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# EDITORIAL

The final issue of the *APCEA Journal* for 2007 is again supported by CPA Australia to whom we offer our thanks.

Professor Keith Maunders, Visiting Professor at the University of the South Pacific in Suva, Fiji, and Emeritus Professor, at the University of Hull, in the UK contributed the *first feature* article. *Culture versus sustainability—A case study from the Fiji Island* provides a formulative exploration of the tensions between indigenous culture and economic development.

Kerry McGovern of K McGovern & Associates, Lyndal Drennan of Queensland University of Technology and Evelyne Meier of the Queensland Department of Natural Resources and Water contributed the *second feature* article. *Merging sustainability costs and benefits with government plans and budgets* is an attempt to assist governments to integrate sustainability into public-sector management.

Amanda Carter and Roger Burritt of the University of South Australia contribute the *third feature* article. *By whatever name: A typology of corporate social responsibility* considers a new typology of CSR based on the independent work of Klonoski and Bakan.

The announcement of the award of a new PhD is followed by the journal's regular **Environmental Extra!** Closing the issue is another regular section—**Call for papers.**

The editors would like to thank contributors, the editorial board and reviewers for their support in 2007 and wish APCEA members good health and happiness in 2008.

CONTRIBUTORS SHOULD CONTACT
Professor Roger L. Burritt
Editor–APCEA Journal
Email: roger.burritt@unisa.edu.au
Ph: +61 8 8302 7048
Fax: +61 8 8302 0992

# CULTURE VERSUS SUSTAINABILITY–A CASE STUDY FROM THE FIJI ISLANDS

**Professor Keith Maunders**
Visiting Professor, University of the South Pacific
Emeritus Professor, University of Hull

maunders_k@usp.ac.fj
k.t.maunders@hull.ac.uk

## Introduction

This is a case study involving tensions between two aspects of the Triple Bottom Line environmental and human (social) impacts. It concerns an indigenous Fijian community, rather than a business organization, but the author believes the issues involved to be relevant for anyone concerned with the appropriate evaluation and use of information on ecological 'events', especially in a traditional-cultural context in which there is no apparent opportunity for a win-win solution between environmental and social interests.

Briefly, in late August 2007 a conference of the *Methodist Church in Fiji* was held in Naduri village in Vanua Levu, Fiji. Delegates were 'honoured' by being offered a meal of turtle meat. For this purpose, (endangered) sea turtles were caught and slaughtered, despite Fiji being a signatory to international conventions aimed at protecting these animals. Regulations in Fiji allow exemption from the restrictions set by such conventions in the case of the use of animals (and fish) for 'cultural purposes.'

Permits for the capture of 5 turtles were apparently issued by the *Ministry of Fisheries* for this event, on these grounds. Actually, 84 turtles were taken. Since then, there has been a vigorous debate in the columns of Fiji newspapers on the rights and wrongs of this action.

The 'facts' of the case are those reported in the local press, following which the author provides a short commentary on some of the human and ecological issues raised. Amongst other things, the author believes that the behaviours reported throw light on the problematic interrelations between (human) culture and ecological sustainability. There is no obvious 'solution' to the problems posed by the case so, as is usual for case studies, the materials below are principally intended to promote discussion and (hopefully) improved understanding.

## The case and its social context

The 44th conference of the *Methodist Church in Fiji* was held in the coastal province (*yasana*) of Macuata in the last week of August, 2007. Macuata is on the island of Vanua Levu, second largest of the Fiji group. The social significance of this event is partly indicated by the fact that (national) Methodism is the most important Christian denomination in Fiji, with over 215,000 members, 50 divisions and 275 circuits, mainly among the indigenous population (*Fiji Times*, August 18, 2007) (see also Ernst, 2006). As a further indicator, the budget for preparation and catering for the 2500 delegates was F$2.5 million [F$1 = approx US$0.64], provided by the people of the 12 districts (*tikina*) of Macuata, through tithes and offerings in kind (*Fiji Times*, August 28, 2007). This is in the context of an average income per capita (for Fiji) of around F$4000 p.a. in 1999 (Tuwere (2002), which probably overstates that for rural areas such as Macuata.

Land owning units of indigenous Fijians (*mataqali*) are headed by chiefs (*ratu* or *tui*), and the provision of resources for an event such as the Conference can have implications for both the status of the chief and the individual donor (eg–'turtles are an important *magiti* (status food) in any traditional event,

and any catch determines the power of the fisherman' (*Fiji Times*, September 13, 2007).

It is not surprising, therefore, that the villagers feasted the delegates on such items as fish, pigs, *dalo* (taro) and turtles, though it is only the last of these that has led to contention.

One trigger for the latter is because the government of Fiji, as a signatory to the *Biodiversity Convention* and the *SPREP Convention on the Protection of the Natural Resources and Environment of the South Pacific Region*, is obligated to protect species threatened with extinction (*Fiji Times*, September 22, 2007). In addition, the Fiji Government specifically approved a moratorium on harvesting turtles as an extension of its Fisheries Act, 2004.

Two species of turtle were slaughtered for this feast – Green Turtle, *Chelonia mydas* (internationally classified as 'Endangered') and Hawksbill Turtle, *Eretmochelys imbricata* (Critically Endangered). Both breed in Fiji in small numbers but migrate to Fiji to feed in larger numbers. Turtles are long-lived animals, taking an average of 40 years to begin annual breeding, which makes them more vulnerable to extinction through 'harvesting' than species able to reproduce earlier in life and or more frequently.

There is provision, nevertheless, for an application to be made to the Fijian Ministry of Fisheries for a permit to be obtained to harvest turtles 'to meet traditional obligations' (*Fiji Times*, September 13, 2007). Such applications were apparently made a month in advance of the convention by two villages in Nadogo district (part of Macuata) to harvest 12 turtles. These applications were granted, but reduced to permission to take 5 turtles. The Fisheries Department also arranged for two of its research officers to be present to monitor the harvesting. There was also a request for a blanket approval for the whole of Macuata which was not approved – instead, it was decided that each *vanua*[1] (land community)

should submit and lodge a separate request to be assessed individually (interview with Director of Fisheries, *Fiji Times*, September 17, 2007).

However, these decisions do not seem to have been effectively communicated to the applicants, since the Administrator (Roko Tui) of Macuata is quoted as saying that 'We followed the proper procedure by writing a letter to the Fisheries Department asking them to allow the people of Macuata to fish for turtles in their marine protected areas.

We also told them that turtles would also be caught from non-protected areas but they did not respond and the *vanua* had to go ahead with the preparation for the meeting.' (*Fiji Times*, September 13, 2007).

The *Ministry of Fisheries* admitted that there had been a communication breakdown between them and the Macuata Provincial Council concerning the approval to harvest the turtles. But there has been no suggestion by the Ministry as of yet that any subsequent action should be taken on the turtle harvest, other (presumably) than a resolution to improve communication arrangements in future.

Two international NGOs with Fijian offices, *Greenpeace* and *WWF*, were approached by the author about their interests in this event. There appears to be an informal division of responsibilities, with *Greenpeace* being principally concerned with external-to-Fiji environmental threats (involving mainly tuna and whales) and WWF with internal threats, so that WWF are heading the campaign to save turtles. The Program Representative for WWF South Pacific has, for instance, written to the press pointing out the legal, cultural and ecological context of the turtle issue (*Fiji Times*, September 22, 2007), and that 'WWF works with traditional and religious leaders to conserve biodiversity'. Perhaps because of the latter, WWF has not yet publicly given its view on what should be done retrospectively about

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[1] *Vanua* literally means land, but includes earthly turf, flora and fauna of a given place, rivers and mountains, fishing ground and more (Tuwere 2002, p.33).

Paradoxically (in light of this case), it seems that, according to traditional beliefs, [the land] "is Mother Earth and therefore should not be exploited for selfish gains" (ibid., p.50).

the, undoubtedly illegal, culling of the 'excess' (84-5=) 79 turtles.

Subsequent events include the manufacture (but not apparently distribution) of T-shirts with the slogan: 'Save a Turtle, eat a Methodist' (*Fiji Times*, September 21, 2007)[2], and a note of continued fishing in marine protected areas of Macuata subsequent to the conference (*Fiji Times*, September 12, 2007), as well as a lively debate in the local press which is covered in the Commentary below.

**Commentary and identification of issues**

For the purposes of understanding this case, it is essential to note that, for indigenous Fijians, attachment to the land (*vanua*) is all-important in providing individual and collective identity and as such is interwoven with church and religion (*lotu*) and respect for (traditional) governance/rulership (*matanitu*) (Tuwere 2002).

**1. The rights of local people with respect to environmental resources**

There are at least 3 possible views on these:
Firstly, based on customary laws:
The people of Macuata have custodial rights to catch turtles from their *qoliqoli* (ownership area) and should not be questioned over the matter, says the assistant Tui Macuata (*Fiji Times*, September 14, 2007).
Secondly, based on formal laws:
all *qoliqoli* is owned by the State. That is why the previous government wanted to enact the Qoliqoli Bill[3] so that these so-called neglected chiefs can have their *qoliqoli* boundaries.

Right now, there is nothing in the legislation that specifies ownership of the sea by indigenous people.

It is out of respect for traditional Fijian custom that approval for fishing licenses are sought from the *qoliqoli* owners, which exist only in customary laws. Customary laws are no longer applicable in Fiji's legal system now.

Every indigenous landowning community living by the coast owns the land starting from 30 metres from the high water mark.

