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## EDITORIAL

Welcome to the 3rd edition of the 2004 APCEA Journal. This edition of the journal will feature ongoing work by Jeff Faux in the areas of triple bottom line reporting and the user perspective. Currently Jeff is undertaking significant work in this area linked to Tourism and sustainability. An article by Trevor Wilmshurst also features, looking at stakeholder theory and the contentious issue of the lack of realism in the current state of play where managerial and normative perspectives are seen as quite distinct and separate concerns. It is proposed that theories about stakeholders should be seen as a research tradition based on the motivations underlying these theories.

In this edition of the journal a report on three conferences attended this year is made. The breadth of coverage of corporate governance, social and environmental accounting issues was pleasing.

A number of web sites that are worthy of attention are highlighted with short summaries of content. Reference is made to the Centre for Environmental Risk Assessment and Remediation, to Environmental Education, to the US Environmental Management Accounting Research and Information Centre, to the MBA and inclusion of environmental content, to the Electronic Green Journal and Accounting Today.

Environmental profile provides interesting information in regard to environmental and social cost measurements adopted by Ricoh, and the approach adopted by Hitachi.

The editors encourage academics and practitioners from all disciplines to submit articles to the journal for publication. The survival of this journal

is dependant on active participation. Details of the format required are provided on the last page of this edition.

The final edition of Volume 10 will be sent out in mid-late January 2005. Dr. Patricia Stanton, from the University of Newcastle will be taking over the editorship of the journal for 2005. A subscription form for 2005 will be sent out with the next edition.

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Back issues of the news journal and its predecessor are available on line at the above address. 2004 issues will be available on line in 2005.

# STAKEHOLDER THEORY: MODELLING STAKEHOLDER THEORIES AS A RESEARCH TRADITION: SME AUSTRALIAN EVIDENCE

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A number of stakeholder theories have developed overtime to explain, or to identify what the nature of the firm-stakeholder interaction should be. Each offers insights into the motivations that potentially could influence management in their decision to interact with stakeholders in the decision to report information about the firm's activities. These various approaches to stakeholder theory have offered partial, often confusing explanations of the motivations for the firm-stakeholder interaction [Freeman 1994, Carroll and Nasi 1997, Rowley 1997]. Broadly theoretical perspectives have fallen into one of two perspectives, these perspectives have been characterized as managerial or normative [ethical].

A number of researchers recognizing that both managerial and normative motivations contribute to decision-making have suggested approaches to stakeholder theory that may assist in the analysis of the firm-stakeholder interaction. Trevino and Weaver [1999] have argued that stakeholder theory would be better characterized as a 'Stakeholder Research Tradition'<sup>1</sup> rather than as one theory. While Jones and Wicks [1999] proposed the 'Convergent

Stakeholder Theory' which was intended to offer an approach to the unification of the two branches of stakeholder theory in which the various stakeholder theories were to be seen as a 'class of theories'. As with Freeman [1999] they recognized that "neither of the convergent forms of stakeholder theory is complete without the other" [p.206]. Freeman [1994] had argued against the notion of convergent stakeholder theory, he argued that, "the stakeholder theory' can be unpacked into a number of stakeholder theories, each of which has a 'normative core,' inextricably linked to the way that corporations should be governed and the way that managers should act. So, attempts to more fully define, or more carefully define a stakeholder theory are misguided" [p.413]. In a later paper Freeman [1999] reinforced this view, arguing that "what we need is not more theory that converges but more narratives that are divergent – that show us different but useful ways to understand organisations in stakeholder terms" [p.233].

This study proposes a metaphoric approach to stakeholder theory. The interaction between management and the stakeholder is analyzed through the motivations identified by the various stakeholder theories to underlie the decision by management to report to stakeholders. The empirical part of this study seeks to identify whether these motivations identified by theory do play a role in management decision-making. It is argued that the firm-stakeholder interaction should be analyzed in a

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<sup>1</sup> Trevino and Weaver [1999] argue, "research traditions incorporate multiple, varied theories that are focused on the same domain of observed or postulated phenomena or related sets of questions or problems. Further, research traditions not only typically specify a subject domain but also may implicitly delineate important questions, basic concepts, and taken-for-granted assumptions" [p.224].

framework of motivations that are derived from the various stakeholder theories, and seen to influence decision-making in practice. It is argued that this approach will be better able to explain the nature of interaction between the firm and the stakeholder in the decision by management to report environmental information by identifying the broader range of influences on that decision derived from the various stakeholder theories. In this way the current paper offers an approach to the operationalization of stakeholder theory by considering the motivations identified by each of the various theories about the firm-stakeholder interaction that are argued to underlie the decision to report to stakeholders. This approach allows the divergent narratives<sup>2</sup> of the firm-stakeholder interaction to be told.

The following broad research question is posed:

*Will a metaphoric approach to stakeholder theory, based on the motivations derived from the different theoretical perspectives about the firm-stakeholder interaction, be able to provide a more complete basis from which to understand the interaction between the firm and its stakeholders in the decision by management to report environmental information?*

The common link between these theories is the stakeholder. The managerial perspectives identify the *actual response* to stakeholders expected while the normative perspectives suggest that there

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<sup>2</sup> A narrative is defined in the Pocket Oxford Dictionary as an 'ordered account of connected events'. In this context the narrative is about identifying whether the various theoretical motivations identified by the theories about stakeholders for reporting environmental information are considered by management. Those motivations that are form a part of the metaphoric approach to stakeholder theory. This then provides an approach to the analysis of the firm-stakeholder interaction.

is a *responsibility* on the firm to meet the intrinsic rights of stakeholders to environmental information. Decision-making is the result of many interacting influences, and the analytical approach needs to embrace these influences to offer a rich interpretation of human behaviour. Both perspectives need to be addressed as part of the firms approach to stakeholder management.

A model is developed to link the various theories about stakeholders and the underlying motivations for reporting to stakeholders identified by the various theories. These motivations formed the basis for the design of the questions used to seek information from the sample firms identifying motivations that entered the decision to report information to stakeholders. The results of the survey identifying the motivations that entered the decision to report formed a part of the metaphoric theory of the stakeholder. This model will provide the basis to analyse the firm-stakeholder interaction between the firm and the stakeholder without being restrained by a particular philosophical perception.

Environmental reporting was chosen in this study as it is an evolving, largely voluntary and relatively new area of reporting that has undergone significant developments in the 1990's. On this basis management would have given serious thought in the decision to report and what to report<sup>3</sup>.

