

Strategic Framework for Green Accounting and Reporting (GAR)

Radiah Othman^{a*}
Haslinda Yusoff^b
Normahiran Yatim^b

^a School of Accountancy, College of Business, Massey University, New Zealand

^{b,c} Accounting Research Institute & Faculty of Accountancy, Universiti Teknologi MARA, Malaysia

Abstract

This paper aims to propose a strategic framework for Green Accounting and Reporting (GAR) adoption in Malaysia. Green *accounting* translates how the management practice and accountable on the effects and uses of the environment. The accountability is reflected through the *reporting* function which naturally demands for transparency to the stakeholders. Malaysia has a comprehensive regulatory framework for green-related management and practice but unfortunately this has not reflected in the context of local environmental matters where degradation is a persistent problem. A strategic framework is necessary to accompany the government's blue-prints and facilitate companies to adopt GAR. Drawing from the literature, the strategy is based on the firms' responsibilities and the impact it has to the industry, country and society at large, at least for two generations.

Keywords

Green Accounting and Reporting, management, Malaysia

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Introduction

Domestic environmental legislation and environmental regulatory policy dictate the extent to which firms regulate pollution emissions, manage waste disposal and even design product packaging (Reinhardt, 1999; Esty and Winston, 2006). In Western and other countries, GAR has been largely influenced by economic and financial incentives (Richardson & Welker, 2001; Al-Tuwaijri et al., 2004), followed by sense of accountability and transparency (William, 1987; Gray et al., 1988; Cox et al., 2004, Cormier et al., 2004), regulatory pressures and demands (Begley, 1996;

Bell, 1997; Kurasaka, 1997), ethical awareness (Lehman, 1999, 2000) and efficient management and operation (Montabon et al., 2000; Hussein, 2001; Anton et al., 2004). Closer to the country, a study on voluntary environmental and social accounting disclosure practices of selected Asia-Pacific countries of Australia, Singapore, Hong Kong, the Philippines, Thailand, Indonesia, and Malaysia by Williams (1999) reveals that although social and environmental disclosure practice represents a strategy that responds to social expectations, it is as important as protecting corporate

self-interest (*ibid.*, p. 226) thus, there must be a balance between the economic and environmental responsibilities of the firms.

The main aim of this paper is to propose a strategic framework for Green Policy and specifically, Green Accounting and Reporting (GAR) adoption in Malaysia. Green *accounting* translates how the management practice and accountable on the effects and uses of the environment. The accountability is reflected through the *reporting* function which naturally demands for transparency to the stakeholders. The GAR Framework would provide the policy makers and corporate strategist a conceptual model that demonstrates how GAR can be built into corporate strategies. The Malaysian government is highly supportive of green engagements by organisations, both public and private sectors. For instance, in the recent budget, an allocation of fund amounting RM1.5 billion has been made for renewable and green technology practices. Despite these strong support, Malaysian Companies are still lagging behind developed and other developing countries in terms of GAR practices.

The current available structures and frameworks for business and environmentally related management and reporting practice in Malaysia include CSR Bursa framework, ACCA MaSRA Award, Malaysian Code on Corporate Governance (MCCG) are yet to promote greater business engagement with GAR practices. The inavailability of supporting methodologies or frameworks induce companies to turn to management consultants. While few companies are privileged with financial resources but many have turned to diverse alternative strategies in implementing GAR.

This paper contributes to the body of knowledge in GAR from three perspectives. First, the development of the conceptual Strategic Framework for GAR is the first attempt to develop a generic model focusing on potential strategies at various levels for Malaysian firms. Policy makers at the national or corporate level need to understand the challenges faced in order to successfully implement GAR in their local business communities. It is critical for the corporate to see the environmental issues are corporate issues as much it is as the nation issues. In this respect, the issues of cultures, regulatory environments, NGOs and global standards must all be taken into consideration (Galbreath, 2006). Second, the paper demonstrates how these strategies can be implemented and integrated in the overall corporate strategies. The strategies can be further refined for the formulation of industry-specific strategies and related policies. An identification of various forces that catalyse the strategy is important to ensure successful implementation of GAR at firm-level. As every country has its own distinct traits, the GAR strategy to be introduced and implemented should be customised rather than imposing the global strategy as the local context for GAR would be different depending on the various tradition of the particular setting. Lastly, the framework advocates the role of accounting function in supporting the corporate green strategy and business strategy.