By law, they still do not own the beach and the sea which is owned by the public or State' (*Fiji Times*, August 23, 2007).
Despite the formal legal position, the interim Fisheries Minister was quoted as saying (about the turtles): 'if it is their traditional fishing grounds, they can harvest them' (*Fiji Times*, September 21, 2007).
Thirdly, based on (First World scientific) moral reasoning (Waldron (1984):
According to some theories of rights…, provided one has acquired one's property without the use of unjust means like force and fraud, one may be entitled to enormous wealth whilst others starve. This individualistic conception of rights is in contrast to other views…which (hold) that since property exists for the satisfaction of human needs, 'whatever a man has in superabundance is owed, of natural right, to the poor for their sustenance' (Singer 1993, p.234)
Here we will ignore the issue of how traditional *qoliqoli* rights might have been acquired since the source of property rights elsewhere in the world is equally questionable.

The above quotation, whilst being overtly anthropocentric and hence ignoring both 'animal rights' and eco-centric viewpoints, illustrates one facet of what may be missed by those treating the turtle event as simply a legal or customary rights issue – its welfare impacts. An even more significant omission is the interests of 'missing' stakeholders such as future generations. This issue is taken up again below.

**2. The role of institutions—State, Community, Church[4]**

As has already been indicated, the State (as represented by the Minister of Fisheries) appears to have admitted to some culpability for the 'breakdown in communications' over the permits applied for. There remain,

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[2] Apparently ordered by tourists and local resorts outraged at the turtle slaughter (*Fiji Times*, October 10, 2007)

[3] The previous government sought to have *qoliqoli* rights revert to the traditional owners. The proposed legislation lapsed due to the *coup d'etat* on December 6, 2006.

[4] "Any Fijian way of life …is found to be a unity … on the basis of Land (*vanua*), Church (*lotu*) and Government (*matanitu*). Its future as an entity depends on smooth inter-relationship continuing between these three elements." (quoted in Tuwere (2002), p.52.

nevertheless, three points on which clarification has not been given: firstly, two representatives of the Ministry apparently attended the harvest to 'measure' the turtles (*Fiji Times*, September 17, 2007). It is unclear whether this took place before or after the slaughtering. If before, then why did they fail to notify the community at that point that it was acting outside the law? Secondly, what action is to be taken against those responsible for the illegal actions; and thirdly what specific steps are proposed to ensure that such an incident is not repeated?

Although the Conference was supported by the Macuata community collectively, it is reported that only 7 of the 37 villages involved in the conservation project in Macuata caught turtles for it (*Fiji Times*, September 15, 2007). It is unclear whether this is an indication of motivation or ability

In any case, photographs of the harvest include one of the Tui, Chief of Macuata, with the turtles, implying his at least symbolic support, despite apparently having 'traveled overseas to be bestowed with an internationally recognized award for his dedication to conservation work.' (*Fiji Times*, September 12, 2007). Such symbolic support is especially relevant in Fiji, where: 'Chief, people and land have a close relationship so that if one is affected the whole suffers.' (Tuwere, 2002, p.27).

As already mentioned, there is some subsequent evidence of illegal fishing by the community which has clearly not been discouraged by the experienced success of the provisioning for the Conference.

The *Fijian Methodist Church* has kept a low profile on the incident. No public statements appear to have been made on it. Indirect enquiries brought a private email response from a senior church member:

> The church is silent after having enjoyed the turtles. Why should we bother; it's the people who served us turtles! I was not there, myself.

Letters to the press[5] have, however, made it clear that strong religious opinions are held individually. Some opinions come from fundamental Christian viewpoints invoking Genesis 1:28: 'God blessed [mankind], and God said multiply, and fill the earth and subdue it; and have dominion over the fish of the sea and over the birds of the air and over every living thing that moves upon the earth.' to justify the paramountcy of human interests.

To this may be added the doctrine of predestination to deal with one possible consequence: 'if a species goes extinct as a result of our actions, this must have been God's intention.'

Contrary views, based on the translations and interpretations of the Bible which promote a 'stewardship' role for mankind rather than domination over nature (Bratton, 1986) have also, naturally, been expressed.

## 3. Tradition, religion, and culture as trumps over environment

Let us, if only for comparative purposes, begin by dealing with the turtle incident on a First-World, 'scientific' rational decision making basis.

On the plus side, there appears to have been some increase in gross human satisfaction (see the church email reported above). However, the incident also created potentially significant costs in all the categories of value identified by environmental economists: use value, option value and existence value (Pearce et. al, 1989).

A use value/cost, for instance, arose out of the internationally-evaluated increased risk of species extinction (an irreversibility) through turtle harvesting. Even taking the narrowest, instrumental, view, present consumption of turtle meat incurs the cost of reducing expected future consumption. The Fiji Government's signing of conservation conventions etc. signals its recognition of the social significance of this, for both present and future generations.

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[5] As already indicated, there has been a large number of letters to the Fiji Times about the incident, particularly in the month following the Convention (September 2007), with writers' names and locations indicating a range of racial backgrounds, urban v. rural locations and viewpoints. It was not considered proper here to single out those for quotation who were apparently writing in a personal capacity.

At the social level, there is also the potential implication for tourist income at a time when Fiji is particularly vulnerable in this respect:

The second category of cost incurred: option value, takes into account the flexibility which having environmental resources provides for taking advantage of future developments – for example, new medical treatments or pharmaceuticals which may be discovered from the resource. The irreversible removal of such options has led to use of 'the precautionary principle' in environmental policy-making (Institute of Environmental Studies, UNSW 1993).[6]

The third category, intrinsic cost, is not necessarily recognized in scientific evaluations, being based on 'existence value' i.e. the (eco-centric) view that something has value in itself (not for instrumental human purposes, though 'aesthetic value' could be part of it). According to some interpretations, within this category the possible extinction of the turtle species could be accorded an infinite 'price' and hence make all cost-benefit analysis pointless.

Expressing this differently, eco-centric evaluation of the turtle incident could be used to 'trump' other considerations in two possible ways – either by application of the precautionary principle or the use of an infinite existence cost.

In contrast, it seems that some people would prefer that traditional human cultural considerations should 'trump' ecological arguments, e.g. in an article headed 'Customs take precedence' (*Fiji Times*, 30 September 2007):

'Hopefully, more agents of change in natural resources conservation and management will step aside from their tunnel vision of promotional strategies and look closer at why communities do what they do and why they do it.

For as long as there is an unequal ground to play on, putting *dalo* on the table will always be a priority until such time as custodians of natural resources can rightfully claim their sustainable livelihood.'

There is absolutely nothing wrong with calls for greater understanding, which is one of the aims of this case study. What seems to be missed by the quotation is the logic behind the observation that 'to understand all is not to forgive all.' There was no question in this case of feeding the turtles to starving or deprived people. The long term outcome of turtle extinction is undoubtedly worse for indigenous communities who are genuinely deprived.

As the quotation implies, it seems in this case to have been a question of short term prioritizations of satisfaction of (yes, let's say it) greed, selfishness and status-payoffs that caused the fishermen to catch the turtles, the community representatives to approve their slaughter, and the church representatives to consume them, with culture and tradition apparently used as excuses. As to the interim Government's role, the approach appears to be not to 'rock the boat' on sensitive cultural/political issues such as this, at least at present. The defence of each of these wrong sets of action appears to be by the use of tradition/culture/religion as 'trumps'.

On the general question of whether valid human-cultural considerations should be used to 'trump' environmentally necessary ones, some additional ideas on this have been collected from Diamond (2005).

Writing about the historical evidence on why communities take decisions which can ultimately lead to their own downfall or considerable detriment (i.e. non-sustainability), he identifies the following possible causes:

**a) A group (community) may fail to anticipate a problem before the problem actually arrives**

In this case, this could have arisen because of a lack of appreciation of the (endangered) status of turtles on the part of the fishermen. Because turtles breeding in other countries gather in Fiji, there could be a misperception

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[6] It appears to be an anomaly, and contrary to the principle of customary law that "the whole tribe is under obligation to hand down the tribal estate undiminished for ever" (quoted in Tuwere (2002), p.56), that a precautionary approach was not adopted with respect to the turtle incident.

of their total population. There could also have been a failure to appreciate the differences between the effects on turtles of traditional harvesting methods and the use of motorized vessels. Such ignorance should not, however, apply to community leaders (one of whom at least should be well versed in such ecological issues, according to his 'conservation award' status) or to State representatives.

**b) When the problem does arrive, the group may fail to perceive it**

Whilst the numbers of turtles visiting Fiji have shown a decreasing trend; as with other natural phenomena (like climate), local and national fluctuations will obscure the long term trend. The fishermen could have been deceived by the very fact that they were able to capture 84 turtles for this event. Again, this provides no excuse for representatives who must have been better informed about the global situation.

**c) When the problem is perceived, the group may fail even to try to solve it**

One possible reason for this is simple rational behaviour. 'That is, some people may reason correctly that they can advance their own interests by behaviour harmful to other people.' and 'The perpetrators know they will get away with their behaviour, especially if there is no law against it or if the law isn't effectively enforced' (Diamond, 2005, p. 427).

As to the first part of this quotation, we must be open, in light of the Fijian cultural context to interpret 'self-interest' in terms of group (*mataqali*) rather than individual interests, though this is not always easily seen to apply (for instance in the continued reports of dynamite fishing around reefs in Fiji).

With respect to the second part, we have seen that there is a distinction between customary and formal law, with State representatives, paradoxically, seeming to support the application and (non-enforcement) of the less stringent of these. Another possible reason is irrational behaviour, i.e. behaviour that is harmful to

everybody. It is not being suggested that the turtle incident in Fiji was the result of irrational behaviour, but it is to be hoped that a series of quotations from (Diamond, 2005, p. 432) will be sufficient to provoke some thoughts about the potential for this and its consequences, i.e. that 'we may ignore a bad status quo because it is favoured by some deeply held value to which we cling'

'Religious values tend to be especially deeply held and hence frequent causes of disastrous (ecological) behaviour.'

'It appears to me that much of the rigid opposition to environmental concerns in the First World nowadays involves values acquired early in life and never again re-examined' and;

'Partly irrational failures to try to solve perceived problems often arise from clashes between short-term and long-term motives of the same individual….the bad consequences are born by the next generation, but that generation cannot vote or complain today.'

