

**ROLLING OUT CORPORATE SUSTAINABILITY ACCOUNTING:
A SET OF CHALLENGES FOR SUSTAINABILITY ACCOUNTING**

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Abstract: Improving corporate environmental and social performance has been addressed by an increasing number of companies in the past three decades. Whereas initial measures focused on a qualitative understanding of the impacts of the company on the environment and society, more recent accounting research on measurement practice has concentrated on highlighting the linkages between environmental (and later social) and economic performance. Sustainability accounting, furthermore, has developed to support corporate sustainability management, as an approach to generating and using sustainability information. Albeit somewhat lagged, a newer stream of sustainability accounting is being developed to support management in making informed decisions.

No previous publications, however, provide a (conceptual) deliberation on the implementation process, obstacles and approaches how corporate sustainability accounting can be introduced and established throughout a company.

Based on previous publications, the following paper attempts to identify the challenges in the roll out phase of corporate sustainability accounting. It examines previously identified challenges – both sustainability accounting related as well as general considerations in the roll out process. The results derive motivation for further research on this specific challenge and also address the issue in a manager-compatible language, delivering concrete recommendations.

STATUS OF CORPORATE SUSTAINABILITY ACCOUNTING RESEARCH AND PRACTICE

Existing literature on corporate sustainability has been focusing on examples of how sustainability management activities can result in improving financial performance as well as on demonstrating that companies are able to contribute to social and environmental development at little or no additional cost. In order to convince managers of these effects and linkages, researches initially resorted to environmental (initially ecological) accounting (Müller-Wenk 1978) to capture these linkages and present them in a convincing manner.

In turn, increasing recognition has been observed by companies with various examples of creating business cases for sustainability (Schaltegger & Wagner 2006), i.e. using internal information to identify and create such business cases. Yet, the examples appear somewhat sporadic; too much attention has been paid to copying good practice from other companies rather than recognising further potentials.

Yet, there are examples of novel approaches, although these have been examined only exploratively. A forthcoming publication on the practice of corporate sustainability accounting (Bennett et al. 2011) reveals that sustainability pioneers have been systematically engaged with various practices that can be related to sustainability accounting.

A DEMANDING APPROACH TO SUSTAINABILITY ACCOUNTING

Some companies are expectedly more advanced than in their sustainability accounting practices than others. As the above literature review reveals, different focus is set depending on what stage the company is at: a company that has just started looking into sustainability accounting is more likely to be focused on identifying relevant performance indicators, figuring out (efficient) ways to produce the required information and/or looking for the informational value of existing sustainability information.

More advanced companies, on the other hand, are more likely to be refining existing practice by e.g. increasing the departments and people involved in producing and using sustainability information, increasing the number of aspects and linkages they look for, etc.

So once the benefit of sustainability accounting has been recognised, several aspects need to be considered in order to optimise its effects, including convincing senior management of necessary changes and getting the support of various employees. As suggested above (Bennett et al. 2011) senior management is rarely engaged into the sustainability management of the company, although they do not seem to obstruct related activities. Yet, further involvement of senior management may have positive effects on sustainability accounting, e.g. by granting additional resources, motivating people and even reconsidering core business activities.

Employee involvement is often a very important aspect too, as sustainability accounting requires cross-departmental cooperation. A main problem with this appears to be the lack of resources in supporting (i.e. other than the sustainability) departments to provide the required information in the required form, and on the other hand, the unwillingness of other departments to be subordinate to the sustainability e.g. by formally agreeing to produce certain information.

The following Figure (1) presents the timeline of the development of corporate sustainability accounting

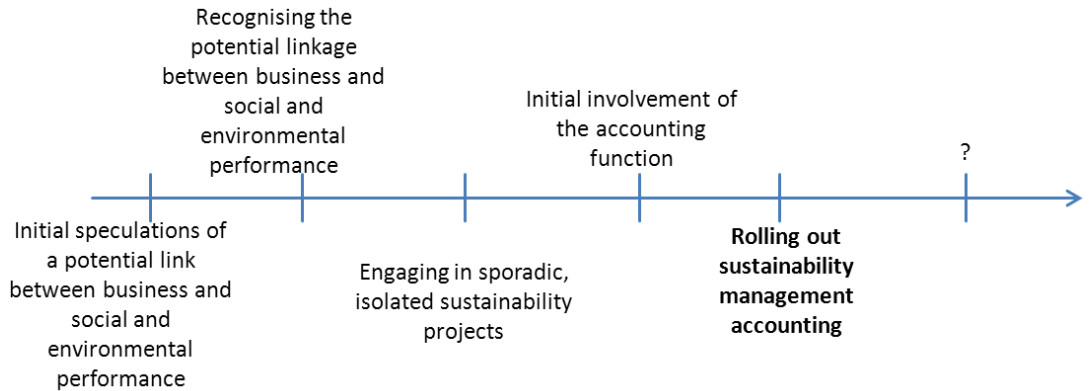


FIGURE 1: STAGES IN THE DEVELOPMENT OF CORPORATE SUSTAINABILITY ACCOUNTING

This paper thus focuses on the last stage identified in the above figure: the roll out phase of sustainability management accounting. For this, the following chapter explains organisational as well as content-specific ones in the roll out phase of corporate sustainability accounting.