Literature Review

Malaysia is an active international member that reviews environmental issues at regional and international levels, and has ratified most major multilateral environmental agreements including the Kyoto Protocol. Malaysia also has a

comprehensive regulatory framework for green-related management and practice (e.g. Environmental Quality Act, 1974; Land Conservation Act, 1960; and Forests Enactment, 1935, Five-year development plans, the (Development) Perspective Plan, and Vision 2020). Despite these national green/environmental settings, local environmental matters remain a problem and environmental degradation in Malaysia continues. Unless a strategic approach for GAR is adopted, the environmental degradation would continue and as such it is timely for business corporations be pressured to be more greens.

Rapid rates of urbanization, intensification of environmental impacts from industry as well as accelerating population growth rates have caused adverse social and economic impacts. These factors have clearly added pressure on the natural environment (see Malaysian Environmental Quality Report, 2004). Sani (1999) reports that over a 24-year period, there has been a 22% reduction in the forest stock in Peninsular Malaysia. The main cause of deforestation has been large-scale land development, mining, dam construction and intensive logging activities. In particular, the result has been a massive loss in biodiversity, increased erosion, potential extinction of wildlife stocks, the siltation of rivers and high levels of water pollution. The Ninth Malaysian Plan (2006-2010) promotes environmental stewardship through various parties' involvement including businesses. Nevertheless, corporate green engagement through accounting and reporting is far from successful. Green reporting in particular is found to be minimal, general and low in quality (e.g. Nik Ahmad, 2004; Thompson & Zakaria, 2004; Yusoff et al., 2006; Yusoff & Lehman, 2008; 2009). Firms need to highlight to shareholders and stakeholders that they are

achieving balance between environmental responsibility and profitability (Valentine and Svage, 2010) through environmental reporting. However, the focus mainly on information transparency rather than corporate strategy and the persistent environmental issues in Malaysia have suggested that green policy cannot be separated from corporate strategy. Thus, it is crucial to explore possible strategies and potential ways for companies to embed GAR into their strategies in Malaysia.

Integrating Green Accounting And Reporting In Corporate Strategy

Strategy is concerned with understanding and addressing issues that impact on a firm's ability to achieve its mission, so that products/services can be produced to meet the needs of the markets it serves through effective resource configuration, in order to build and sustain competitive advantage (Galbreath, 2009, p.110). However, first a firm needs to revisit its commitment to environmental governance or its green policy before it can decide the strategy to be adopted at firm, industry, country and society level. The commitment can be ranged from shallow to deep commitment (Figure 1). According to Valentine and Savage (2010), the deep commitment is demonstrated through the availability of quantitative environmental performance data in environmental disclosures that reflect firm's high commitment in establishing systems and structures to monitor commitment. The firm must make real attempt to integrate environmental concerns into the existing decision-making process in all aspects of corporate management. On the other extreme, shallow commitment firms provide vague, qualitative exhortations but absence in environmental initiatives and lack substance in its disclosure.



Figure 1: Strategic commitment to environmental governance and the relationship to environmental disclosure (adapted from Valentine and Savage, 2010, p.12).

Once, the commitment level has been reassessed, the firms might want to consider the following factors before deciding on improving their level of commitment (Rubenstein, 1994, p.8):

- *Who are the stakeholders?* E.g. who benefits from the forest, and what is our corporation's accountability to them for sustaining the business *and* the forest.
- *What is our accountability contract?* What is the company "contract" for maintaining the living forest, including the diversity of natural capital and habitat preservation? And what about the people-the jobs of loggers and the return to shareholders?
- *What are the limits?* What are the social and ecological limits that define business's tradeoff options about the scale and technology of development?

- *What are our options?* What kinds of tradeoff options do we have when it comes to balancing business limits and biological limits; how much will they cost and who is going to pay for them?
- *What are the costs of doing nothing?* What are the potential costs of proceeding with a business-as-usual strategy?