In recent years there has been a growth in the number of companies taking a proactive approach to addressing stakeholder environmental information needs [for example, see Deegan 1998, Schaltegger 1996, Hines 1991, Tinker and Niemark 1987, Ullmann 1985,

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<sup>3</sup> The sample was restricted to those firms that fall into environmentally sensitive groups identified in Deegan and Gordon [1996].

Donaldson 1982]. The importance of the environment and the growth in community awareness has also been discussed [for example, see Deegan 1998, Elkington 1993, UNEP 1994]. Industry guidelines have been adopted [for example, by the Minerals Council of Australia, The Australian Chamber of Manufacturers, The Australian Institute of Management], and standalone environmental reports have been prepared. In recent times environmental reports [and annual reports with environmental content] are appearing on the internet [for example, BHP, WMC, Rio Tinto, The Body Shop]. A number of organizations have prepared general guidelines to offer assistance to industry in developing environmental [and sustainability] management practices, the most recent of which is the GRI Sustainability Guidelines 2000. A number of studies have also considered the motivation, or motivations identified by management in the decision to report environmental information [for example, see Wilmshurst and Frost 1997, Deegan and Gordon 1996, Christow Consultants 1995, Marsden 1996, Freedman and Stagliano 1992, Ullman 1985].

A postal survey is used to collect data to identify whether the motivations identified from the various stakeholder theories enter into the decision by management to report environmental information. The survey is a stratified sample of the top 500 Australian listed companies identified in Huntley's Shareholder 2000. The sample is stratified since it is to be selected from industry groups that are identified as being environmentally sensitive. This process is adopted as it is expected that the management of these firms will have been confronted with stakeholder management and environmental issues, and have had to adopt approaches to address them. Firms targeted are firms identified to belong to environmentally sensitive industry groups.

The major research question will be responded to in two parts:

- 1 *Did management indicate that the motivations underlying each of the questions exploring aspects of the firm-stakeholder interaction influence the decision by the firm to report environmental information?*

The analysis indicated that the various stakeholder theoretical perspectives contribute to the motivations that underlie the decision by management to report environmental information to stakeholders. This was supported by the descriptive analysis, a one-sample t-test, correlations and reliability analysis undertaken.

- 2 *Do the results of the analysis provide support to the expectation that the various theoretical perspectives identified by theories of the stakeholder influence the decision by management to report environmental information<sup>4</sup> to stakeholders?*

The analysis indicates that management consider a mixture of motivations in the decision to report environmental information to stakeholders. These motivations are not only economic based but consider the stakeholder as well, for example, in terms of a right to be informed. Factor Analysis shows that the results support the expectation that a mix of motivations influence the decision to report environmental information, and that no particular

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<sup>4</sup> In effect, this question is seeking to assess the evidence whether a mixture of motivations influence the decision by management to report environmental information without any particular motivation appearing to dominate the decision. This study has not sought to attribute importance to different motivations but rather to identify whether they enter into the decision by management.

theoretical perspective is dominant. Rather decision-making is a complex process reflecting a combination of motivations based on both managerial, and normative influences. These are the influences that affect our daily lives – the desire for the firm to be successful, the pressures imposed by the environment surrounding the firm, most importantly the stakeholders, and the beliefs manager bring to the decision-making process.

This study has shown that a mixture of motivations derived from the different theoretical perspectives contribute to understanding the influences on the management decision to report environmental information to stakeholders. This also demonstrates that the existing theoretical perspectives about the firm-stakeholder interaction do provide only a partial and incomplete explanation for the reporting decision by management. Influences on the decision by management embrace both the expectations identified in the managerial theoretical perspectives and the ideals embraced by normative theoretical perspectives. The results of this study show that a metaphoric approach to stakeholder theory, in the sense of a stakeholder research tradition, combining the managerial and normative motivations provides a more complete approach to the exploration of, and explanation for the firm-stakeholder interaction in the decision by the firm to report environmental information. It is argued that the proposition underlying this study is supported:

*A metaphoric approach to stakeholder theory based on the motivations identified by the different theoretical perspectives about the firm-stakeholder interaction is able to provide a more complete narrative of the interaction between the firm and its stakeholders in the decision by management to report environmental information than*

*individual theoretical perspectives.*

It has been argued that the distinction between the managerial and normative theoretical perspectives has meant that theoretical development in this area has concentrated on approaches that offer partial explanations of the firm-stakeholder interaction. It has been argued that the so-called “separation thesis” is not appropriate, and to move forward theoretical development needs to address both the managerial and normative theoretical perspectives of the firm-stakeholder interaction in the decision making process. Both the managerial and normative issues form a part of the motivations for the decision by management to report environmental information to stakeholders. The contention of this study is that a metaphoric approach to stakeholder theory would provide a better approach from which to discuss the motivations underlying the decision to report environmental information.

The decision by management to report environmental information was found to reflect a mix of motivations derived from the various theoretical perspectives. The metaphoric approach to stakeholder theory is able to link the various theoretical perspectives and give recognition that each assists in understanding the decision by management to report environmental information identified by management. As such it is able to offer a more complete narrative of the interaction between the firm and its stakeholders in the decision to report environmental information by taking into account the mix of motivations found to play a role.

The results of this study point to the contribution that different theoretical perspectives can provide rather than fixating on one ‘view of the world’. Recognising differences in the motivations that may enter into a

decision, the divergent narratives of each firm can be told if an approach to operationalizing stakeholder theory such as the one proposed is adopted. There is no necessity to develop an integrated stakeholder theory, rather it is desirable to recognise the motivations that may enter a decision to report and provide a basis from which the degree of influence of the different motivations may be analysed. In this sense stakeholder theory is a group of theories that are able to provide a basis from which to understand the firm-stakeholder interaction.

The results of the study are shown to support the metaphoric theory of the stakeholder, and the desirability of adopting an approach where both managerial and normative motivations are considered in seeking to understand the motivations behind the decision to report environmental information to stakeholders.

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## INTERESTED PARTY PERSPECTIVES REGARDING TRIPLE BOTTOM LINE REPORTING

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Attempting to specify or list groups and individuals who may be interested in Triple Bottom Line (TBL) reporting by entities usually centres on groups identified through such references as the Statements of Accounting Concept. An alternative approach is to identify different perspectives from which groups and individuals may stem. In this way the scoping of key performance areas and perhaps the need for regulation is more readily highlighted. The perspective chosen determines the purpose of the reports that are generated. Three perspectives are identified as having a significant role to

play:

- Management perspective
- User perspective
- Societal assurance perspective

### *Management perspective*

The term stakeholder is used by management and derives from stakeholder theory which very simply is a management perspective identifying parties likely to affect entities. Clarkson (1995) described two stakeholder groups:

- a Primary stakeholders without whose continuing participation the entity cannot survive as a going concern; and,
- b Secondary stakeholders who influence or affect, or are influenced or affected by, the entity, but are not engaged in transactions with the entity and are not essential for its survival.