SPECIFICS OF SUSTAINABILITY ACCOUNTING ROLL OUT

As suggested above, there are two types of considerations to be paid attention to in the roll out of corporate sustainability accounting: organisational and content-specific ones. The former are presented first.

Organisational aspects

As discussed in the body of Change Management Theory, the roll out process has been described in various business contexts in literature. A recent publication (Homma & Bauschke 2010) provides an overview of the basics of the roll out process. The authors identify the general steps in the process and argue in favour of a three step process. The considerations in this section thus rest on this idea. Furthermore, the largely underestimated importance of formal project management (Bennett et al. 2011) is also introduced and discussed below.

The model for the roll out process described in (Homma & Bauschke 2010) rests on three decisive steps: preparation of the roll out project, involving senior management and subsequently involving employees. The preparation is particularly critical in terms of available resources as the operational aspects of the roll out have been documented to be

very demanding. This means that a clear understanding of the needs of the roll out process needs to be achieved. For example as the involvement of various departments is needed, these need to be provided the necessary support and it needs to be made sure, that available capacities for the required tasks are available within these departments. As our research (see Bennett et al. 2011) reveals, this is often not the case thus hampering the advancement of the roll out project.

The involvement of senior management has also been identified for the process. Due to the often conflicting nature of sustainability management with financial performance, the support of the senior management is only partly granted. In other words, by the nature of their functions, managers support processes and measures that can be legitimised in front of stakeholders (mainly shareholders) thus a clear and tangible cost-benefit analysis needs to produce supporting information. One crucial task of the project manager is thus the identification of a list of (expected) benefits, ideally including short-term ones as well as such expressible in monetary units. For example, a company-wide sustainability accounting is likely to uncover further business cases for the company and additionally result in a reputation improvement.

The involvement of the employees has also been identified as a critical factor in developing a company-wide sustainability accounting (Bennett et al. 2011). The importance of their involvement can be summarised in several points. First, their support is indispensable, as they are often the only providers of related information and therefore they need to be involved rather than having other functions produce the same information. Second, their involvement is essential as they are familiar with the content behind the information they provide, i.e. before information consolidation takes place. In other words, the original providers of information may be in the position to provide further related information, as the roll-out team may not be aware of the existence and/or relevance of such information.

Content-specific aspects

Several content-related aspects of the sustainability accounting roll-out process need to be given a thought too. On the one hand, the information flows need to be designed in view of potential providers, managers and users of the available information. This means that involving departments not only in the provision of information but also making it available to them can be an incentive for their involvement and thus contribute to their supportiveness. As previously identified, the involvement of various departments generating information is particularly important; for the reasons outlined above their involvement in making use of such information is crucial too.

Based on an environmental management accounting framework developed by Burritt et al. (Burritt et al. 2002), a few further recommendations in regard to the information needed

can be provided. On the one hand, more attention needs to be paid to future-orientated information. For the roll-out process this means providing the possibility of relating the potential impacts for each department so that an overall integrity is achieved – a main objective of an overarching sustainability accounting system. Another particularly important function of such a system is linking monetary and physical data, which appears to be the case in few companies only (Bennett et al. 2011). The frequency of data and information generation is a further important aspect to consider. On the one hand, regular data generation, collection and use are likely to increase the efficiency of the process. On the other hand, however, limiting the scope of the system to such information renders it unable to take into consideration other decision situations as identified in (Burritt et al. 2002). Last but not least, the anticipated and partially established focus on short term information (Bennett et al. 2011) needs to be expanded to include mid and long-term information.

CONCLUSIONS

With the increasing number of companies reporting sustainability engagement and the possible contribution of the sustainability manager (Zvezdov et al. 2010), sustainability leaders appear to have reached a stage at which the roll out of sustainability accounting is the next step to take. Yet, this process has been observed to present a serious challenge for businesses for the reasons outlined earlier in this paper. Against this background, a suggestion – one possible approach – to tackling this challenge is presented. The main message of the argumentation is that in practice the roll out of sustainability accounting is a complex process – an aspect often overlooked – that requires professional project management as well as the full support of senior management and employees. These conclusions provide a basis for managers to consider in their next steps (or even earlier in their sustainability accounting practice, cf. Figure 1). Also, further research is required to identify further specific properties that need to be considered in the roll out as well as examples of good practice in tackling these.

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Author Bio

Dimitar Zvezdov is a research assistant at the Centre for Sustainability Management at the Leuphana University in Luneburg, Germany. After obtaining his B.Sc. in Environmental and Resource Management at the Brandenburg University of Technology (Germany), Dimitar obtained a M.Sc. degree in environmental science from the University of Cologne.

Dimitar has collected experience in the field of environmental management systems in the consulting sector. At the Centre for Sustainability Management Dimitar has been engaged in the research project "Accounting information and the accounting function in sustainability management", funded by the Institute of Chartered Accountants in England and Wales. His main research area is Sustainability Management Accounting, although he has also carried out research in the field of corporate resource efficiency.