

## Research Note

# Sustainable Management: An Accounting Issue?

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### Abstract

There is an ongoing debate in the worldwide scholarly society regarding the causes of noted climate change on the planet Earth. It is a concern also frequently debated in the non-scholarly societies. Principally, it is about whether or not the causes of noted climate change are the result of natural or human-related factors. The objective of this research note is to raise the question whether sustainable management is an accounting issue. It intends to pinpoint the need to visualize sustainable aspects of management approaches.

**Keywords:** *sustainable, management, accounting, business, environment, global, planet Earth.*

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### INTRODUCTION

Sustainable management need to contribute to the stakeholder value in a broader sense (Banerjee et al., 2003; Fineman and Clarke, 1996; Freeman, 1984; Waddock et al., 2002). Stakeholder value is a broad concept and implies that a company has responsibilities and commitments to many different internal and external stakeholders in the marketplace and society, not only to its investors and the owners of the company, but also to its employees, custom-

ers, suppliers, societies and the environment (Mathur and Kenyon, 1997). In fact, the planet Earth may be interpreted as representing a group of stakeholders consisting of the human, animal and vegetable kingdoms (Svensson, 2008).

The IPCC WGI Fourth Assessment Report (2007) is an inter-governmental UN-report and it describes: (i) human and natural drivers of climate change, (ii) observed climate change, (iii) climate processes and attribution, and (iv) estimates of projected future climate change

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(p. 2). This report supports implicitly the need for truly sustainable management approaches in the marketplace and society – a field of research that so far has only to a minor extent penetrated previous management research. In fact, there is still no explicit link between research findings in natural sciences and current management research.

The scientific evidence regarding a progressive climate change is becoming an essential aspect that may influence the ongoing discourse across subject areas in management research, such as accounting. The evidence presented in the mentioned UN-report provides useful knowledge and valuable foresight to different stakeholders that may stimulate to the global sustainability and the local adaptability of management approaches (Svensson, 2008). The dilemma is that current and future sustainable management will have to take place in an era where economic conditions are affected and confronted with a supposed and fearsome climate change (Stern, 2007).

Interestingly, the concern for sustainable management in the marketplace and society is far from a recent topic (e.g. Carson, 1962). It has been concluded that sustainable management and its development should meet the needs and requirements of the present without compromising the ability of future generations to meet their own needs (Brundtland, 1987).

Current management research is far from addressing the core needs and requirements as well as the multiple aspects of sustainable management. There are a number of more-or-less isolated, and to some extent replicated, views in management research that strive to ad-

dress aspects or elements related to sustainable management, such as: corporate social responsibility (e.g. Dyllick and Hockerts, 2002), sustainable supply network management (e.g. Young and Kielkiewicz-Young, 2001), supply chain environmental management (e.g. Lippman, 1999), green purchasing strategies (e.g. Min and Galle, 1997), environmental purchasing (e.g. Zsidisin and Siferd, 2001), green marketing (e.g. Crane, 2000), environmental marketing (e.g. Sheth and Parvatiyar, 1995), environmental marketing management (e.g. Peattie, 1995) and environmental product differentiation (e.g. Reinhardt, 1999), reverse logistics (Zikmund and Stanton, 1971), sustainability labeling schemes (e.g. De Boer, 2003), environmental management (Hoffman, 2000), life-cycle assessment (Welford, 1999), and ISO-14000-certifications (ISO, 2007).

Hart (1997) pinpoints the complexity of achieving a sustainable global economy. The dilemma is that current economic models assume continuous growth in the marketplace and society. The planet Earth needs to be capable of supporting ongoing and future management if they are to be considered genuinely sustainable. There is no simple solution to this situation, but different perspectives may contribute to create conditions and models of sustainable management. In line with this, the question is posed whether it may be an accounting issue? In other words, could accounting make a contribution to the field of sustainable management? This research note does not intend to answer this specific question, but outlining the surrounding context where it may evolve and take place. Accordingly, it aspires to provide a seed and incentive for further debate and re-

search in the field of accounting management.

Current views on management approaches need to be conceptually broadened and re-positioned to highlight the extensiveness of sustainable management, which is not limited to only the business- and environmental levels, but the global perspective should be incorporated. The global level of sustainable management needs to be driven by the stakeholders of the global society and its political unions/governments. The business- and environmental-levels of sustainable management will follow and adapt as agreements and requirements are formalized and stipulated.

Confronting the risks and dangers of restricted views of sustainable management approaches, as well as the benefits of applying broader ones, may make a fruitful contribution to business and theory over time and across contexts. Furthermore, this may well contribute to more durable and sustainable achievements across different areas. This research note seeks to make a contribution towards bridging the ends of the three levels of sustainable management, namely between the business- and environmental-orientations on the one side and the planet-orientation on the other.