**d) They may try to solve it, but may not succeed**

In a rational world, it could be argued that the prevention of future 'turtle incidents' should be straightforward: through effective application of the (formal) law as it stands in Fiji. Even this is questionable however, given the open ended nature of the get-out clause on 'cultural purposes'. The presence of such a clause gives scope for social and cultural 'trumping' by present Fijian communities, individuals and representatives of ecological values, even where they concern the vital sustainability-interests of humanity, or future generations of Fijians.

**Conclusions**

One general conclusion is that neither environmental nor human social/cultural arguments can be allowed to be used as 'trumps' in a win-lose situation such as that illustrated above.

A second is that, since ecological sustainability is, in the final analysis, a necessary condition for human (cultural) survival and conservation of biological diversity is part of this, both on ecological

and cultural grounds a number of the actions taken in this case were simply wrong.

Because the processes involved in 'the turtle incident' are not necessarily complete at the time of writing, this paper is therefore also intended partly as an action-research intervention aimed at promoting different behaviours in similar future events.

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# MERGING SUSTAINABILITY COSTS AND BENEFITS WITH GOVERNMENT PLANS AND BUDGETS

**Kerry McGovern**
K McGovern & Associates

**Lyndal Drennan**
Queensland University of Technology

**Evelyne Meier**
Queensland Department of Natural Resources and Water[7]

kerry@kmcgovern.com
l.drennan@qut.edu.au evelyne.meier@nrw.qld.gov.au

## Keywords

## Abstract

This article is intended to assist governments to integrate sustainability into public sector management. The authors are mindful that there can be a conflict between short-term interests and sustainable society. This article proposes that the costs and benefits of sustainable policies be merged into government plans and budgets and explains how this can be achieved. Costs and benefits of sustainability will be made transparent and enable accountability for long-term, intergenerational interests.

## Introduction

*The Institute of Chartered Accountants of England and Wales* (ICEAW) in *Sustainability: the role for Accountants* states 'The concept of sustainability involves operating in a way that takes full account of an organisation's impacts on the planet, its people and the future' (ICAEW 2004, p. 4). In his book *Collapse,* Diamond (2005, p. 276) provides a stark example of what can happen through failure to reconcile short- and long-term interests: 'Norse society created a conflict between the short-term interests of those in power, and the long-term interests of the society as a whole…The last right "the chiefs" obtained for themselves was the privilege of being the last to starve'.

This article addresses the 'disconnect' between the interests of a sustainable society and the annual budget that legitimises governments and public sector entities. Triple bottom line reports, sustainable development

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[7] This paper represents the views of the authors and of no organisation or government.

reports or corporate responsibility reports are tools that some entities are introducing to assist them to address the challenges of managing for sustainability. Some sustainability reports are being prepared within a common reporting framework that 'incorporates goals and objectives set at a broader international level into the consideration of internal management processes' (GRI, 2006, p. 22). Private sector corporations, for example BP*, Thiess Pty Ltd, Proctor and Gamble, Vodafone* are preparing sustainability reports (for details see http://www.enviroreporting.com and http://www.environment.gov.au/settlements/industry/corporate/reporting/reports/index.html). Public sector agencies are also preparing them (for example, local governments in New Zealand and Australia and statutory bodies like Landcom and Sydney Water). The question is, how can the required long-term sustainability outcomes for whole geographic areas and the nation states they support, be developed and integrated into short-term policy and financial decision-making?

This paper discusses the processes necessary to report sustainability costs and benefits, proposes public sector agencies prepare sustainability reports, and establishes a framework that merges sustainability reporting in whole-of-government plans and budgets and hence into the reporting structures associated with government accountability.

**Collaborating with government**

Governments are seeking to deliver sustainability outcomes to communities and constituents for example environmental outcomes such as 'clean air resulting from the reduction of CO2 emissions by 4-7% (van Vuuren, 2006*).'* The steps they are taking are: (1) to get agreement on the outcomes to be achieved, (2) to fund and deliver outputs designed to achieve the outcomes, (3) to monitor and report on the outputs and (4) to evaluate the contribution of the funded and delivered outputs to achieving the outcomes. There are, however, challenges to

governments' ability to deliver sustainability outcomes. First, agencies do not control all factors affecting outcomes. Indeed, some of the risks to be managed may be outside the jurisdiction of the elected Parliament and Congress. Second, management tools that rely on legislation and the power of the state may be inappropriate to negotiate outcomes across jurisdictions, professions and communities. What is required is a management tool that monitors the achievements of independent actors on each outcome. The adoption of such a tool requires the extension of the concept of accountability from individual agencies delivering outputs and managing inputs in accordance with Parliament's approved budget, to the public and private sectors' collective stewardship of resources and their achievement of those outcomes.

While government has a stewardship role, the 'real' politic of the 21st century means that civil society bodies, industry bodies, corporations and educational institutions have to work with the government to achieve outcomes. It is the collective input of the community, civil society, industry, and universities to achieving outcomes that attracts political support. In working collaboratively (Kemmis, 2006), agenda setters learn to articulate clearly in layman's language the link between the desired behaviour and the resulting outcomes.

Government and the public sector share a leadership role for achieving sustainability outcomes with the private and household sectors, as well as civil society. Ultimately, it is the government that is held accountable for outcomes, for example, the adequacy and security of water supply.

To collaborate successfully, actors need broad based support obtained through perseverance, knowledge of public sector processes, education programs and engagement with the community. Integrating fully costed practical policies into government plans and budgets is part of democratic process. What follows is an overview of a methodology proposed that can enable the community to assess the

sustainability of outcomes given priority by the government.

**Plans and budgets in government**

It is a challenge to remove the 'disconnect' between the annual budget cycle and achieving sustainable, inter-generational outcomes. Public sector agencies responsible for infrastructure planning have established procedures for linking their long-term strategic goals and the plans to achieve these, to short-term funding proposals. See, for example, the Strategic Infrastructure Plan for South Australia 2005/6 to 2014/15, *Building South Australia* (Government of South Australia, 2005). However, these strategic plans have yet to fully incorporate sustainability costs and benefits into their strategic infrastructure planning. Some public sector agencies in Australia have begun to prepare triple bottom line reports. (http://www.environment.gov.au/settlements/ government/reporting.html). While most sustainable goals have been considered in relation to individual projects, some environmental planning agencies are beginning to prepare multi-project inter-generational strategic plans (EPA, 2004) (OPCE, 2002), though some of these 'strategic plans' are still more akin to business plans (EPA, 2006).

The *European Union* has developed the concept of *Strategic Environmental Assessment* out of regional development and land-use planning. New Zealand's *Resource Management Act 1991* has, as a principle objective, the aim of sustainable management. Governments can identify the drivers of future sustainability, for example energy efficiency, assess their impact and prepare long-term strategic plans to deliver a sustainable environment. Similarly, other agencies can identify long-term strategic outcomes, the specific objectives and the risks associated with achieving these, in similar documents. These strategic plans can then proceed to identify annual goals to be funded in the budget.

While some infrastructure plans are effective, there are issues that will arise in shorter time periods or over subsequent generations. For example, these plans now should address the effects of possible market failure as well as inter-generational cost shifting in pricing infrastructure projects (NZIER, 2004).

There are challenges in applying a strategic planning approach to the environment. *The New South Wales State of the Environment 2006* report stated,

> The issues still outstanding are generally more dispersed and diffuse, and less amenable to individual decision-making frameworks. Future solutions will need to be based on a sophisticated integration of regulatory, economic, technological and persuasive approaches (*Department of Environment and Climate Change,* 2006).

This 'integration challenge' requires simultaneous attention to, and improvement of, the four challenges of ecological effectiveness, social effectiveness, and eco-efficiency and socio-efficiency' identified by Schaltegger and Burritt (2005, pp. 192-193). This integration is best achieved through governance frameworks. While governance for sustainability is about working through formal and informal arrangements (Kemp, Parlo and Gibson, 2005, p. 19) policy integration can be achieved if formalised in national plans and annual budgets.

**National budget process**

A government's budget is an annual vehicle that provides authority to spend monies or provide outputs in the coming year and is a formal signal of approved policy. The ability to obtain parliamentary / national assembly approval for a budget gives government its legitimacy. Each country's constitution establishes institutional responsibilities for public finances for both the legislature and government. The rules of the legislature embody its procedures for considering the budget, and financial legislation contains the financial strictures parliaments place on governments.

Annual budgets are subject to annual review and short-term criteria. Expenditure with long-term mandates, for example

pensions, is paid by permanent appropriation, approved outside the annual budget cycle but recorded in the budget papers (Horn 1995, pp. 83-84). Expected trends in revenue (or receipts) and expenditure (or expenses) may also be tabled in the Medium Term Revenue and Expenditure Framework documents.

## Medium term frameworks

The *Medium Term Budget Framework* (MTBF), incorporating a *Medium Term Expenditure Framework* (MTEF), a *Medium Term Revenue Framework* (MTRF) and a *Medium Term Development Framework* (MTDF), contains the current policies, sources of revenue and cost of current and approved policies for more than two cycles of government, i.e. seven or eleven years. The aim of these documents is to provide policy certainty and an estimate of the longer-term financial implications of government policies. But MTEFs do not usually include the expenditures of government corporations and statutory bodies, unless they are budget funded. Outcomes sought, while outside the control of government, must be supported by the policies of that government. The MTEF and MTRF should clearly link these policies to the long-term outcomes sought. For outcomes to be considered in national plans, MTEF and annual budgets, they need to be the focus of budget submissions by public sector agencies.

## Budget submissions

Individual agencies, including government corporations and statutory bodies, prepare budget submissions and are allocated funding depending on the revenue available, government priorities and their program's or project's contribution to achieving the government's or corporation's goals and objectives.