#### *User perspective*

Users are self identifying and use entity information to make decisions. An alternative perspective of the constitution of users that includes environmental and social as well as the economic performance needs of users is more than relevant in today's society. The following definitions draw distinctions between users on the basis of their interest in the economic and social performance of entities.

Explicit users are those users that have identifiable rights or potential rights to information supplied by entities. These rights have largely been codified through legislation and other regulatory processes. This is not to say that only explicit users have access to the information but merely that the focus of regulatory reporting by companies is towards this group. Entities are required to make publicly available certain information, the focus of which is directed towards shareholders, creditors, regulatory bodies and others with contractual arrangements. There are other users such as potential shareholders and analysts who, whilst not having any contractual arrangement with a company it is asserted, find that the information supplied to explicit users satisfies their needs. Entities not only supply required information but also commonly supply information voluntarily about the entity (Faux 2002).

Implicit users are described as being those users who have no formal or

traditional right to information but rather use information regarding a company's activities as they relate to specific areas of interest such as environmental issues. The distinction dichotomises the economic and social performance of entities. The explication of the dichotomy would provide all parties involved in the communication of corporate information with greater knowledge of the reporting process (Faux 2002).

#### *Societal assurance perspective*

This particular perspective recognises that there are members of society including some identified in the perspectives above that feel strongly that entity reports should be verifiable and regulated but they are not particularly interested in reading the reports (Faux 2004). This perspective is about entities being accountable for their actions to society and recognises the relationships identified by Diegling et al (1996), in their five accountability rationalities, as legal, economic, technical, social and political.

The complexity of philosophical and theoretical approaches and perspectives to TBL reflects the difficulties that entities are likely to encounter measuring and reporting TBL performance. Quality of reporting should also reflect the potential needs of interested parties and quality, in a normative sense, should indicate the ability of interested parties to conduct more rigorous analysis of a company's performance.

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## BRANCH REPORTS

It is important that we keep touch with the activities of the various chapters of APCEA. Last edition a comprehensive report was presented. This edition we have an excellent report from Professor Maliah Sulaiman and Dr Nik Nazli Nik Ahmad looking at the activities of the Malaysian Chapter.

### ***Research Activities of the Malaysian Chapter of APCEA (based at the International Islamic University Malaysia)***

The chapter's new research projects planned for 2005 are as follows:

#### *Environmental Reporting Practices of the Construction and Properties Sectors: A Content Analysis and Questionnaire Survey*

This project is a short-term project (6 months) which will examine the state of reporting (extent of disclosure as well as type of environmental disclosure) of public listed companies in two environmentally-sensitive sectors in Malaysia; construction and properties. The project will involve two stages of data collection; a content analysis of the companies' annual reports in the first stage, followed by a mail questionnaire survey to the accountants and CEOs of these companies. The survey will, however be designed such that disclosers and non-disclosers of environmental information will have a different survey to respond to. For

companies which disclose some environmental information, questions will focus on the reasons for disclosure, including influential or motivating factors. For companies which currently do not have any environmental disclosure, the survey will attempt to elicit information on the reasons for non-disclosure as well as factors which act as barriers to disclosure. The study will make several contributions to the environmental reporting literature. First, the study will reveal the extent and nature of environmental disclosure of companies in two environmentally-sensitive sectors in a developing country. Much of the prior literature has focused on the developed Western countries such as the U.S., U.K., and Australia. Second, the study will provide insights into the reasons or factors which encourage environmental disclosure, as well as factors or reasons for non-disclosure of environmental information from the perspective of two very important parties, the CEO and the accountant.

#### *Environmental Disclosure Index*

This project involves a review of the literature and the development of an environmental disclosure index or scoring system. Since there is no currently accepted universal format for an environmental report, this index is necessary to ensure that any attempt to measure environmental reporting will be based on a single framework. The main contribution of this project lies in

providing a useful tool in the adjudication of annual reports for the ACCA Malaysia's Environmental and Social Reporting Awards (MESRA) and the National Corporate Reporting Awards (NACRA) for the Environmental Reporting category. It will also assist companies, particularly those which are planning to embark on environmental reporting, by serving as a checklist for environmental reporting. The project will review the related literature as well

as any supporting documents (for example the adjudication criteria, currently used for the MESRA and NACRA awards) in an attempt to develop a suitable index.

#### *Post-graduate Research Work*

Currently, there are two Masters students (MSc Accounting) and one PhD student who are working on research in this area for their theses.

## CONFERENCE REPORT

### 4<sup>th</sup> Asia Pacific Interdisciplinary Research in Accounting Conference

This conference was held in Singapore from 4 to 6 July was hosted by the School of Accountancy of the Singapore Management University (SMU) in association with the Accounting Auditing & Accountability Journal. Once again APIRA attracted strong representation from accounting researchers the world over. This year, some 250 accounting academics from 29 countries attended APIRA 2004. A strong interdisciplinary programme of research papers and forums addressing the relationships between accounting, auditing and accountability and their social, institutional, economic and political environments were included in the programme. The conference was a great success with many papers of interest.

The conference began with a plenary session in which the issues of corporate governance were discussed by Themis Suwardy (*Singapore Management University*), Niamh Breannan (*University of College Dublin*), and Fang Ai Lian (*Ernst & Young Singapore*)

A wide range of papers were presented in the broad categories of the environment, social and ethical

responsibility, communication, regulation and corporate governance, corporate reporting, financial management, the profession and theory and methodology.

The conference concluded with a plenary session – Qualitative vs. Quantitative Research – discussed by Andrew Lee (*Singapore Management University*), Jane Broadbent (*Royal Holloway, London University*), Kenneth Merchant (*University of Southern California*), Lee Parker (*University of Adelaide*), and Gillian Yeo (*Nanyang Technological University*).

Why not visit the site and have a look – <http://www.accountancy.smu.edu.sg/Apira>.

### 5<sup>th</sup> Asian Academic Accounting Association Conference

This conference was conducted by the Department of Accountancy, Faculty of Commerce and Accountancy, Chulalongkorn University, Thailand. The conference was well represented by academics from around the world notably from the Asian region. This, as with most conferences offered an opportunity for valuable networking.