Once, the firm so decide to commit on becoming more "green", it needs to strategize the Green Policy into its Corporate and Business Strategy. It needs to understand the various forces that might influence the success of such strategy on its viability in the future. Valentine (2009) introduced a Green Onion Framework to illustrate the inter-relationships between the five dominant forces (macro element; secondary stakeholder elements, industry-specific elements; firm-specific elements

and functional elements) that influence environmental governance strategy from a common conceptual blueprint. Inspired by Valentine (2009)'s Green Onion Framework as a corporate environmental planning tool, the aim of the proposed Strategic Framework is to provide a "comprehensive, stakeholder-centric environmental strategy framework that is

clear enough to permit application at the functional level" but allow for integration with mainstream strategic planning. This can be made possible for constructing a strategic taxonomy that to compare and contrast the categories and demonstrate how each of the parts fits into the larger strategic picture. The GAR Strategic framework taxonomies are as follows:

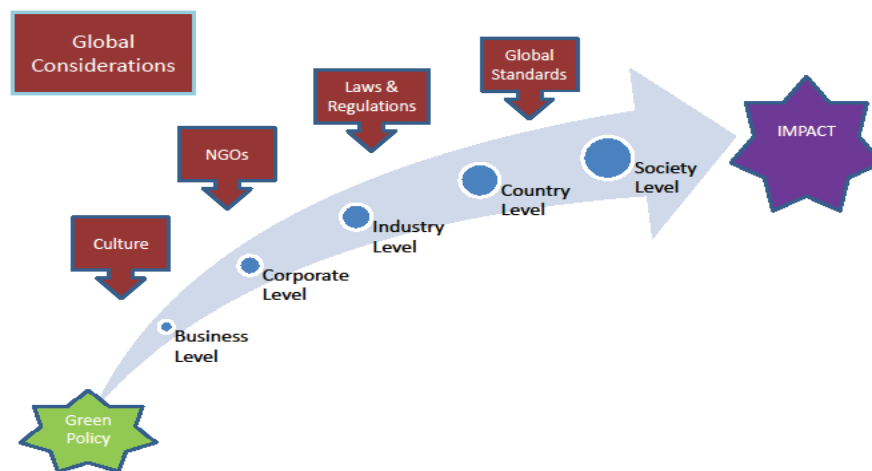


Figure 2: Strategic Framework for Green Policy in Malaysia

The Core – Green Policy

At the core of the framework, is the Green Policy for the firm. Under a regime of comprehensive environmental management, a company will set corporate goals for effluent and develop corporate policies on the environment, appointing a senior vice-president to champion the environment at the boardroom level (Rubenstein, 1994). The introduction of the policy reflects the senior management commitment at the highest level. The policy must include the planning, measurement, monitoring and reviewing process. The planning process must identify all environmental aspects of operations and outline effective environmental management procedures. This includes the setting of the aims for environmental improvement, training, awareness

campaigns, proper documentation for the implementation and emergency preparedness. The measurement process includes the procedures involved in collecting, integrating and channelling relevant environmental data to various departments depending on their specialisation and needs. For example, the accounting department might need data on environmental cost. This might include; costs for prevention or correction of environmental impact; prevention costs related to correction of defects; and cost of end-of-the-pipe control, preventing repetitive error (Yakhou and Dorweiler, 2004, p.75). The monitoring process includes the measurement and reporting of environmental performance (including non-conformance) and necessary preventive and corrective actions through risk-assessment procedures. The

review process includes management responsibility to review and assess the effectiveness of the policy on continuous basis and might be extended to the auditing of the environmental data and performance.

However, Grinnell and Hunt (2000) suggest that there are few “inescapabilities” to be considered. First, the need to position green policy in the overall business policy and strategy. Second, the accounting department must be ready with its new accounting and reporting system in order to produce its green accounts and financial statements. Third, there must be a new arrangement for an audit to be conducted for compliance with certain standards and regulations but also the reporting appropriateness of the Green accounting system reflected in the financial statements reported in the Annual Report. These will be explored in detail at the corporate and business strategy levels.

Business Level: Business Strategy - Green Business

Business unit strategy is concerned with how the firm competes within a particular industry or market (Galbreath, 2006). The strategies at this level must focus on enhancing corporate reputation through reduction of production cost and appeal enhancement to its products and services. Integrating environmental policy in business strategies will be a central issue for companies in the years ahead (Yakhou and Dorweiler, 2004).