Management is generally responsible for preparing budgets. If stakeholders wish to influence this process to obtain sustainable outcomes, they need to make specific approaches to the Minister and Chief Executive Officers of agencies, and gain the support of managers and the Minister of Finance. When leaders within the community and industry become advocates for the achievement of sustainable outcomes, much of the work is done.

Annual budget cycles apply to projects designed to achieve sustainable outcomes. Integrating ecological, social, and economic costs and benefits into the project management cycle is a challenge. It is at the planning stage that scientists can have most influence. But good ideas alone will not result in government action. A business case format that incorporates social, ecological and economic costs and benefits should provide the basis for discussion.

The *Cabinet Budget Committee* or Board may look more favourably on the proposal if they are informed about it early, for example in the mid-term budget review prior to the budget in which it will be included, or in a mid-term review of a major project. *The Treasury* and *Ministry of Finance* must be involved early if this is to be achieved. Project sponsor and project manager should plan to work with public sector or other independent scientists to validate costs and benefits. They may also establish inter-governmental support and funding for the project.

Political and public sector agency support for an initiative will be built on the foundations described above. Without these foundations carefully built and nurtured, requests for funding are less likely to be successful.

## Recognition of costs

The cost of any budget-funded proposal is weighed against a set of criteria that includes financial and political considerations. Politicians often include intuitive social and ecological criteria in their consideration of financial criteria. However unless these costs can be reliably quantified, there is no means of including them in budgets, which by definition are quantitative.

The Minister of Finance will be advised of costs. To be included in the budget and subsequently reported in financial statements, these costs must meet recognition and

measurement requirements of professional accounting bodies. For example, to be included in a set of accrual financial statements, an item must (1) meet the definition of an element (revenue, expense, asset, liability); (2) be measurable; and (3) be controlled by the entity (IPSAS, 2006, p. 6). To be included in the financial statements, items must previously have been approved in the budget.

The elements of a financial statement apply to a single reporting entity. However, a complication arises in that sustainability outcomes, for example a reduction in air pollution, call for collaboration by numbers of public sector agencies, the private sector and individuals. The outcome under discussion runs the risk of becoming, a 'free good', that is, it cannot be controlled by one entity, so no-one 'owns' it.

**Summary**

Individual departmental and corporation budgets are the sources of funding for individual initiatives. Many air pollution initiatives, like other sustainable initiatives, require the collaboration of a number of public sector agencies (Health, Transport, Environment, Treasury and the Executive or Cabinet). They also require objectives with a scope wider than that for which an individual public sector agency is responsible. For example, there is as yet no budget process for quarantining funds to be spent by a number of agencies in the pursuit of a joint outcome, e.g. air quality. The challenge of collaboration and integration into the policies and budget processes is the responsibility of individual managers.

To achieve sustainable outcomes, enhancements to the planning, budgeting and reporting structures are proposed in the following sections.

**Limitations**

Many outcomes do not feature in economics or finances. For example, unless the costs of policies are (1) specific to a public sector reporting entity, (2) able to be measured and (3) likely to occur within the period covered by the annual budget or the MTEF, they will not be recognised by government through this process.

Estimates of the value of an educated population may be reported in Economic Reports tabled in the legislature, but these estimates do not appear in the government's financial reports. At best, these estimates are 'soft' measures, and would fail the measurement tests of accounting requirements.

Budgets legitimise the annual spending of public sector agencies, but they do not dictate the relationships between that agency and other agencies nor with private and voluntary sector entities. While these relationships may result in financial transactions of the agency, the quality of these relationships and their impact on the outcome sought is not reported to the legislature.

Some of this non-economic and 'soft' information may be included in annual reports. However, we argue that sustainability reports provide the most robust framework for reporting previously non-measurable impacts or those that are not 'owned' by any single agency.

**Progress in sustainability reporting**

Governments are beginning to develop plans to address sustainability goals and targets, and actively to report information related to their activities, for example New Zealand's *Programme of Action for Sustainable Development* (MFE, 2003), and the *European Union Energy Initiative* (INSE, 2006). A number of initiatives have encouraged corporations and public sector agencies to report publicly their impact on sustainability. These include the *Global Reporting Initiative* (GRI) *Guidelines on Sustainability Reporting*, the *International Federation of Accountants* (IFAC) *International Guidelines on Environmental Management Accounting*, the *United Nations Conference on Trade and Development* (UNCTAD) *Guidance Manual: Accounting and Financial Reporting for Environmental Costs and Liabilities*. They began with *Environmental Management Accounting: Procedures and Principles* by

the *United Nations Division for Sustainable Development*. The GRI issued a *Sector Supplement for Public Agencies* in 2005, which stated that

> Governments have the mission of enhancing public goods and welfare, and are custodians of national resources and have the right to make and uphold laws, they have an obligation quite different to corporations' (GRI, 2005, p. 9).

They have 'responsibility for their own operations as well as administrative and governing responsibilities in relation to a public policy area or jurisdiction'. The supplement identifies three types of information in 'triple bottom line and sustainability' reports: (1) organisational performance, (2) external public policies and implementation measures of the agency that relate to sustainable development and their performance, and (3) economic, environmental, or social conditions within the agency's mandate or area of jurisdiction. The focus of the GRI framework is on the first and second types of information (GRI, 2005, pp. 9-10).

The supplement, in 2005, noted, 'sustainability reporting is still in its infancy in the public sector context' (GRI, 2005, p. 15). *The Centre for Public Agency Sustainability Reporting* was established in 2005 to 'build capacity in public agencies to undertake sustainability reporting and to facilitate the development of best practice in sustainability reporting' (CPASR, 2007). Sustainability reporting by public sector agencies will occur when reports address key national environmental goals that have an eager audience of scientists, community and industry groups and members of the legislature. A growing group of stakeholders who identify with sustainability outcomes provides agencies with the incentive to develop and implement systems for tracking and reporting sustainability costs and benefits.

The framework, created in the private sector, has not yet been adopted by the public sector. The GRI framework does not yet incorporate accountability conventions that

support the initiative's long-term political effectiveness. Civil society, industry, educationalists and the legislature need assurance that the information reported is reliable, complete, timely and accurate. It is the role of the *Supreme Audit Institution* (SAI) to provide assurance on formal accountability reports tabled in the legislature. The *International Organisation of Supreme Audit Institutions* (INTOSAI, 2007) has begun to establish competence to report on these reports. INTOSAI has established a *Working Group on Environmental Auditing* to prepare SAI to develop environmental auditing tools and techniques. Some Auditor-Generals already report sustainability matters. (Auditor-General, 2005)

**Whole-of-government framework**

The public sector sustainability-reporting framework has been designed 'to be applied to government and international organisations' (GRI, 2005, p. 7).

The timing of such integration now needs to be addressed. The steps are: (1) develop a mechanism for agencies to prepare sustainability reports, (2) prepare national and or international sustainability strategic plans, (3) prepare specific strategic plans, networks and systems to achieve the sustainability goals, (4) implement management systems to monitor and report on achievement, (5) develop a means for consolidating achievements of the public sector, private sector, households and civil society into a national and international report, (6) provide the SAI with the mandate to report on these reports, and (7) develop legislative processes to receive and review the reports. Figure 1 (page 16) provides an overview of the key steps in an integrated, whole-of-government framework for managing sustainability.

The first step requires that sustainability costs and benefits be integrated into the core public sector accountability instruments – the budget and financial statements. Challenges include, but are not limited to, the ability of agencies to apply funds to sustainability outcomes achieved by a number of agencies

in collaboration with civil society, industry and households. Another challenge is for ecological and social as well as economic assessments to be completed at the strategic planning stage of infrastructure projects. Demands by the legislature for this information will hasten the adoption of sustainability planning and reporting by governments.

## Legislature

Public sector agencies will table sustainability reports when legislatures require it. The private sector has already made substantial progress through individual corporations including sustainability reports in their annual reports, and often, as in the UK, having these reports independently attested.

The public sector has a more complex challenge. The conditions that led to the voluntary adoption of GRI reporting in the private sector (growing stakeholder activism, and a risk management response from many boardrooms) do not apply in the public sector where agencies are funded to comply with legislation and achieve policy objectives.

Public sector sustainability reports could include for example, a government or agency contribution to meeting international or regional environmental goals, such as Kyoto goals for reduction in greenhouse emissions. Legislation calling for public sector sustainability reporting would ultimately need to include a requirement that the SAI has a mandate to carry out environment audits as part of their audit of sustainability reports.

If sustainability reports are prepared outside the financial governance structure, they will not then be subject to the same public scrutiny given to budgets and financial statements. The legislature reviews the budget and the government's achievement against its plans recorded in the budget. It has a mandate to investigate issues arising from its review. There will be only ad hoc legislative and public review of sustainability reports until they are merged into the annual planning and budgeting process, with its consequent reporting in annual reports by individual agencies and whole-of-government financial statements, an ultimate audit by the SAI.

## Central agencies

Central agencies responsible for fiscal and environmental policies need to collaborate to develop budget tools for funding sustainable outcomes, to include sustainability goals in budget papers, and to establish a system for incorporating sustainability objectives into the national planning process. Figure 1 illustrates how the current planning structure of a national government can incorporate the larger strategic goals to achieve sustainability. It shows how the annual national and entity budget can fund these objectives and how entities can report on achievement against plans. The political 'will' relies on bureaucratic competence to plan, deliver against plans, and to report their achievements, making capacity building a requirement before implementation can be successful. System implementation is enhanced if it is subject to external audit.

## Conclusion

With G8 members formally encouraging GRI (2007) reporting as a means to yield good governance and transparency, and thereby achieve poverty reduction, conflict prevention, support sustainable investment decisions, and promote development in emerging economies there will be pressure for sustainability reporting by public sector agencies. This paper encourages decision-makers to consider building a framework for governments to achieve a sustainable nation through planning for sustainability, and reporting on achievements against those plans. With a framework for inter-agency collaboration and attention to issues of cost and measurement, plans can be incorporated into the annual budget process.