This conference focused very much on the convergence of accounting standards, in particular the implications

from an Asian perspective. There were a wide range of papers presented. Notably there were papers focusing on corporate governance issues from an international accounting perspective, and from an accounting information systems perspective, financial accounting issues including knowledge management, environmental accounting and ethics behavioural issues, corporate governance, country studies and accounting education.

### 16<sup>th</sup> Asian Pacific Conference on International Accounting Issues

This conference was held in Seoul, Korea sponsored by the College of Business and Economics, Yonsei University and the Craig School of Business, California State University. The conference theme was 'Corporate Governance and Accountability', and was attended by academics from around the world.

A wide range of papers were presented in the areas of corporate governance, social and environmental accounting, international issues and education by way of example.

Abstracts of a few of the papers presented:

### ***Accountability Via Corporate Social Reporting: "The Corporate Report" Revisited After Thirty Years***

David G Woodward, University of Southampton

This paper revisits *The Corporate Report* [1] (TCR subsequently) and, by endorsing that document's espoused ethos of various corporate stakeholders being concerned with organisations' 'social' performance, suggests it is time to reinforce the validity of a stakeholder approach to corporate social reporting.

Thus the paper proceeds by, initially, identifying the essential recommendations of TCR since some of these are now adopted as the basis of a suggested reporting framework. A brief summary then follows, encapsulating subsequent 'official' developments since 1975, indicating endorsement of a stakeholder approach at that level has never been withheld, even if interest presently appears somewhat dormant in the UK.

Given the obvious truism that TCR's proposals have remained largely un-adopted by the majority of UK companies (whilst some of them did initially 'toy' with a few of the recommendations, such efforts were quickly abandoned), an analysis is undertaken of objections to the proposals put forward over a quarter of a century ago, debated in the context of commentary at the time. It is argued that those stated objections should no longer be a bar to the future development of a stakeholder-based social reporting framework.

Hence the paper provides evidence of abiding academic interest in the stakeholder concept, and suggests there is a requirement for more 'social' reporting by UK companies. Proposals are therefore made for a suite of social

reporting documents, drawing upon TCR's recommendations in some cases, but supplementing these in the light of recent experience.

Here, cognisance is taken of such contemporary developments as the *Global Reporting Initiative Sustainability Reporting Guidelines* [4, 5] (GRI subsequently) and the advent of triple bottom line reporting [3] (TBL subsequently).

The two issues of both the need for a 'legislative' framework to guide preparation of such corporate documentation, and for the auditing of what is produced, are then examined as being essential to the proposals presented. Some tentative conclusions are reached at the end of the paper.

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#### ***Analysis of the management reports (mr) from brazilian public companies: a study of 2002 social exercise***

Prof. César Augusto Tibúrcio Silva, Fernanda Fernandes Rodrigues, and Robson Abreu Lopes, University of Brasília (UnB), Brazil

Companies can be seen like a collection of contracts among the interested parties that convert to the fulfilment of the agent's expectation (SUNDER, 2002). However, interests conflict among contractors can lead to substantial loss to the companies. This problem is approached theoretically for the agency theory, which considered that behaviour of the administrators and, consequently, the divulgation of their acts and decisions, can have conflicts with the interest of the stakeholders, for this divulgation will privilege their own interests.

Financial Statements and other accounting reports are like instruments that make possible reductions of these conflicts. This conception is defended in the way of the concept that financial statements stand for broadening common knowledge among agents. In the context, common knowledge represents the sharing of information, in such a way that information an agent knows is also known by a second one, and the first agent knows that the other one knows that he knows and so on infinitely.

Management Report (MR) is one of the components of the amount of documents that a company shows to the public. It is a narrative report, where the company is free to present notices from itself, the business and perspectives, with the intention of giving to shareholders evidence about the manager's work, as well as to support investors on their decision making process. Empirical researches fulfilled

with the intention to see the utility grade, transparency and confidence from these reports, demonstrated that they are used on instruments decision; otherwise, it was also checked that reports are influenced by manager's biases as it presents information according to their interests and some researches say that these reports are aslant for the optimism of the management.

Yuthas *et al.* (2003) regard that the contained text in the reports of the management is widely read for a variety of stakeholders and analysts. Significant misreports made by the harmful for the company in the long run, if would be discovered that these informational misreports had affected the financial statement perception. In this way, the manager skills to communicate this trustfully and veracity is particularly important, when his competence in other areas is not reliable.

The study analyses the management's reports extracted from the data base of 2002 CVM and checks the possibility of relationship between these reports and the finance results of the companies. To do this, 448 year 2002 reports from Public Traded Companies were analyzed, and it was observed that there is important information about the enterprise in this reports. The qualitative and quantitative variables of performance in year and qualitative from the reports at 2001 have significant relation with reports at 2002.

The results show that the management's report has important information about the analyzed companies. The principal conclusion reveals that the optimism reports shows a major volume of phrases about management restructuring charges; on the other hand, the pessimist reports focus its attention to the economic conjuncture. It was detected that the

enterprise that present increasing an assets has more extensive reports. On the other hand, increased profits causes a reduction in the report. It was observed yet that companies whose net assets and equities are shorter than in the past have reports typically pessimist.

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#### ***The Value Relevance Of Transparency And Corporate Governance In Malaysia Before And After The Asian Financial Crisis***

Tam Pham and Richard D. Morris, University of New South Wales, and Sidney J. Gray, University of Sydney

This paper investigates the value relevance of financial reporting transparency and corporate governance in Malaysia before and after the Asian Financial Crisis of 1997. Poor transparency and poor governance were alleged causal factors in the crisis. We measure transparency by a series of disclosure indexes covering seven major accounting issues. Corporate governance is measured by an index of seven factors that are suggested in the literature to indicate good governance at the firm level. Our sample is 84 companies listed on the Kuala Lumpur Stock Exchange in both 1996 and 2001. We ran regressions of firms' 12-month share returns on disclosure index, corporate governance index and a series of control variables known to impact share returns. All disclosure indexes are significantly positively

related to returns when both years were pooled. When each year was considered separately, the disclosure indexes are significant for 2001 but not for 1996. The corporate governance variable is not significant in any regression. Transparency as measured by our disclosure indexes seems to be value relevant, and to be more so in 2001 than in 1996.