Despite organised efforts for regulating the environment, it is still voluntary in Malaysia. The best tactic is to keep up to date with environmental policy developments in the country and prepare the firm for any changes that may be required in response to regulatory activity (Valentine, 2009). Adopting a pro-active

approach (now) may be much cheaper than penalty for not complying with regulation in later years when it is made mandatory or regulated. If they can build to specifications well in excess of existing regulations, when the regulations get tougher, they have the relative luxury of choosing when to make a major upgrade, choosing a time that is more desirable in the business cycle or a time when interest rates are down (Rubenstein, 1994). Rondinelli and Vastag (2000) noted that being proactive in environment consists of: life-cycle analysis of products and processes; environmental policies of companies in the supply chain; recycle, remanufacture and redesign of products; monitoring and auditing environmental performance; and accounting for environmental costs and savings. There are also opportunities for new business avenues such as ‘eco-labeling’ and recycling (Yakhou and Dorweiler, 2004). Apart from that, cost saving through energy conservation and waste minimisation can ultimately increase the profitability. In order to reap such benefits, some levels of integration are necessary.

According to Yakhou and Dorweiler (2004), one level of integration is aimed at involving environmental considerations in every day decision and the other level is organizational, which is to decide which business function should be integrated. Since each function represents a discipline specialization, resolution of differences can be difficult and complex especially to non-technical departments such as the accounting function. These differences due to differences in specialisation, training, technical terms and jargons used. Integration is a good solution for this conflict resolution. Integration can be conventional or non-conventional (Fryxell and Vryza, 1999). Non-conventional is in the context where the environment exerts

direct influences on the organization through regulations, international standards and shareholders. A useful vehicle for integration is the environmental management system (EMS) with ISO 14001 standards (Yakhou and Dorweiler, 2004) since the system integrates functions through each function's interfacing with input and output of that system. The EMS also provides specific tools such as life cycle accounting and environmental cost accounting which can benefit the accounting department greatly.

Corporate Level: Corporate Strategy

Corporate strategy is concerned with the scope of the firm in terms of the industries and markets in which it competes (Galbreath, 2006). The strategies at this level must focus on management of capital assets (Valentine, 2009). According to Valentine (2009) all firms do not have the same capacity to commit to environmental governance practices. Thus, multi-discipline team must be emphasised in order to support the top-level strategy and to benefit from directing the company in an environmentally sound manner (Yakhou and Dorweiler, 2004).

Valentine (2009) suggests five broad strategies areas that firms can leverage enhanced environmental management practice:

- Green positioning strategies – strategies that incorporate environmentally friendly features into a product or service.
- Financial strategies – strategies that enable firms broaden access to green investment funds.
- Brand protection strategies – strategies to fortify a firm's reputation or help reverse consumer's negative perception.

- Quality strategy – strategies to eliminate input, process, output inefficiencies.
- Cost-control strategies – strategies to save cost through improved environmental management techniques or avert future relating to fines and law suits caused by poor environmental practices.

Alternatively, Galbreath (2006) offers four strategic options to consider for CSR: the shareholder strategy; the altruistic strategy; the reciprocal strategy; and the citizenship strategy.

- The *shareholder strategy* is based on Friedman (1970) and holds that its only responsibility to society is an economic one.
- The *altruistic strategy*, on the other hand, is one based on "giving back" to the community in the form of monetary donations to various groups and causes.
- The *reciprocal strategy* takes a more strategic approach to CSR in that it views social responsibility as good business. That is, by taking on broader social responsibilities, the firm not only offers improved benefits to society, but it also benefits in the form of financial and other tangible rewards.
- Lastly, the *citizenship strategy* is the most strategic where a firm identifies and dialogues with its stakeholders as part of input to corporate strategy formulation. By doing so, CSR strategy is specifically directed at individual stakeholder needs. By offering full and open disclosure through mediums such as triple bottom line reports, firms leveraging a citizenship strategy aim for public transparency and accountability.

Once decided on the strategic option, firm might want to know how this can be built into the strategy dimensions. Galbreath (2009) proposed six strategy dimensions to be considered.

a) Mission

Firm mission is a declaration of an organization's fundamental purpose, the purpose of its existence, its beliefs and its long-term aspiration (Galbreath, 2009). If a firm wishes to pursue its green policy, this must be embedded in its mission but the firm must strike a balance with its economic agenda. For example, Ben & Jerry mission includes "**Product Mission:** To make, distribute and sell the finest quality all natural ice cream and euphoric concoctions with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the Environment." (BenJerry, 2012).

b) Markets

A firm target market segment's assessment should also include variable such as social dynamics variable which refers to the underlying expectations that a given market segment places on the role of business in society (Galbreath, 2009). For example, consumer expectation for detailed nutrition facts on packaging has implications for how the products are developed and marketed.