This paper has described the government budget process. It canvasses the need to establish as a matter of course links between sustainability goals, national plans, and government systems as a pre-condition to

achieving sustainability outcomes. When such a framework is in place, scientists should find it easier to gain access to the funding and implementation mechanisms of government.

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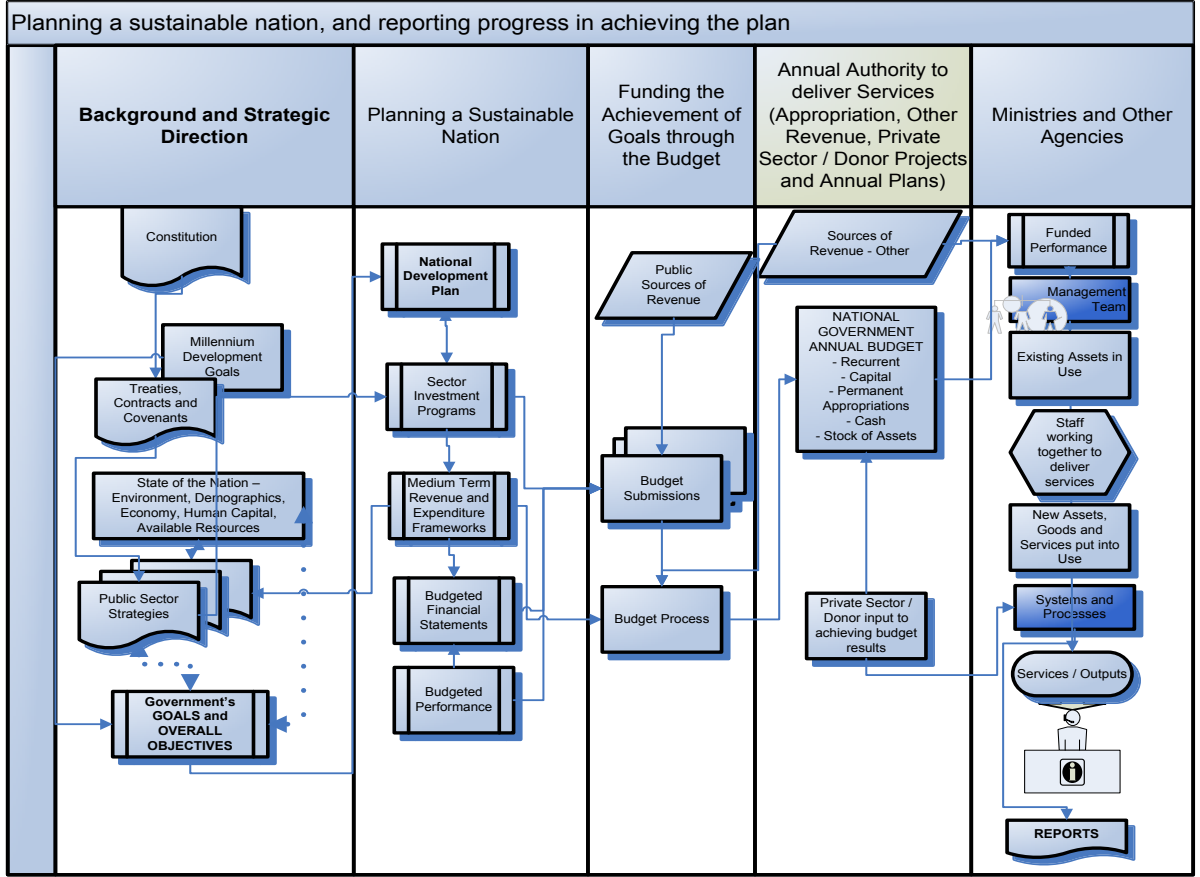
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Figure 1: Managing a sustainable nation



Source: K McGovern & Associates 2006

# BY WHATEVER NAME: A TYPOLOGY OF CORPORATE SOCIAL RESPONSIBILITY

**Amanda J. Carter**
Research Scholar
School of Commerce
University of South Australia

**Roger L. Burritt**
Professor in Accounting
School of Commerce
University of South Australia

Amanda.Carter@unisa.edu.au
Roger.Burritt@unisa.edu.au

## Abstract

By whatever name it is labeled—corporate social responsibility, corporate responsibility and sustainability, or social responsibilities of business—businesses, especially corporations, are adopting the concept and operationalizing it through a variety of programs and policies. While corporate social performance reporting is becoming a basic expectation of both society and the corporation, it is rare that a consensus regarding related performance is reached. One of the many reasons for disparate perceptions of performance lies with the different understandings of corporate social responsibility. To help position these understandings this article considers a new typology of corporate social responsibility based on the independent works of Klonoski (1991) and Bakan (2004). Understanding corporate social responsibility starts with the questions of whether corporations are social institutions and the sincerity with which corporations adopt corporate social responsibility.

## Keywords

Corporate social responsibility, Conceptualisation, Social corporatism, Social Institutionalism, Fundamentalism, Moralism, Criticism

## Introduction

Corporate social responsibility (CSR) is a significant and expanding area of interest in business, management and commerce literature (Garriga & Mele, 2004, p. 51; Brown & Fraser, 2006, p. 103; Amaeshi & Adi, 2007, p. 3). Defining CSR is repeatedly at issue (de Bakker, Groenewegen & Den Hond, 2005, p. 283) and it has been described as both a 'tortured' (Godfrey & Hatch, 2007, p. 87) and a 'fuzzy' (Lantos, 2001, p. 595) concept. CSR is a complex term and like globalization or sustainability, is an example of a 'dense' term (Shanahan, 2001). Dense terms have many layers of meaning and as the layers are peeled away, new understandings of the concept emerge, shaped by what has already been revealed, as well as that yet to be uncovered.

Authors have used different strategies to provide definitions and explorations of the complex construct of CSR and the scope of such responsibilities. Carroll (1999) uses a simple chronological framework to highlight the evolutionary nature of CSR. More recently, Dahlsrud (2006, in press) uses content analysis to develop five dimensions in existing CSR definitions. Husted (2000), Lantos (2001) and Schwartz and Carroll (2003) create models of CSR using domains, pyramids and similar devices, to identify relevant issues. However to provide a comprehensive examination of such models and frameworks within the context of this article is not the intent.

Klonoski (1991, p. 9) creates a framework that identifies *camps*, referred to hereafter as approaches, based on the question of whether corporations are social institutions. Klonoski's work is used here as a foundation as the central research question addresses the basic arguments about business-society relationships, a core theme in CSR literature.

Bakan's (2004) *sincerity divide* provides a simpler method of classification, but its interaction with Klonoski's framework provides additional depth to the analysis of the approaches. Thus, Klonoski's (1991) original typology of CSR is updated and modified by incorporating the work of Bakan (2005) to encompass five approaches: *fundamentalism, social corporatism, social institutionalism, moralism* and *criticalism*. The different approaches provide the foundation for perceptions and expectations of different parties in the CSR debate including corporations, regulators and various stakeholders. The result is that while it appears that all parties are looking at the same landscape, their perception of the landscape is shaped by different positions in the terrain.

## Klonoski's approaches to CSR

Klonoski (1991, p. 9) identifies four approaches to CSR: fundamentalism, moral personhood and moral agency (moralism), social institutions (social institutionalism), and 'other', a collection of approaches based on religion, politics and culture. It is argued below that since Klonoski's (1991) contribution, the 'other' approach has been subsumed into moralism and two new approaches have evolved—social corporatism and criticalism.

It is common to associate approaches to CSR with a left-right political spectrum (Friedman, 1970; Brown & Fraser, 2006). Figure 1 (page 26) provides a simple political spectrum, with fascism on the extreme right and socialism on the extreme left. The continuum is curved to convey the similarities between the extreme right and left. There appears to be no correlation between the approaches identified with these extremes. *Fundamentalism* is located in the middle right reflecting strong conservatism, whereas *criticalism*, being as critical of capitalism as it is of CSR, is located in the middle-left near strong liberalism. It should be noted that each approach occupies a range of the spectrum and may well overlap with other approaches.

## Approach 1: Fundamentalism

Fundamentalism or neo-classicism (Moir, 2001, p. 17) holds that corporations do not have social responsibilities, or where these do exist, are limited to the payment of taxes and provision of employment (Klonoski, 1991, p. 9; Moir, 2001, p. 17). This approach is typified by Friedman (1970). Friedman (1970, p. 32) states that

> … [social] responsibility is to conduct the business in accordance with their [owners or shareholders] desires, which generally will be to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom.

The basic rules of society are those of the general economic environment(s) in which the business operates: free-market, geographical regions, and relevant legislation (Klonoski, 1991, p. 9). Friedman (1970, p. 32) argues that any ethical or social responsibilities are implicit in these environment(s) and special consideration of social responsibilities is neither needed nor warranted; the free-market will punish corporations not adhering to its rules (Klonoski, 1991, p. 9). Friedman (1970, p. 32) views CSR as a tool for intellectual-socialists to undermine free society. In this respect, the fundamentalist approach is in direct opposition to criticalism, which sees reformation of capitalist society and the free-market as a necessary requirement for *real* accountability of business (Brown & Fraser, 2006, p. 110).

Prior to Friedman (1970), Carr (1968, p. 145) highlights the rules of the business game which, like poker, includes 'the bluff'. Carr (1968, p. 148) is adamant that the idea of business being guided by the ethical position adopted in private life was unaffordable. Indeed, he notes the adoption of any ethical position is a 'self-serving calculation in disguise' (Carr, 1968, p. 148). Ultimately, the adoption of an openly-stated ethical position is about profit and, like Friedman (1970), the business's responsibility is to create profit.

