

Editorial Notes

Establishing Environmental and Sustainability Accounting To Creating Business Cases

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No doubt, corporations shape large parts of our life – daily and worldwide. Given this impact, they bear duties of shaping our markets, economies and societies in the most responsible possible way. Value added in its core sense is about creating value for society, and the assessment whether a product or service creates inclusive value is after all to be decided by society, i.e. the entirety of stakeholders and not just customers or another exclusive part of society. Creating value for some stakeholders only and ignoring other may also have rebound effects on the company, as for example the happiness of customers can be severely impacted and sales may decrease if media reports that the employees are treated badly.

As a consequence companies, whether as suppliers of brand leaders or as original equipment manufacturers, are expected to prove their performance in environmental and sustainability terms. Sustainability management, accounting and reporting are becoming ever more a major prerequisite for market and economic success. There is a growing body of evidence indicating that better environmental and sustainability management is associated with better environmental and social performance, and that better sustainability performance can translate into improved corporate financial performance. Saying this, I would like to emphasize that “can” translate into financial performance does not mean “does automatically lead to” financial success. All claims that there is an automatic relationship are either idealistic and expressions of hope or they are communicated to blur the view on the large sustainability problems our world is confronted with. The effect of superior social and environmental performance on economic and financial success has to be actively managed if a company wants to make sure that it realizes “win-win” or triple-win potentials. Approaches to manage double and triple win potentials are currently discussed under the header of “business cases for sustainability” (e.g. Schaltegger et al. 2012).

The process of creating a sustainable corporation and of managing a positive link between voluntary social and environmental activities and economic success is hard

work in terms of strategic management as well as operational implementation. Beyond the communication in glossy brochures corporate sustainability has to be implemented in numerous processes and with management tools supporting decision makers and staff in the company. Good decisions – if they are not to be coincidentally good – require good information and well informed managers. The systematic consideration of environmental and social issues in accounting as the core management information system is therefore crucial.

Anybody pursuing corporate environmental progress and sustainable development as a corporate goal will sooner or later face questions like how progress towards more environmental and social performance could be operationalised, measured and communicated. To answer these questions, physical management accounting systems measuring material and energy flows are needed.

Linked to the measurement of the state of impacts and whether environmental and social progress has been achieved management needs accounting systems which identify the economic possibilities and consequences of different environmental and social projects and activities. In addition to the conventional management accounting approaches, this often requires specific monetary accounting methods which more clearly identify how costs can be reduced or profitability can be increased through material and energy saving or cleaner production approaches.

Environmental and sustainability accounting has started to filter down as an approach, within two decades, from a few academic think tanks and progressive companies to the corporate sectors of just about every region of the world. Various case studies show also for South East Asia that particularly the implementation of environmental management accounting has a very high potential to improve economic performance through the reduction of environmental impacts (e.g. Herzig et al. 2012). *Issues in Social and Environmental Accounting (ISEA)* plays an important role in spreading knowledge on methods and successful applications of such accounting and reporting methods in South East Asia and globally.

Given that most companies still have not established a broad range of environmental and social accounting methods makes clear that the importance of corporate environmental and sustainability accounting for the future cannot be overestimated. A survey on corporate sustainability management practices of large companies in eleven countries worldwide shows that public relations and production strongly support sustainability management whereas the accounting, management control and finance departments are least involved in sustainability management (Schaltegger et al. 2013). Given the important role accountants have in supporting decision making of top management the current and future challenge is to develop new paths which encourage accountants, managers and educating institutions alike to make many of the sustainability approaches which have been developed and tested for the last decades an integrative part of corporate management practices as well as conventional accounting and management education. Development of educational resources and associated courses in sustainability management as well as environmental and sustainability accounting have a

critical role to play in the process of disseminating ideas to corporations and their stakeholders about how they can best engage in implementing corporate sustainability.

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