c) Customer needs

Firms can embrace social needs by understanding what the customer needs are by offering products or services appeal to the customers. This might provide opportunity for firms to offer totally a new product or service by creating new market segment for customers who are concerns about the impact of the products and services on the environment, for example, a hybrid car such as Toyota Prius.

d) Resources

Due to resources scarcity, firms must align the existing resources to the new strategy of green policy which will benefit the society or environment to which it belongs but also contain strategic value such as cost saving in using solar panel for its energy generation. In this way, the firm can be considered meeting the social need (reducing the environmental pollution) and the economic responsibility of the firm, that is, to generate profits. At the end of the day, a firm's continued viability is reflected in its ability to compete successfully with rival firms and making profits (Porter, 1980).

e) Competitive advantage

Competitive advantage is largely concerned with how a firm will compete so as to earn and sustain superior performance (Porter, 1980). In the light of green policy, firms might want to find ways that reduce its cost and increase its productivity by making some changes in the way they process their products or services – the green way – to reduce unit cost and able to sell at a cheaper price than the competitors. In this respect, the competitive advantage is the advantage over companies that do not have a high level of environment performance from the adoption of Green policy. Otherwise, firms might want to adopt differentiation strategy by producing specially tailored products and services to its customers who are willing to pay higher prices for products and services manufactured using green technology.

f) Strategic issues

A firm's understanding of the environment in which it belongs is important so that the firm can understand the emerging issues and their implications to be included in its strategy. Ansoff (1980) argues that for an issue to be strategic, it must

be forthcoming development at a level of importance such that the issue can significantly impact on a firm's ability to meet its objective. Through techniques such as media monitoring and analysis of expert testimony would enable the firm to identify the social needs, the emerging issues that might have implications to the firm much sooner (Galbreath, 2009). For instance, a firm dealing with fast food must ensure that its corporate marketing campaign must not include misleading information that can lead to lawsuits and reputation damage especially when the community in which the firm operates is very concern on the issues of obesity among children.

Industry level

Industry-specific forces have the influence on corporate environmental governance in an industry and its progress (Valentine and Savage, 2010). Porter (1980) demonstrated how forces impacting a firm's industry influence the attractiveness of the industry. These forces would influence the overall strategy of a firm thus they would also influence a firm's GAR strategy. In relation to environmental governance, Valentine (2009) categorised the industry-related forces into 6 categories: type of industry;

risk associated with specific industry tasks; media exposure; customer (buyer) pressure; supplier (vendor) incentives; and competitive practices.

The strategies at this level must focus on bench-marking industry best practices (Valentine, 2009) as industry type will impact the extent of commitment to corporate environmental governance.

Country Level

Political, Economic, Social and Technological forces in each country influence the extent to which firms within industries approach environmental governance (Kolk, 2005). The impact of political initiatives affects all industries to a certain extent and certain industries to a greater extent (Valentine, 2009). In some countries politics and lobbyists have strong influence on the governmental policy on environment and at times, due pressures at regional and international level can influence the government to be more aggressive in its policy implementation. The economy of the country is also another factor to be considered. Firms operating in Malaysia might not be compelling (at this moment) to environmental standards as the country is not full-

Table1: Industry-related forces

Category	Reason
Type of industry	Certain industries are heavily regulated. Some firms operate in more environmentally sensitive industries.
Risk associated with specific industry tasks	Some firms operate/engage in environmentally high-risk activities.
Media exposure	Some firms operate in high-profile industries.
Customer (buyer) pressure	Certain industries are prone to pressures from their customers to improve environmental practices.
Supplier (vendor) incentives	Some suppliers offer incentives for firms to adopt more environmentally friendly practices.
Competitive practices	Some firms adopt environmental-friendly strategies to gain competitive advantage.

fledge ready for the implementation of the standards, what more enforcement and regulations. However, firms must be aware of the recent developments to make sure that they are ready far ahead for such regulations. Social expectation varies between countries. In Malaysia culture, patriotism and religion shape are dominant in shaping what is acceptable or not. How these going to affect on what is environmentally acceptable or not, is still not clear but firms must avoid issues that can trigger social unrest as what happened in Indonesia when Sinar Mas, which supplies palm oil to food giants Nestlé and Cargill, is at the centre of an 'ecological disaster' as critical orang-utan habitat and carbon-rich peatland are destroyed. Social conflicts were inflicted as people who depend on forests for their livelihoods are being forced to change their way of life. Lastly, the technological progress in a country can have an influence on the ability of the firm embracing environmentally friendly production facilities. Firms must consider the cost and benefits of using the facilities given the technology available in the country. Firms can engage in constructive partnerships pertaining to this issue. Overall, the strategies at this level must focus on maximising goodwill.