The pivotal element in the fundamentalist approach is the portrayal of the corporation

as a purely legal creation and not as a social institution. The purpose of corporations is solely economic with no associated moral imperative or social obligation (Klonoski, 1991, p. 9). Only a natural person is capable of having social responsibilities (Friedman, 1970, p. 32). Friedman is not alone in supporting the fundamentalist approach, with Levitt (1983) and Den Uyl (1984) as strong proponents. However, since 1991 the fundamentalist approach has received little attention, except as a method for contrasting with other approaches. For those resisting the voluntary adoption of CSR or the imposition of regulation requiring recognition of non-shareholder stakeholder interests, fundamentalism is an attractive and persuasive approach (see for example, Bostock, 2005). The fundamentalist approach has of late become embedded in social corporatism, which will be discussed next.

**Approach 2: Social corporatism**

A new approach is the hybrid *social corporatism* and is popularised as the *Business Case*. This approach is borne from an overlap between fundamentalism and social institutionalism (to be discussed later) and has become a prominent approach in its own right. Social corporatism builds on the foundations of fundamentalism—that is, the purpose of business and corporations is the creation of profit—but it also recognises and accepts a social aspect to corporate existence and action. An early proponent of social corporatism is Drucker (1973), who holds that Friedman's (1970, p. 32) fundamentalist approach is untenable, owing to a 'sickness of government' that essentially rendered it unable to perform its traditional duties. Instead, he argues that through pursuing their own self-interest, corporations need to concern themselves with society and should assume some of the responsibility that extends beyond traditional business areas (Drucker, 1973, p. 349).

A range of business councils and corporations such as the *World Business Council for Sustainable Development* (WBCSD), *Business in the Community*

(BITC), the *Business Council of Australia* (BCA), and highly proactive multi-national companies now lead this approach. Social corporatism rests upon a position that is embedded firmly within fundamentalism and social contract theory: when business prospers, so does society.

> Business remains the most potent force for wealth creation, countries do not have low incidences of poverty because of their welfare programs, but largely because they have created frameworks that encourage business enterprise (WBCSD, 2002, p. 3).

Stakeholder accountability is incorporated into the approach and blended with fundamentalism to promote CSR as an effective policy to manage stakeholders and organisational legitimacy alike (Brown & Fraser 2006, p. 105). Social corporatism sees concepts such as sustainable development and CSR as a business strategy, with the potential to make corporations and other business structures, more responsive to rapid changes in their environments (WBCSD, 2002, p. 2; Dentchev, 2005; Brown & Fraser, 2006, p. 104).

In terms of CSR, the *World Business Council for Sustainable Development* (2002, p. 6) considers the issue to be *how* rather than *what*. It assists corporations to determine to whom, and how, CSR should apply. It recognises that the existence of stakeholders such as employees are of long-term benefit to corporations rather than an expense, dialogue should be transparent and open, and performance measured and reported externally (WBCSD, 2002, p. 6). Social corporatism's acceptance of stakeholders opens this approach to being a compelling argument for the adoption of a CSR policy (BITC, 2003, p. 1).

**Approach 3: Social institutionalism**

*Social institutionalism* assumes that corporations are social institutions with associated social responsibilities (Klonoski, 1991, p. 12). This approach has the concept of a social contract deeply embedded within it and represents something of a middle ground between fundamentalism and

criticalism (Gray, Owen & Maunders, 1988, p. 8-9).

The social contract emerges from the philosophy of Hobbes, Locke, Rousseau, Kant and others, and provides a rationale for relationships between persons, society and its members, as well as between society and institutions (Gauthier, 1977, p. 135; Moir, 2001, p. 19). The social contract sees relations between business and society, the rights and duties of individuals, as well as institutions and practices, as contractual in nature. This social contract is implicitly agreed to by members of society and evidenced by the acceptance and submission to laws and customs (Gauthier, 1977, p. 135; Klonoski, 1991, p. 12).

The social contract is fundamentally different from a legal contract (Klonoski, 1991, p. 12). The social contract is not a written document that can be brought before the courts in the case of a breach. However, it is argued that law, both common and statutory, represents the rules of society and the elements of the social contract (Gray et al., 1988, p. 13). In exploring CSR, it is generally agreed that the law represents a starting point, a foundation upon which practice is extended (Buhman, 2006, p. 188). The law however, is not a comprehensive set of rules, and society's culture with its norms and values, will provide additional elements to these basic and legally enforceable rules.

With a social contract operating, interaction between society and business is such that when business prospers, society prospers. However, business must be ever-mindful of the needs and desires of the society in which it operates, and be responsive in meeting those needs and desires (Klonoski, 1991, p. 12; Gray, Kouhy & Lavers, 1995, p. 53).

A breach of the social contract by a corporation results in society withdrawing its support, and in this sense the social contract is the cornerstone of organisational legitimacy theory. Dowling and Pfeffer (1975, p. 122) describe organisational legitimacy as

…a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy.

Implicit in this position, is that where society withdraws its bestowed legitimacy, the tacit permission for the existence and continuing operation of a business or corporation, the organisation ceases to operate effectively until legitimacy is restored or the organisation dies (Moir, 2001, p. 19; Hamilton, 2006, p. 333). Legitimacy is bestowed and withdrawn by society, but it is acknowledged that corporations often control this process (O'Donovan, 2002, p. 346; McMurtrie, 2005, p. 132). Legitimacy can be regained by a corporation, either by altering its own values and expectations or by altering the perceptions held by society, of its values and expectations (O'Donovan, 2002, p. 345).

Perception is critical in CSR, as it is often society's (or stakeholder's) perceptions of a corporation's acts that influence their responses. These perceptions are created through the information available to society or stakeholders, information which is predominantly provided by the corporation itself, prepared by highly skilled communicators and utilising jargonised language. Lindblom (1994, cited in Gray, Owen & Adams, 1994, p. 46; Gray et al., 1995; and McMurtrie, 2005) offered four methods for achieving such an alteration of society's perceptions:

- educate stakeholders about the business's intentions, expectations and efforts to improve performance;
- change stakeholder perceptions (or explanations) of their performance;
- divert attention from any issues of concern by concentrating on positive rather than negative performance; and,
- change external stakeholder expectations about business performance.

While there is some criticism of social contract theory (Klonoski, 1991, p. 13), both legitimacy theory and stakeholder theory

emerge from its traditions, and are strongly interlinked both with one another and with social institutionalism (Mitchell, Agle & Wood, 1997, p. 866). While social institutionalism is the most dominant amongst academics in the current debate about CSR, the stakeholder theory sub-strain clearly has the favoured position, evidenced by the volume of literature adopting a stakeholder perspective (see Owen, Swift & Hunt, 2001; Belal, 2002; Norris & O'Dwyer, 2004; and Steurer, 2006 as a sample). This sub-strain also causes the most vociferous response from fundamentalism and social corporatism.

Stakeholder theory considers the question of who amongst broader society should receive a corporation's attention (Mitchell et al., 1997, p. 855; Moir, 2001, p. 19). From a fundamentalist approach there is only one possible answer, shareholders; whereas a criticalist may well answer all of society. From the stakeholder perspective, there is a recognition that corporations need to be accountable, but, for purely pragmatic reasons, they cannot be accountable to all of society. For this reason, stakeholder theory seeks to provide a systematic method or model for the identification of stakeholders, those sub-groups of society to whom a corporation will be accountable (Mitchell et al., 1997, p. 855).

Social institutionalism, as well as the stakeholder sub-strain, view corporations as quasi-public institutions, necessary for the creation or promotion of open and transparent democratic societies (Brown & Fraser, 2006, p. 106). However, it is also an essential element of this approach that corporations serve society, fulfilling many functions that governments are unable to (Drucker, 1973, p. 318). Corporations are responsible therefore for not only the generation of profit but also for the accomplishment of a variety of social objectives (Brown & Fraser, 2006, p. 106).

## Approach 4: Moralism

*Moralism* moves the discussion of CSR to a philosophical basis, incorporating ethics, morals and virtue. The primary position of this approach holds that to understand the social responsibilities of corporations, the corporation itself and its nature must be understood (Klonoski, 1991, p. 10). The basic notion of the corporation as a legal 'person' causes much of the debate in this approach; is a legal person, compared with a natural person, to be held accountable and responsible for its actions (Klonoski, 1991, p. 10)? Implicit in this approach is the understanding that a corporation is not a person in any tangible sense of the word. Within the context of CSR, an important question that arises is whether corporations are moral agents and whether the moral principals in this relationship, the shareholders, should be held accountable for the actions of their moral agents (Klonoski, 1991, p. 10).

A typical recommendation of this approach is that corporations should be treated as a natural person and hence, are able to be held responsible for their actions and to the same, if not higher, standards of responsibility (Klonoski, 1991, p. 10). In some respects the moralist agrees with the fundamentalist - only people have responsibilities - but moralists acknowledge that decisions are not made by individuals for personal reasons, or at least not for purely personal reasons, they are made '*for and in the name of* the corporation' [original italics] (Goodpaster, 1983, p. 3). Desjardins (1990) bases the approach firmly within an ethical framework, looking not at ethics based on any contractual notion of relationships between people and institutions, but founded upon 'the development of good or morally virtuous people'. Little is written in CSR literature about the virtues (but see Francis, 1990 and Carroll & Buchholtz, 2006), rather it is moralism (including ethics), which is evident.

The moralist approach has been pursued by authors such as Suchman (1995, p. 579) and most recently Palazzo and Scherer (2006) in discussing moral legitimacy. Palazzo and Scherer (2006) advocate a move towards adopting moral legitimacy as a

foundation for CSR. Legitimacy is 'vital for organisational survival as it is a precondition for the continuous flow of resources and the sustained support by the organisation's constituents' (Palazzo & Scherer, 2006, p. 71)'. Behavioural theorists also utilise moralism, holding that the moral imperative to address social problems stems necessarily from a business's use of resources which might otherwise be used to address these problems (Moir, 2001, p. 17). In this respect, the moralist has features in common with social institutionalism.