### ***Restoring Trust To Corporate Governance: Can The Sarbanesoxley Act Make A Difference?***

Marc Massoud, Claremont McKenna College, and E. Daniel Shim, Sacred Heart University

The essence of the good governance system is the proper stewardship; monitoring and managing people, processes and activities of a corporation on behalf of owners, shareholders. Recently confidence in our capital markets has been undermined and integrity of financial reporting systems was questioned. Restoring the trust and credibility of markets is one of the most important missions for all parties concerned; corporate managers, external auditors, financial analysts and regulators. In 2002, the Sarbanes-Oxley Act has been enacted in order to restore trust to the corporate governance and financial integrity.

The purpose of this paper is to review the Sarbanes-Oxley (SOX) Act and to highlight the mandated roles of audit committee and external auditor within the SOX Act. The paper also examines whether these requirements will improve corporate governance and financial integrity.

In addition, it discusses requirements and implications of the SOX Act for the foreign multinational corporations, required to register with US SEC.

The SOX Act poses new challenges to management. The new legislation puts on management a significant the responsibility for fraud detection, though it does not relieve duties of the audit committee or the external auditor. In order to regain trust from the financial market, the SOX Act mandates (1) to improve auditor's independence by reducing conflicts of interest; (2) to increase corporate financial reporting responsibility by requiring a CEO or a CFO certify accuracy of annual report; and (3) to enhance financial disclosures. It also significantly increase criminal penalty for non-compliance.

The authors believe that the combination of strengthening auditor's independence, increased corporate responsibility and severe penalty and restored corporate governance would create an environment that is intended by the SOX Act. Volker and Levitt (2004) put it very forceful way:

"While there are direct money costs involved in good corporate governance, we believe that an investment in good corporate governance, professional integrity and transparency will pay dividends in the form of investor confidence, more efficient markets and more market participation for years to come." We concur with them and believe that the SOX Act will help in restoring trust in corporate governance and improve financial integrity and quality of financial information. We also agree that the benefits of the SOX Act will outweigh the costs of compliance in the long-run.

## ***Corporate Governance And Board Composition: Board Diversity In Australian Corporations***

Helen Kang and Mandy Cheng, The University of New South Wales, and Sid Gray, The University of Sydney

The recent spate of accounting scandals worldwide has raised investor concerns about corporate governance in all types of organisations. The demise of previously thought to be “unsinkable” and beyond-reproach organisations such as Enron and WorldCom in the US, and Ansett and HIH in Australia has had investors and other stakeholders demanding better corporate governance, especially by means of “cleaning up” the boardroom [3] [5] [8].

The Board of Directors (BOD) is one of a number of internal governance mechanisms that are intended to ensure that the interests of shareholders and managers are closely aligned and to discipline or remove ineffective management teams [1] [8]. One of the most significant governance issues currently faced by the modern corporation is board diversity – for example, the gender, racial, and cultural composition of the BOD [7]. Wider diversity in board membership has been advocated as a Corporations today face a world that is remarkably changed from just a few years ago. The burst of the dot.com bubble and the collapse of a number of large corporations all over the world, have radically increased investor and media scrutiny on the issue of corporate governance as well as a number of new regulatory requirements especially in the US [10]. The interest in board diversity and how it relates to the overall corporate value, not only from a financial performance perspective, but also from social and stakeholder viewpoints, has increased significantly. Further, the lingering effects of the 1997 Asian financial crisis and continuing

volatility of the Japanese and other stock markets, together with ongoing criticisms regarding corporate transparency in emerging markets, have increased interest in corporate governance issues in countries other than the US.

While the composition of corporate boards and board diversity have been a growing area of research in recent years, most empirical research has been restricted to US data [6] [12] with a notable absence of evidence on the practices of Australian companies [9].

The study of board diversity and factors that may influence the level of diversity has important public policy implications because of an ongoing debate about the role of government and markets in disciplining management [12]. This is especially timely in Australia with the release of the Australian Stock Exchange (ASX) Corporate Governance Council’s much anticipated report “Principles of Good Corporate Governance and Best Practice Recommendations” in March 2003, as well as the 2003 Horwath report which is critical of current corporate governance practices in general.

The current study investigates board diversity of the top 100 Australian publicly listed companies. We specifically investigate three aspects of board composition – gender diversity, independence of directors, and age range of the BOD. We also examine whether board diversity is associated with factors including industry, board size, and concentration of the majority shareholder base. Our main findings indicate that the boards of Australian companies generally have a reasonable level of independence. Yet despite the recent public commentary about corporate governance and the advocacy of board diversity in Australia, there is very limited gender or age diversity

evident among directors. Further, we find a negative correlation between shareholder concentration and gender, independence of directors and age. However, there is no association between board size and either gender or independence of directors.

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***Financial And Non-Financial Performance: The Influence Of Quality Of Information, Corporate Environmental Integration, Product Innovation, And Product Quality***

Alan S. Dunk, University of Canberra

Issues relating to the financial and non financial performance of firms are attracting considerable research attention. Research increasingly points to the need to consider performance at the organizational level from financial and non financial perspectives as current interest in key result indicators suggests that it is not necessarily the province of accounting numbers. The literature suggests that financial performance measures should be complemented by those of an operational nature to obtain a better understanding of a firm's performance. This study attempts to provide a theoretical articulation and empirical evidence to demonstrate the role of four specific measures that are receiving considerable literature attention in performance evaluation. These are quality of information system information, corporate environmental integration, product innovation and product quality. All four independent variables were found to enhance performance assessed in non financial terms. In contrast, the results show that product innovation alone influences

financial performance. The findings of this study suggest that the efficacy of these factors may be more effectively assessed by evaluating their impact on performance measured in non financial terms, thereby suggesting that the inclusion of non financial measures in performance evaluation models should enhance control system functioning.

### ***Corporate Social Reporting And Institutional Theory: Evidence From Malaysia***

Azlan Bin Amran, and S. Susela Devi,  
University Malaya

Corporate Social Reporting (CSR) has evolved as a broad conception that extends disclosures beyond traditional financial information to provide information about employees, products, the company's involvement in community service, commitment to the prevention or reduction of pollution and other issues concerning the environment (15). Further, it is perceived as an important tool to promote sustainable development (7). Globally, the number of companies engaging in CSR is rising (13)(1). Although it is claimed that increased awareness among stakeholders as well as regulatory initiatives to make CSR mandatory explain this trend (5), it is still not clear what motivates Malaysian corporations to indulge in CSR. This paper explores the appropriateness of institutional theory to explain the CSR phenomenon in the Malaysian context.