Society Level

The strategies at this level must focus on anticipating changes and designing strategies responses. There are issues that need to be tackled at the society level. For instance, the education of students taking accounting courses, to provide technical and legal bases in academic preparation and to avoid 'discipline insularity' (Grinnell and Hunt, 2000). The future accountants must be academically trained and be able to keep abreast with the changes in the accounting system such as quantifying the environmental cost and

cost saving in energy conservation and waste minimisation.

The training for environmental auditor should be considered seriously. The credibility of the environmental auditing is crucial (Yakhou and Dorweiler, 2004). The auditing might not only cover the aspects as required in the statutes but also include the internal controls within the jurisdiction of the management. The audit needs the close co-operation from both the external auditor of the financial statements and the environmental auditor. The external auditor must also be trained in auditing Green accounting and be familiar with how the data are being collected, accounted and reported in the financial statements. Thus, reliance of the environmental auditors alone might not be appropriate in the circumstances as the external auditors serve the public interest in forming his opinion on the truth and fairness of the financial statements. These are some issues important to influence the capital market that the country is ready for such change in GAR.

Responsibilities

Responsibilities are the expectations placed on the corporation by the shareholders and stakeholders. Carroll (1979) conceptualises CSR in the context of economic, legal, ethical and discretionary (or philanthropic) responsibilities. Firms need to consider these in drafting its strategies. Carroll explains that the economic responsibility of business is 'to produce goods and services that society desires and to sell them at a profit' p.500). By doing so, businesses fulfil their primary responsibility as economic units in society. The legal responsibilities of the business refer to the positive and negative obligations put on businesses by the laws and regulations of the society

whether it operates. While the ethical and philanthropic responsibilities are responsibilities that go beyond the economic and legal responsibilities. Carroll further distinct these responsibilities are follows: economic and legal responsibilities are 'required'; the ethical responsibilities are 'expected' and the discretionary/ philanthropic responsibilities are 'desired'. According to Galbreath (2009), society's unspoken expectations of firms include responsibilities such as adherence to global labour and environmental standards that are not required by law, triple bottom-line reporting, following industry norms and codes of conduct, fulfilling brand promises and contributing philanthropically to the community.

Impact

Strategy takes on significant meaning not only with respect to fulfilling social responsibilities and the development of the firms, but also with respect to the development and sustainability of society/ nation (Galbreath, 2009). The business organization has impact through capital, ownership and societal uses of products and services, with impact on the environment (Yakhou and Dorweiler, 2004, p. 76) and reflected in the improvement of quality of life, sustainability, reputation, competitiveness, meaningful and fulfilment, and economic growth and prosperity (Galbreath, 2009).

Global Consideration

i. Culture

Socio-cultural differences affect the levels of environmental governance and reporting in a given country (Valentine, 2009). According to Burton et al. (2000), assessment, understanding the cultures of the countries and regions a firm is seeking to operate in is very important. As different

cultures emphasize different values, firms who understand the intricacies of a national or regional culture are better equipped to address local concerns of social responsibility when and where necessary (Galbreath, 2006).

ii. NGOs

There has been an increasing trend for environmental organizations and local environmental groups exposing poor environmental practice (Wilmshurst and Frost, 2000; Carter, 2001). NGOs are causing substantial changes in corporate management, strategy and governance (Doh and Teegan, 2003). They have increasingly monitored the corporate behaviour and never hesitate to report wrongdoings or illegitimate activities on the social media which can subsequently lead to public protesting and reputation damaged on the part of the firms. Their displeasure can cost severely the market viability of a firm's product offerings (Carter, 2001), thus, a firm must consider the role and impact of NGOs in the country in which it operates when assessing whether their Green policy need further refinement or modification to suit the local environment.