**Approach 5: Criticalism**

*Criticalism* (also called critical theorists by Brown & Fraser, 2006, p. 100) represents the opposite end of the CSR spectrum from fundamentalism and is a new approach. As discussed earlier, criticalists are prone to finding fault with others, particularly fundamentalists and social institutionalists. Where fundamentalists see CSR as a threat to capitalism and the free-market, criticalists see it as a threat to accountability and likely to maintain current inequities and power asymmetries (Maunders & Burritt, 1991; Bakan, 2004; Brown & Fraser, 2006, p. 110;). For criticalists, CSR is a potential victim of the business agenda, a mystery couched in jargonised terms and where understanding is lost to the majority of society's members (Springbett, 2003; Brown & Fraser, 2006, p. 110).

Criticalists have led the debate on specialised social, ethical and environmental reporting, characterising reports as disinformation or 'greenwash' (Freeman & Liedtka, 1991; Brown & Fraser, 2006, p. 111). In this approach, CSR is an ideological weapon, which is as equally useful to other approaches. Criticalists see work such as the preparation of 'anti-reports' or 'silent or shadow' accounts (O'Dwyer, 2005, p. 34) as a way of highlighting social conflicts and failures of accountability (Brown & Fraser, 2006, p. 111). In some respects, the work of Deegan and Rankin (1996) and Adams (2004) are also reflective of these

perceptions. The reviewed literatures are summarized in Table 1 (page 27).

**Bakan's sincerity divide**

Klonoski's (1991) framework is a useful starting point for analysing CSR. However, this can be cross-referenced to Bakan (2004). Bakan (2004, p. 34) uses Friedman as inspiration for dividing CSR into a simple dual classification based on sincerity of adoption. This sincerity divide, concerns the ends achieved by the adoption of CSR. Friedman holds that where adoption of CSR is used to maximise shareholder wealth (the traditional measure of business success), adoption is acceptable, but where CSR is an end in itself, adoption is not only unacceptable but immoral (Bakan, 2004, p. 34). Friedman, consistent with the fundamentalist approach, believes therefore that only one circumstance permits CSR to be tolerable, when it is insincerely adopted (Bakan, 2004, p. 34).

Reviewing the modified Klonoski approaches in light of Bakan's sincerity divide, it is possible to show a correlation between placement on the political spectrum and sincerity of adoption (Figure 2, on page 26). Those approaches closer to the extremes of the political spectrum are likely to be insincere adopters, whilst those nearer to the middle are likely to be sincere adopters. Bakan's (2004) sincerity divide adds a new dimension to Klonoski's (1991) framework and it is evident that the Klonoski approaches are divided in their sincerity. Fundamentalism and criticalism provide examples of insincere adopters of CSR.

**Conclusion**

Understanding CSR requires an examination of the questions that underpin the construct: are corporations social institutions? If so, what is the extent of their responsibilities to society and how should such responsibilities be discharged? To whom are corporations responsible and how should they be held accountable? The article shows that each party in this debate is likely to hold their own perceptions of corporate social performance

as their understanding and conception of CSR may differ from other stakeholders and especially the corporation. Five approaches to CSR are identified each with their own unique perspective on corporations, their social responsibilities, and the sincerity with which CSR is adopted. Understanding the perspectives towards CSR is a necessary first step in the debate on business-society relations, and may enhance accountability between corporations and stakeholders.

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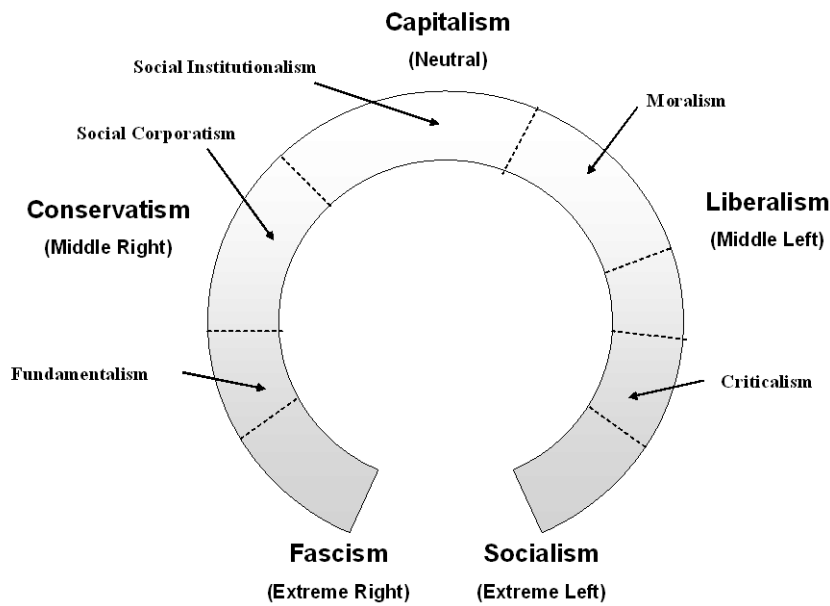**Figure 1: Klonoski (1991) framework with political spectrum**
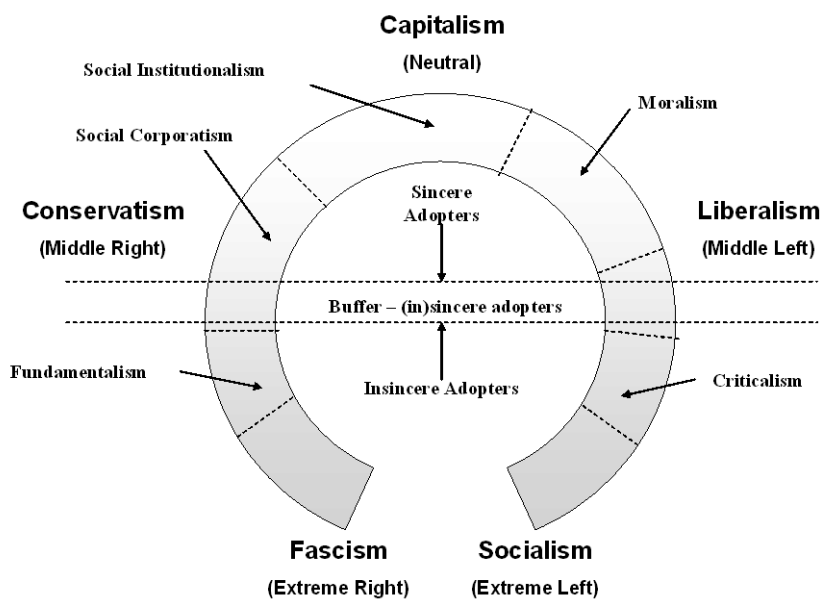


**Figure 2: Modified Klonoski framework**

**Table 1: Klonoski framework**

| Approach | Are corporations social institutions? | Sincere or Insincere Adoption | Referenced Authors |
|---|---|---|---|
| Fundamentalism | No | Insincere | Carr, 1968; Friedman, 1970; Levitt, 1983; Den Uyl, 1984, Bostock, 2005 |
| Criticalism (aka Critical theorists) | No | Insincere | Freeman and Liedtka, 1991; Maunders and Burritt, 1991; Lindblom, 1994; Springbett, 2001; Collison 2003; Korhonen, 2003; Bakan, 2004; O'Dywer, 2005 |
| Social corporatism | Incidentally | Sincere | Drucker, 1973; WBCSD, 2002; BITC, 2003 |
| Social institutionalism | Yes | Sincere | Gauthier, 1977; Gray, Owens and Maunders, 1988; Gray, Kouhy and Lavers, 1995; Deegan and Rankin, 1996; Mitchell, Agle and Wood, 1997; Belal, 2002; O'Donovan, 2002; Adams, 2004; Norris and O'Dwyer, 2004; McMurtrie, 2005; Hamilton, 2006; Steurer, 2006 |
| Moralism | Yes | Sincere | Goodpaster, 1983; Suchman, 1995; Zsolnai, 1997; Hoffman, Frederick and Schwartz, 2001; Robertson and Crittenden, 2003; Goodpaster, Nash and Bettignes, 2006; Levis, 2006; Palazzo and Scherer, 2006 Desjardins, 1990; Francis, 1990; Vogel, 2005; Carroll and Buchholtz, 2006 |

# PHD COMPLETED – DR SUMIT LODHIA

Congratulations to Dr Sumit Lodhia who in September was awarded this PhD at The Australian National University. His thesis was entitled *'The world wide web and environmental communication: A study into current practices in the Australian minerals industry'*.

Sumit is a Lecturer at the School of Accounting and Business Information Systems, The Australian National University and he makes the following comments about his work.

"This thesis explored the factors that influence the extent to which the World Wide Web (henceforth web) is utilised by corporations in an environmentally sensitive industry to communicate with their stakeholders in relation to environmental issues. The study initially established, in theory, the communication potential of the web and possible factors which can impact on the extent to which this potential is utilised for environmental communication. Subsequently, it examined the use of the web by specific companies in the Australian minerals industry for communicating environmental issues to their stakeholders over time. Explanations for current practices were established through an analysis of the impact of the factors established in theory on web based environmental communication in the Australian minerals industry.

A model was established to guide the research process for this study. Drawing upon media richness theory (Daft & Lengel, 1984, 1986; Sproull, 1991; Valacich et al., 1993), the Media Richness Framework was developed to provide criteria for assessing the communication potential of the web. It was also posited that the extent to which this potential is utilised in practice is dependent on management's web based communication needs. These needs incorporate timeliness, accessibility, presentation and organisation, and interaction. Contextual factors, which include limitations of web based technologies, economic, internal organisational and external stakeholder issues, influence these needs.