The findings support the applicability of Institutional theory. Clearly, institutional mechanisms do impact the way Malaysian companies engage with CSR. By engaging in CSR these companies are seen to be institutionalised by the environment. The institutionalisation process demonstrates that companies report their social and environmental

activities in order to conform to expectations of their environment.

It is clear that companies operating internationally are exposed to western environmental and social consciousness and tend to behave according to that environment. Companies with overseas business associates, too, seem to follow their overseas business practices. The observation is that awareness regarding social and environmental issues is high among the foreign associates. Thus, the networking ties with their foreign company (usually a MNC) which is already practicing CSR significantly influences the local company's CSR practice.

Interestingly, the companies that are heavily dependent upon government tender or contract strive to portray a favourable image by carrying out socially and environmentally related activities. The Malaysian government's aspiration that companies should also concern with the greenness of the nation is stated in the *Vision 2020*. This Vision has emerged from the study as a significant factor as companies behave accordingly in the hope of being rewarded more government contracts.

In the same light, the NACRA awards do encourage them to disclose more. This is consistent with the Institutional view that the resulting isomorphism pressure dictates they will follow the ceremonial assessment criteria. This ceremonial assessment will attest them as a good corporate citizen. Thus more companies are referring to the NACRA assessment criteria as a result of institutional pressure.

The evidence from the study supports that CSR in Malaysia is influenced by foreign business partners and the government's aspiration. (17) supports this view. The results indicate that Malaysian companies do not indulge in

CSR to meet the NGO or stakeholder pressures. They are more concerned about ensuring their long term survival in term of getting consistent contracts and maintaining good relationship with those who can provide them business opportunities.

Hence, the application of Institutional theory provides a means to explain the complex corporate behavior towards CSR. This exploratory study provides evidence on the applicability of the Institutional theory. A larger sample is necessary in future research to confirm or dispel the findings of this study. Future study could also used this emerging variables and investigate the explanatory power quantitatively on a larger sample of companies.

The institutional pressures arising from related institutions impact local corporations. Local corporations

undertake CSR principally for economic benefits. Conformity with related parties upon which the companies depend remain the key motivation. Evidence of interpenetration of company culture through different mechanisms reveal that in the Malaysian context the cohesive pressure exerted by the regulatory agencies holds powerful explanation for wide acceptance of CSR. This study concludes that making CSR mandatory will reduce uncertainty and in turn assist local companies with more homogenous and consistent information. Users need to understand and appreciate CSR. Additionally, further action is required on the part of regulators in getting local corporations to understand the concept of CSR. Workshops and seminars will provide opportunity for them to meet and discuss as well as to educate them CSR issues.

## WHY NOT VISIT THESE SITES?

### THE CENTRE FOR ENVIRONMENTAL RISK ASSESSMENT AND REMEDIATION

The Centre for Environmental Risk Assessment and Remediation seeks to provide commercially viable and cost-effective solutions to environmental contamination, to realise benefits to Australian industries, and the community of regulators, consultants and academics.

It is estimated that remediation costs could exceed \$5 billion dollars in Australia alone while this cost could treble for contaminated site remediation in the USA. (Globally, environmental management of land and groundwater contamination is estimated to cost in excess of \$750 billion.)

The most common approach to remediation includes excavation and transport of soils to prescribed landfill sites, pump and treat for contaminated water and occasional soil treatment technologies including bioremediation. Practical remediation is often constrained by the huge costs associated with the treatment technologies.

The focus of the Centre's research is on urban, industrial and mining environments including life cycle assessment of contaminants and hydrogeological modelling of contaminants in ground water. The Centre undertakes innovative research and postgraduate teaching in the following areas;

- Ecological Risk Assessment
- Human Health Risk Assessment
- Remediation and Management
- Social, Legal and Economic

- Education and Training

<http://www.cerar.com>

***For those of us with an interest in education this paper may be worth of investigation.***

### **HOLDING UP A MIRROR - harnessing the reflective potential of Environmental Education perspectives**

Michelle Springer  
Socio-Environmental Solutions

Two premises underlie this paper: firstly, that the environment, unarguably a current, contentious, and global area of concern, is representative of many social problems; and secondly that a society reveals its approach to such problems in its philosophies and methods of education. A recent doctoral study proposes that Environmental Education (EE), as the synthesis of these areas, therefore provides a valuable tool with which to examine not just environmental but wider developmental and social issues. The application of such a methodology, within a comparative education context, proved to be conceptually challenged but was ultimately tremendously successful, enabling insights into many other spheres of human activity. Conclusions relating to future directions in educational research are twofold: 1) that current isolationist perspectives must make way for new transversal approaches; 2) that a broadening of the comparative education methodology can yield deep insights outside of the educational sphere.

<http://www.aare.edu.au/02pap/spr02412.htm>

### **ENVIRONMENTAL MANAGEMENT ACCOUNTING: An introduction and case studies for Australia.**

While the majority of attention in the 'environmental accounting literature' has traditionally tended to focus on the external reporting issues associated with corporate social and environmental performance (including issues associated with reporting formats, stakeholder involvement, stakeholder reactions, requirements for legislation, third party verification, and so forth), recent times has seen an acceptance that there are also many important issues associated with how systems within the organisation account for an organisation's social and environmental performance and related costs. In particular, there has been an increased focus on how internal management accounting systems account (or indeed, fail to account) for the social and environmental costs being generated by an organisation.

The ICAA in conjunction with Environment Australia and EPA Victoria was involved in organising and sponsoring the development of four environmental management accounting case studies. The project was motivated by the perceived need to make Australian management accounting practices more 'environmental' in nature and to show that various environmental management accounting initiatives, which need not be difficult to implement, can provide positive financial and environmental benefits (a win/win situation).

The final report was released on the evening of 19 February 2003 at the ICAA offices in Melbourne. The final report is 76 pages in length and is primarily written for accountants to help them understand how existing management accounting systems can be modified to help improve both the

financial and environmental performance of their organisations. However, it is also considered that the report should be of use to non-accountants, including environmental managers and production managers.

Part A of the report provides a useful overview of environmental management accounting. Within this overview, key definitions of such things as 'environmental costs', 'environmental accounting', and 'environmental management accounting' are provided. Discussion is provided about the limitations of many existing management accounting systems - systems that tend to ignore environmental costs. Particular limitations in traditional management accounting systems are created by the way overhead accounts are typically used to accumulate a variety of costs (with many being deemed to be environmental costs), and how accumulated costs are subsequently allocated to products or processes on a basis that often bears little resemblance to the actual use of the resources.