iii. Laws and regulation

Social pressure can lead to high levels of environmental regulation (Valentine, 2009). A firm must consider the regulatory environment under which it must operate in a given country in relation to green policy. Valentine further asserts that firms that are operating in countries which have a rapidly advancing level of affluence can expect stricter environmental regulation and enforcement over time. It has also been shown that government regulation of industry is more likely in industries where environmental governance is poorest (Patten, 1992). Government regulators

who are displeased can impose stricter regulations, levy financial penalties, and even force businesses to close (Beets and Souther, 1999).

iv. Global standards

Firms operating in a technologically challenged country often face much lower environmental standards and less pressure to improve environmental governance (Valentine, 2009). By imposing standards on environmental accounting and environmental auditing, the company is left to set standards for performance without regulatory intervention (Reynolds and Reynolds, 2001). Decisions had to be made on whether the firm wants to apply the same standards that go beyond the requirements of the country in which it operates. Doing nothing or business-as-usual, is no longer a luxury or an option.

Two-Generation Consideration of Environmental Stewardship

Once a firm has set to adopt the Strategy Framework on its green policy, the firm has to mull over its environmental stewardship. The firm cannot isolate itself from managing for sustainable development. Rubenstein (1994, p.45-47) first introduced the concept of two-generation consideration of environmental stewardship, in that companies would be accountable for at least two generations (Figure 1). It is crucial for any company to understand and accept this accountability of stewardship before any strategy can be considered, planned and implemented. Rubenstein's explanation is as follows.

First, the company needs to understand the similarities and significant differences between comprehensive environmental management and managing for sustainable development. In the former regime, the starting point would be existing

regulations and legislations. These would be continuously monitored and analyzed. Changes would be anticipated well in advance. Under a regime of managing for sustainable development, the starting point would be the carrying capacity of the co-system. While business would be the senior partner in the former regime, the environment is an equal partner in the latter regime. Here the operant philosophy is that the business and the ecosystem upon which it depends are seen as interdependent entities.

A company practicing environmental management will monitor compliance with its goals through on-site measurement of effluent, through environmental audits. If there is a variance between goals and actual effluent, corrective action will be taken – fixing the problem, developing a new strategy for an unforeseen situation, or conceivably reassessing the economic viability of the goal. If all is well, the board will get assurance that they do not risk fines or personal imprisonment. As depicted, it is a closed-loop regime of self regulation.

In contrast, under the regime of sustainable development, the starting point is whether the goal is sustainable, and for how long. Implicit in sustainable development is the concept of fairness between generations or intergenerational equity. In short, the inherent carrying capacity of the ecological domain is the primary consideration. Business limits must then be intertwined with these environmental considerations that are largely driven by scientific knowledge on attributes of ecosystem health, the chemical and biological properties of toxins released, as well as the related social factors. Thus, under a regime of sustainable development there is a lot more uncertainty, a different philosophy towards the inherent risk of