Case study research (Hagg & Hedlund, 1979; Yin, 2003a, 2003b; Scapens, 2004) was used as the methodological approach for this thesis in order to obtain an in-depth understanding of current web based

environmental communication practices. An evaluation of the websites of mining companies was used as the basis for selecting three companies as cases. These cases involved a triangulation of approaches towards data collection: monitoring corporate websites on a regular basis; interviewing appropriate personnel in these organisations; and evaluating documents related to the companies' environmental communication practice. Data gathered from interviews, websites and documents were analysed for individual cases and then through cross-case comparisons. The intention was to confirm the research model and to potentially extend it through a consideration of other factors not identified in theory but evident in current practices.

The findings of this research indicate that even though the web has the potential to enhance environmental communication in an environmentally sensitive industry that is subject to extensive stakeholder pressures, there is variation in its use by companies in the Australian minerals industry. An evaluation of the practices of the three chosen companies highlighted that while the web is used extensively by these companies in comparison with other corporations in the industry, the case study companies were at different stages of web based environmental communication.

Management's web based environmental communication needs and the influence of contextual factors on these needs explained the variation in web based environmental communication across all three companies. Moreover, two other factors emerged from the field; these are referred to as the double-edged sword and change in management philosophy. These findings from the field highlight that the need for communication through the web could have unintended consequences while a change in management could alter the current approach towards web based environmental communication.

This study into the use of the web in the Australian minerals industry highlights that the medium has an impact on environmental communication practice. Further research could assess the communication potential of the various media used for environmental communication in order to extend the explanatory power of the current study. The study also outlines arguments in support of extending theorisation in environmental communication. Existing theories for social and environmental accounting, such as stakeholder and legitimacy theory (Roberts, 1992; Lindblom, 1993; Deegan, 2002) need to be accompanied by other theoretical perspectives in order to capture a range of potential factors that could impact environmental communication practices. Such insights could provide a comprehensive understanding of environmental communication in different contexts.

Further information about his thesis can be obtained from Sumit at sumit.lodhia@anu.edu.au.

# ENVIRONMENT EXTRA!

**Can coal be clean?**

WCI PRESS RELEASE—12 October 2007

LONDON—Can coal meet the climate change challenge? This is the question the *World Coal Institute* (WCI) discusses in a new report *Coal meeting the climate challenge: Technology to reduce greenhouse gas emissions.*

'The coal industry recognises that climate change is a significant challenge and is prepared to play its part in ensuring better environmental outcomes,' said Chief Executive of WCI, Milton Catelin.

Coal is one of the biggest sources of anthropogenic $CO_2$ emissions to the atmosphere. It therefore has to be fully involved in meeting the climate change challenge through international research, development and deployment of advanced coal technologies.

Mr Catelin said, 'Most informed analysts recognise that coal has played an enormous role in fuelling economic growth around the world and will continue to be an essential element in the energy security, economic growth and poverty eradication plans of many economies throughout this century. This Report focuses on the technological means to sustain those plans while nearly eliminating $CO_2$ emissions to the atmosphere from coal use.'

WCI welcomes the growing recognition that technology developments have to be part of the global solution to climate change. This is particularly true for coal because its use is growing in so many large economies.

*Coal meeting the climate challenge* outlines two primary ways of reducing $CO_2$ emissions from coal use:

- The greatest potential is offered by **carbon capture and storage (CCS)** which can reduce $CO_2$ emissions to the atmosphere by 80-90%. Storing $CO_2$ in geological formations is a secure option. *The Intergovernmental Panel on Climate Change* (IPCC 2005) found that the risk of leakage from geological storage was very likely to be less than 1% over 100 years and likely to be less than 1% over 1000 years and that inclusion of CCS in mitigation portfolios could reduce the cost of tackling climate change by 30%.
- **Improving efficiencies** at coal-fired power stations–meaning lower emissions per unit of energy output. A one percentage point improvement in the efficiency of a conventional pulverised coal combustion plant results in a 2-3% reduction in $CO_2$ emissions.

WCI identifies a number of measures which are needed to enable us to fully utilise technological solutions to climate change:

- **Policy certainty**—governments need to provide supportive policy frameworks that recognise the continuing role of coal and the need to work with industry in accelerating the development and adoption of low emissions coal technologies.
- **Large-scale integrated projects**—there is a pressing need for significantly more large-scale, integrated coal-based CCS demonstration projects if commercial readiness is to be achieved by 2020.
- **Collaboration**—the public and private partnership route is going to be critical to a sustainable energy future. Neither industry nor government alone can deliver the technologies required to achieve the necessary emissions reductions.
- **Regulatory and legal frameworks**—a commitment to CCS needs to be complemented by regulatory and legal frameworks for $CO_2$ storage that provide policy certainty for project proponents and address the technical issues and uncertainties associated with projects.
- **Financing the future**—actions are needed by governments, industry and financial institutions to create a suitable investment framework. Mr Catelin said,

   A sustainable response to climate change is within our grasp with plans by numerous governments, including Australia, the EC, the

UK, and the USA to build coal CCS power plants. The remaining challenge is to ensure that these early plants result in the reduction of costs for later models and the widespread uptake of CCS as part of an effective global response to climate change (WCI Press Release, 12 November 2007—http://www.worldcoal.org)

## Recognition of potential importance of sustainability accounting in the public sector

The *CPA Congress* in November 2007 held a Panel Session reviewing *Performance Auditing in the Public Sector in Australia*. Present were Ian McPhee, Auditor-General for Australia and Tu Pham, ACT Auditor-General**.**

The panel discussed recommendations from recent performance audits and implications for the public sector. During the debate it was observed that in addition to performance audit in the public sector the other change has been the expansion of other assurance services to include sustainability reports.

It was observed that to date, in the public sector context, there has not been a significant demand for such reports, but it was suggested this situation may change going forward given the focus on environmental and sustainability issues today.

The message was that the principles of auditing are basically the same whether a financial statement or a performance audit, say in the context of sustainability of a public sector organisation, is being conducted, although some notable differences are evident.

For a financial statement audit in Australia, the financial reporting framework is defined by 2 statements of accounting concepts and some 48 accounting standards. The auditing requirements for financial statements are established by some 33 auditing standards For both financial reporting and auditing, the Australian standards are based on international standards

For a performance audit, the public sector management framework or model is only broadly defined and certainly not to the same extent as financial reporting frameworks.

The performance auditing requirements in Australia are currently established by only 2 standards—*AUS 806: Performance auditing*, and *AUS 808: Planning performance audits*—with other standards to be adapted as required. There are no international standards which define management frameworks or relate directly to performance auditing. Thus, while both financial statement and performance audits adopt the same principles, the operating frameworks and standards are much less
defined for performance audits.

Performance audits can influence governments to change policies, particularly those bearing on public administration, or to inform decisions in relation to budget allocations, provided that the auditor does not becoming embroiled in political debates on the merits of government policy. In the sustainability area this could lead to the performance auditor – the Australian National Audit Office – having to tread a very fine line.

# CALL FOR PAPERS

**11<sup>th</sup> Annual EMAN Conference**

**6-7 October 2008**
Corvinus University of Budapest

**Deadlines:**
  Abstracts: May 31
  Extended Abstracts: August 31
  PDF: September 30

**Conference fees:** to be announced

**Contact:** Szilvia Ludas
szilvia.luda@uni-corvinus.hu

Students may apply for a limited number of free attendances. (This option does not include the conference package or social events)

**Suggested topics:**
Sustainability and corporate responsibility accounting–Measuring and managing business benefits.

Three parallel sessions will be organised in addition to the panel.

**Specific topics will include:**
- Measuring business benefits of sustainability and CSR
- Environmental benefit accounting
- Tools and experiences for CSR and sustainability performance measurement in EMA
- Measuring contribution of environmental performance to the corporate value
- Sustainability issues in EMA
- New methods and procedures in environmental accounting
- Social performance and business success
- Stakeholder' influence on EMA
- Sustainability accounting at macro level (evaluation of environmental amenities, indicators of development)

**Any new theoretical contribution to the**
- development of environmental accounting
- Country studies, case studies, surveys and empirical analyses of innovative approaches

Comments for the steering committee are welcome

**Follow up conference**: October 8, *Sustainable Consumption* organised by Gyula Zilahy director of the *Hungarian Cleaner Production Centre* Hungarian

To register email Gyula
gyula.zilahy@uni-corvinus.hu
To broaden the membership of EMAN we will approach researchers from CEE countries with little activity on environmental accounting. We will contact several researchers in these countries and offer preferential registration fees.

We will publish **extended abstracts** on a CD and **full abstracts** in hardcopy.

**Progress in sustainable consumption**
Special conference of the Annual EMAN conference

**8 October 2008**
Host: *Hungarian Cleaner Production Centre* and the *Institute for Environmental Sciences*

**Contact: Gyula Zilahy, PhD**
gyula.zilahy@uni-corvinus.hu

With the continuing degradation of our natural and man made environments despite of many efforts aimed at the improvement of the environmental performance of the corporate sector, more and more attention is paid to the consumers of modern society and their role in achieving sustainable development.

Gains in eco-efficiency and the spread of industrial ecology projects around the world seem to be offset by an ever increasing mass of products and services produced to satisfy the demand of consumers not only in the developed world, but more and more in nations in transition and developing countries as well.

This one day conference aims to uncover recent trends relating to the progress in sustainable consumption and provide an excellent opportunity to discuss timely issues in the field with the participation of representatives from many countries: developed and developing.

The conference will concentrate on the following topics with the participation of internationally distinguished scholars and practitioners of sustainable consumption:

1) What are the theoretical underpinnings of current thinking about sustainable consumption patterns?
2) Research related to sustainable consumption is scattered across many disciplines. Which fields of social sciences can contribute to sustainable consumption and how?
3) What kind of research initiatives aim at the study of sustainable consumption patterns and where?
4) What methodologies are available in order to foster sustainable patterns in the field of consumption?
5) What are the current practices in the different parts of the world in order to promote a more sustainable lifestyle?
6) What are the special characteristics of consumption patterns in nations in transition and how can these countries learn from their developed counterparts?