Another common problem shown to exist is the way organisations account for their waste costs. Waste cost recognition is typically restricted to removal costs rather than including the costs of the resources that end up as waste. It is emphasised that the implementation of environmental management accounting systems does not need to be costly nor overly elaborate in nature. As the report states, one common view is that "doing environmental management accounting is simply doing better, more comprehensive management accounting, while wearing an "environmental" hat that opens the eyes for hidden costs".

Part A of the report also refers to a number of advantages that would result

from adopting environmental management accounting. These include:

- More informed decision making;
- Uncovering opportunities;
- Improved pricing of products;
- Assist with internal and external reporting;
- Increased competitive advantage;
- Improved reputation;
- Staff retention and attraction;
- Generation of social benefits.

ICAA. Triple Bottom Line Newsletter. March 2003.

Have you joined? This organization appears to have some interesting bulletins.

<http://www.emawebsite.org/>

## **ENVIRONMENTAL MANAGEMENT ACCOUNTING RESEARCH AND INFORMATION CENTRE (EMARIC)**

### *Overview*

In 2002, the US Environmental Protection Agency (USEPA) funded the start-up of an Environmental Management Accounting Research & Information Centre (EMARIC) to take over and expand upon the activities of USEPA's in-house Environmental Accounting Project. Initially hosted by Tellus Institute, EMARIC is now an independent center.

### *EMARIC Mission statement*

*To promote the integration of environmental cost information and materials & energy flow information into routine management decision-making of private and public sector organizations, as a support for improved environmental performance.*

Thus, the USEPA's original mission has been expanded to incorporate not only environmental cost information, but also

the materials & energy flow information that is necessary for the "environmental management" part of Environmental Management Accounting (EMA). The target audience has been expanded to include not only private business, but also the public sector, which spends significant resources on environmental protection.

The US was the first country to establish a formal program to investigate and promote EMA. However, there has been a recent, very strong upswing in EMA interest and activities in a number of other countries. Thus, the new center plans to track international EMA activities, work with international partners when appropriate, and will encourage other US stakeholders to do the same.

#### *Broad Goals*

Centre activities will fall into three broad goals:

#### *Coordination & Leveraging*

- To identify and help coordinate the EMA-related activities of current and future stakeholders in order to promote mutual learning and facilitate mutual leveraging of resources

#### *Research & Implementation*

- To identify and support research and implementation projects that promote the use of EMA for specific management decisions/initiatives, as well as the integration of EMA principles and concepts into accounting/information systems

#### *Education & Information*

- To support the development of awareness-raising, educational, and technical assistance materials that illustrate the critical role of EMA in routine management decision-making and environmental protection

- To ensure that stakeholders have a central source of EMA expertise, information, and communication that is easy to access, easy to use, and up-to-date

#### *Areas of Activity*

The broad goals of the new center, categorized by the different areas of activity are shown in the following below:

#### *EMA Networks*

Help establish & support networks of EMA stakeholders in the US & overseas.

#### *International EMA Website*

Establish a website with database of EMA materials, contacts, links, etc.

#### *EMA Documents & Tools*

Assess need for & availability of documents & tools - implement projects to make needed items available. Examples include guidance documents, costs checklists, materials tracking worksheets & software, cost assessment worksheets & software.

#### *Training*

Assess need for & availability of training materials for different audiences such as technical assistance providers, industry practitioners, academics - implement projects to make materials & courses available.

#### *EMA Applications*

Identify & implement projects to explore the links between EMA & specific applications of EMA data. High priority applications include supply chain management, environmental management systems, external reporting, and investment analysis.

#### *EMA Integration*

Identify & implement projects that explore how to integrate EMA information/approaches into existing accounting/information systems

## **MBAs AND THE INCLUSION OF SOCIAL AND ENVIRONMENTAL CONTENT – How would Australian MBAs rate?**

### *The 100 MBA Programs*

Following are the schools that participated in Beyond Grey Pinstripes 2003: Preparing MBAs for Social and Environmental Stewardship. This year, the report features 100 schools from around the globe. To varying degrees, these schools provide training for MBAs in social and environmental issues as they relate to business.

In particular, the report celebrates the achievements of 36 schools that are setting the standard for infusion of environmental and social impact management into the classroom, activities, and faculty research. This year, to emphasize the importance of preparing students for a more comprehensive approach to social and environmental stewardship, the report compares MBA programs on the basis of their accomplishments across both domains, rather than excellence in one or the other.

Six schools are on the cutting edge of incorporating social and environmental stewardship into their MBA programs. Although each is unique, all six demonstrate extraordinary commitment to preparing students to manage complex social and environmental challenges. Relative to the other schools in the survey, these cutting edge schools demonstrate:

- More significant infusion of social and environmental content into core courses and, on average, three times as many relevant elective courses;
- Extensive faculty research on topics bearing directly on management of social and environmental impacts, accounting for 21 percent of the

research identified through the survey;

- More extracurricular and student initiated activities including conferences, seminars, and speakers that broaden understanding of social and environmental stewardship.

**George Washington,**  
Washington, DC

**Michigan**  
Ann Arbor, MI

**North Carolina (Kenan-Flagler)**  
Chapel Hill, NC

**Stanford**  
Stanford, CA

**Yale**  
New Haven, CT

**York (Schulich)**  
Toronto, Canada

The next nine schools were not as consistent in their achievements across both social and environmental domains and across teaching, research, and extracurricular activities.

## **Seen the 'ELECTRONIC GREEN JOURNAL'?**

<http://egj.lib.uidaho.edu>

This journal contains some interesting articles that may be of interest to many.

For example,

In the December 2003 Jane Andrews had an article 'Corporate Governance, the Environment and the Internet' published.

The current edition (Spring 2004) contains articles including corporate environmental reporting via the web (Sumit K Lodha), ISO 14000 (Clare D'Souza), environmental resources available on the web (Flora Shrode). Beware though this journal appears to be truly interdisciplinary.

## ACCOUNTING TODAY

<http://www.keepmedia.com>

Another useful site to visit. Here is an excerpt from a current article appearing on that site.

### **The Corporate Conscience and the Triple Bottom Line**

by Glenn Cheney | Jul 12 '04

The movement has already started: the triple bottom line, or, as some refer to it, the "10-K of the corporate conscience."

And it has a fair amount of impetus behind it.

Here's the theory: Business serves several purposes in the economy. One, of course, is to generate a profit for investors. To judge from the focus of financial reports, profit is the only purpose of business.

Corporations have far broader impacts on the economy and the society that it sustains.