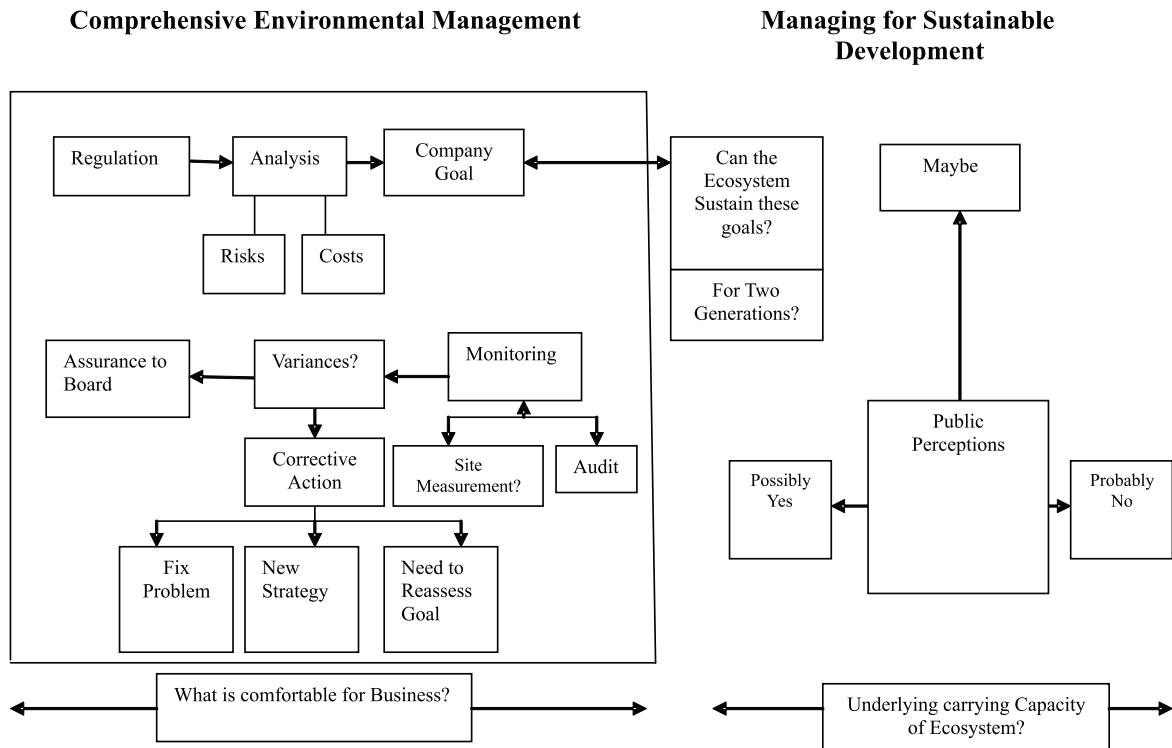


Figure 3: Environmental stewardship for two-generations

damage to the environment. The “correct thermostat setting” is an ambiguous, shifting value reflected from the mirror of public perceptions. A critical concern is the level of irreversible damage to fragile natural capital and the monitoring regime that must be in place to anticipate this point of no return before it is reached. The company sees itself as a global citizen, a citizen interdependent on local and global ecosystem.

Conclusion

This strategic framework is proposed for the corporate strategists in planning their commitment on Green policy and as such, GAR. The framework would be able to provide the management with the tools required to strike the balance between the economic, social and ecological considerations. Corporate decisions could help shape the transfer of wealth between a corporation and the community in which it operates. The corporate leaders

might be attracted to the ideas if they realise that a balance can be achieved between environmental responsibility and economic responsibility either more profits can be generated or reduce the possibility for penalties and reputation damaging. In order to sell this idea, they need to be convinced that the government, as the policy-maker of the country is serious in its commitment of a better and greener Malaysia. There are various issues to be considered as prescribed in the framework, thus close working co-operation and collaboration with the policy makers and stakeholders is trivial as green policy leading to sustainable development will not only benefit the firms but the country as a whole.

In a country like Malaysia where the environmental commitment at the highest level of corporate strategy is a rare incident, it is important that the policy-makers understand the realities underpinning the challenges faced by the

corporate. The firms' management need to be convinced that they can deliver their environmental responsibility without disadvantaging them economically thus careful consideration and understanding of the inter-relationship between the strategy, responsibilities and impact of the green policy is critical. Policy maker should facilitate the process but eliminating structural flaws but readily to imply more regulatory control if this is found to be more effective in ensuring that that the firms are environmentally responsible on the land of Malaysia. The Board needs to know why business as usual is no longer an option. The accountants must play a role in sensitizing management to the issues. According to Rubenstein (1994,p.198),

“ if accounting is not part of the bridge between the three solitudes of wilderness, business and poverty, it will be part of the abyss that separates them.”

Notes on Contributor

Radiah Othman is a senior lecturer with School of Accountancy and teaches both undergraduate and postgraduate papers. She has research interests in non-profit organisations and public sector

accountability, sustainability accounting and reporting. She had published more than 30 articles in various international refereed journals such as Corporate Social Responsibility and Environmental Management, Journal of Business Ethics, International Journal of Disclosure and Governance, and *Voluntas: International Journal of Voluntary and NonProfit Organizations*. Her papers have won awards at international level. She has successfully supervised 2 PhD and 5 Masters Dissertations and examined 1 PhD and 9 Masters Dissertations.

Haslinda Yusoff is a senior lecturer and she as head of academic operation management in faculty of accountancy Universiti Teknologi MARA. She has research interests in Corporate Social Responsibility, CSR disclosure practice, Sustainability Practices, and Corporate Social Responsibility.

Normahiran Yatim is a lecturer in faculty of accountancy university Teknologi MARA. She has research interest in Corporate Social Responsibility, CSR disclosure practice, Sustainability Practices, and Corporate Social Responsibility.

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