex concept, comprising various dimensions; in a static perspective, a distinction has been made between pragmatic, moral and cognitive legitimacy (Suchman, 1995). The first depends on the capacity of organizational behaviour to positively affect its audience’s wellbeing; moral legitimacy concerns judging the rightness of what an organization is actually doing, and cognitive legitimacy depends on the capacity of the organization to render its actions and behaviour predictable (Suchman, 1995). In a more dynamic perspective, different strategies have been designed to obtain legitimacy: some aim to gain it, others to maintain it at a satisfactory level and, finally, some seek to repair it whenever it is disrupted (Suchman, 1995). According with Dowling and Pfeffer, recalling an older book by Charles Perrow, legitimacy can be obtained in three ways: “*adapting organisation’s outputs, goals and methods of operation to conform to prevailing definitions of legitimacy; [...] attempt[ing], through communication, to alter the definition of social legitimacy so that it conforms to the organization’s present practices, output and values; [...] attempt[ing], again through communication, to become identified with symbols, values or institutions which have a strong base of social legitimacy*” (Dowling & Pfeffer, 1975: 127).

The strategies described seem quite coherent with the possible responses to institutional pressure suggested in the literature (Ball & Craig, 2010). In the Oliver’s framework of responses to institutional pressures, legitimacy is an organizational objective (Oliver, 1991: 149). According to this Author, institutional pressures may be totally, or even partially, accepted, but also avoided, defied or manipulated; in any case, all strategies have in common a process of (re-)production of the organization’s social position, which needs to be defended by modifying either the organization’s characteristics or its environment, according to the stakeholders’ expectations (Giddens, 1984). In the literature, LT has been linked to many theoretical strands, namely stakeholder theory (De Villiers & van Staden, 2006; Van der Laan, 2009), Neo Institutional Theory (Chung & Parker, 2010; Tilling & Tilt, 2010) and Resource Dependence Theory (Oliver, 1991; Tilling & Tilt, 2010). Beside such potential for theoretical hybridisation which may be worth some further research, LT is widely used to explain the adoption of SR practices by organizations (Hopwood, 2009: 437) and within this field it is considered to be the most common and fruitful theoretical approach (Campbell, Craven, & Shrivies, 2003; Mahadeo, Oogarah-Hanuman, & Soobaroyen, 2011: 158; Woodward, Edwards, & Birkin, 1996).

In order to offer a contribution to LT, this paper examines the use of disclosure through a social reporting practice as a legitimizing tool by an organization in the health-care sector, with the aim of understanding whether and what kind of legitimacy has been achieved.

3. Disclosure as a legitimizing tool

Disclosure is considered a powerful legitimizing tool, first and foremost because disclosure recalls the idea of accountability, which is universally considered to be good. To be accountable is regarded as both a moral right and morally right for all kinds of organizations, and reporting is the main way to fulfil accountability obligations. Secondly, external reporting often relies on accounting information. The role of accounting is widely discussed in the literature (Burchell, Clubb, Hopwood, Hughes, & Nahapiet, 1980; Hines, 1989, 1992; Lehman & Tinker, 1985): it is regarded as offering objective knowledge of reality by representing a rationality of quantification, which is much appreciated because it apparently reduces uncertainty and allows for more effective control (Hines, 1992). In this sense a report whose content and title are related to accounting is convincing, despite the fact that its content may effectively be more qualitative than quantitative. Accounts are therefore drawn up to be believed. Part of the literature also claims that, since accounts of social reality do not necessarily correspond to it, accounting practices are considered to have a constitutive as well as a descriptive role (Hines, 1989). This “hidden power” to construct reality depends on the producer of information alone, that is on the disclosing organization (Hines, 1988). At the same time, to put it in Giddens’ terms, disclosure is a practice involving signification, legitimation and domination. Indeed, it makes organizational language understandable and clarifies results, thus increasing its readers’ knowledge (Schlierer et al., 2012); it also illustrates what values and ideals are considered acceptable within the organization, allowing readers to judge for themselves. Finally, it is still a way through which the actor, namely the organization, may exert domination over its readers, by selecting which information to disclose (Giddens, 1984).

Among the different types of disclosure, SR gained a consistent attention among the scholars in general terms (Mathews, 1997; Parker, 2011), with specific investigation of what important Journals have published about the topic (Bebbington, 1997; Gray, 2002; Owen, 2008) and to what kind of scientific contribution is coming from scholars belonging to the same specific geographical areas (Deegan & Soltys, 2007).

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