Corporate reports, some say, should therefore report on those impacts. One answer may be the triple bottom line.

The financial bottom line is the traditional conclusion of annual reports. It shows how the company has benefited its investors.

A social bottom line shows how the company has benefited society, an

entity including customers, vendors, communities, governments, future generations and everyone else.

An environmental bottom line would show how the company has contributed to the sustainability of its environment (including the environment of its suppliers, customers, investors, communities and so on) by minimizing contamination and ensuring a sustainable inventory of natural resources.

Many companies are already producing individual variations of the triple-bottom-line concept. In some countries, financial analysts are already cogitating questions of comparability, and auditors are wondering how they would audit legally mandated non-financial reports.

Mary Tribble, co-founder of the Forum on Corporate Conscience, said that the process of producing triple-bottom-line reports actually helps companies recognize their integral role in society and the environment.

As Tribble sees it, irrelevant, untargeted do-good contributions do not fulfill the function of the triple bottom line. Charity is fine, she said, but that's not what the triple bottom line is about. A company needs to assess its relationship to society and the environment and recognize how both relate to the company's self-interest.

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## ARTICLES REQUIRED

The editors are seeking articles and news items for publication in the news journal. They may be research notes, opinion pieces and general information relating to sustainability issues of interest to our readers. Articles are subject to independent peer review by members of the editorial board prior to acceptance for publication.

Articles should be submitted in Word format and sent as an email attachment to either:

Gary.odonovan@utas.edu.au

or

Trevor.wilmshurst@utas.edu.au

# ENVIRONMENTAL PROFILE

## Basic Concept for Environmental Accounting Establishing an Environmental Accounting System

<http://www.ricoh.com/environment/>

The Ricoh Group is making continuous efforts to establish a sustainable management that will help it to survive the current prolonged business competition. The Ricoh Group first reorganized and defined its idea of sustainable management and then examined indicators used to evaluate and analyze the level of sustainable management. At present, a new environmental accounting (environmental management accounting) framework is under consideration to be used as a tool to measure and manage environmental management indicators by product unit and function (division). All information obtained is consolidated under this environmental management information system.

*Environmental Management Indicators*  
Environmental management indicators are needed to appropriately evaluate the level of sustainable management and facilitate further improvement. To this end, the indicators should be set based on the three factors shown below

### 1 Economic Benefits of Environmental Conservation Activities

This factor shows how economically rational environmental conservation activities are.

$$\left( \frac{\text{Economic benefits}}{\text{Environmental conservation costs}} \right)$$

If the quotient is one or greater (i.e., the economic benefits are equal to or

greater than the environmental costs), then sustainable management is considered valid.

$$\left( \frac{\text{Economic benefits + social cost reduction}}{\text{Environmental conservation costs}} \right)$$

If the quotient is one or greater (i.e., the sum of economic benefits and social cost reduction is equal to or greater than the environmental conservation costs), then environmental management is considered valid.

$$\left( \frac{\text{Environmental impact reduction}}{\text{Environmental conservation costs}} \right)$$

This equation is used to evaluate improvements in the efficiency of investments and other projects.

### 2 Environmental Efficiency of Business Activities

This factor shows whether the environmental impact of business activities is acceptable and whether those activities respond to social requests.

$$\left( \frac{\text{Sales}}{\text{Total environmental impact (physical or monetary amount)}} \right)$$

This equation is used to evaluate whether environmental impact corresponds to business size.

$$\left( \frac{\text{Value-added business activities}}{\text{Total environmental impact (physical or monetary amount)}} \right)$$

This equation is used to evaluate whether profit corresponds to environmental impact.

Ricoh supply six years of comparative data on these indicators.

## Hitachi - Our Approach to Environmental Accounting

<http://www.hitachi.com/>

To promote greater effectiveness and continual improvements in our environmental investments and activities, Hitachi introduced an environmental accounting system in 1999. Its purpose is to help people understand our corporate approach to the environment, by providing information on how we allocate management resources for environmental activities, and on the value created through environmental technologies and Eco-Products.

In addition to investments in plant and equipment for environmental purposes, which we have been reporting since fiscal 1997, the costs covered in our environmental accounting also include ordinary expenditures, such as for research and development, as well as the costs of operating and managing environmental equipment and facilities. Our activities can be understood both in terms of economic benefits, which can be evaluated in monetary terms, and material benefits, which can be evaluated based on the degree to which burdens on the environment are controlled. Economic benefits are calculated based on tangible data. Material benefits—which result from Hitachi's fundamental principle of contribution to society by developing superior technologies—are evaluated based not only on the lower environmental impacts during the manufacturing process but also during the use of our products. We strive for efficiency in reducing environmental impacts, using an "environmental burden reduction ratio" to evaluate the extent to which each type of environmental burden is reduced per unit of expenditure.

Due to changes in the cover age of environmental accounting caused by

organizational restructuring, both the costs and the economic benefits of our activities decreased by roughly one-tenth in fiscal 2003. Research and development costs (including design costs) aimed at reducing the environmental burdens of our products accounted for 41% of environment-related costs, while at the same time we succeeded in reducing the energy consumed during the use of our products by approximately 500 million kilowatt-hours. We will continue striving to contribute to society not only by reducing the direct environmental burdens of our facilities, but also through these kinds of improvements in our products.

Visit the Hitachi site.

An example of the information available is produced on the next page.

■ Cost

(Unit: billion yen)

Item	Costs				Overview	
	FY 2000	FY 2001	FY 2002	FY 2003		
E x p e n s e s	1. Business area costs	35.96	38.21	35.00	29.02	Maintenance of equipment with low environmental impact, depreciation, etc.
	2. Upstream/downstream costs	3.58	3.27	2.40	2.76	Green procurement expenses, recovery and recycling of products and packaging, recycling expenses
	3. Management activity costs	8.35	11.09	10.41	12.29	Labor costs of environmental management, implementation and maintenance of environmental management system
	4. Research & development costs	30.03	34.36	38.21	35.48	R&D for the reduction of environmental loads caused by products and production processes, product design expenses
	5. Social activity costs	3.23	0.53	0.52	0.37	Environmental improvements such as afforestation and beautification, PR and publicity expenses
	6. Environmental damage costs	0.93	0.82	0.86	0.51	Environment-related measures, contributions and levies
	Total expenditure	82.08	88.28	87.40	80.43	
	Total investment	21.25	18.01	14.97	10.17	Investment in energy-saving equipment and equipment that directly reduces environmental loads

Source: <http://www.hitachi.com>