## **SUSTAINABLE\_MANAGEMENT**

It is troublesome to determine what may be classified as sustainable and non-sustainable management. An essential aspect is that there are expectations and perceptions that vary across marketplaces and societies, and that influence the prevailing view of what may be seen as sustainable manage-

ment. There are several areas that contribute to this. For example, government legislation may frame and define the criteria of sustainable management. In fact, all societies have laws that govern the expected and perceived actions and behaviours in management as they tend not to be self-regulative (Carson, 2003; Davies, 2001; Piety, 2004; Rondinelli, 2003). Governments have enacted legislation to provide the arena for management that is acceptable within the society (Hoffman et al., 2003). In extension, the legislation indicates what management that may be categorised as sustainable or not. Another area that influences the view of sustainable management is lobby groups. Historically, they have been able to impact societies' and their citizenry's expectations and perceptions of companies' management (Grit, 2004; Rushton, 2000; Whawell, 1998; Zylidopoulos, 2002). Companies are also confronted with societal expectations and perceptions beyond purely economic issues, such as environmental and social change responsibilities (Handelman, 2000; Handelman and Arnold, 1999). A long time ago, Drucker (1981) and Friedman (1962) address the need for ethical concerns in management practices.

Increased education among stakeholders in societies plays a role in influencing the expectations and perceptions of sustainable management (Sørensen, 2002). Furthermore, the media has always occupied an important position in modern and open societies (Collier, 2000; Wheeler et al., 2002). Therefore, socially responsible managers are the key to develop, manage and monitor the performance sustainable management and avoid dilem-

mas in the marketplace and society (Sims and Brinkmann, 2003). Socially responsible managers do the right thing because it is the right thing to do. It is the correct action to take and an action that society expects. Executives should 'act ethically not out of fear of being caught when doing wrong. Rather, they should embrace ethical actions and behaviour in sustainable management because of the freedom, self-confirmation, and success that it brings' (Thomas et al., 2004, p. 64). Cragg (2000, p. 213) states that: 'commerce without conscience is a formula for human exploitation, not human development'. Professional associations may be important too in influencing the expectation and perceptions of sustainable management in the marketplace and society (Richardson, 2001). In addition, companies should not bring pressure to bear on their employees to violate their professional obligations (Carson, 2003).

Companies usually experience competition and are geared up to meet it. When this competition is having a deleterious effect on the company then it can force individuals into situations that may lead them to compromise their values and ideals in sustainable management (Cohan, 2002; Fraedrich, 1992; McKendall et al., 2002; Sethi, 2003). With the awakening of globalization has come a realization in first world economies that there are companies who appear to have diverse sets of actions and behavioural standards depending upon the country in which they find themselves at the time (McMurtry, 2002; Sørensen, 2002).

## IMPLICATIONS

Sustainable management discloses a number of challenging implications for practice and research. In fact, it may well have impact beyond existing management focused aspects. Other non-management aspects are also likely to be involved. As a consequence, sustainable management may be seen as an approach that asks for both management and non-management aspects to widen current accounting approaches. The combination of aspects may generate novel and challenging insights. It may evolve as a research field on its own, due to its concern for possible aspects of accounting and its effect on the planet to be considered in sustainable management.

There are several concerns to be highlighted as a consequence of sustainable management when it comes to the practical and research implications for for-profit organizations (and in extension for non-profit ones). Its intended impact is rather far-reaching and long-term in business and theory, in order to avoid entering into a dead-end argument inherent in current management approaches. It may be necessary to impose a series of significant changes in accounting across industries worldwide. These changes require a non-conservative approach.

It should be noted that other sectors beyond the profit-driven ones, such as the public sector, also need to restructure and reshape their management approaches and the way these standards are maintained nowadays. In other words, sustainable management is a concern that needs global attention across sectors and practices.

There is an inherent complexity in social

and environmental performances caused by a set of generic components and interfaces. This complexity is not feasible to manage through traditional management approaches. On the one side, there are the generic components such as actors, activities and resources. On the other, there are the generic interfaces such as interaction, coordination, co-operation and competition. Together, they shape generic criteria to outline sustainable social and environmental performances in sustainable management.

Traditionally, management approaches refers at best to business- and environment-oriented business practices, while the sustainable management refers explicitly to the planet-oriented ones, and requires drastic new-thinking of management approaches.

As indicated previously, three levels of sustainable management may be distinguished, namely business, environmental and global. The global level of sustainable management should emphasize economic, ecological and social aspects of business and theory, which should be the core. The generation and maintenance of sustainable management in the global society may be seen as surrounded by these concerns, where economic factors are the driving force, surrounded by social factors, all of which are surrounded by ecological factors that determine the long-term limits for business and theory. They are all interconnected.

Sustainable management on a global level requires a holistic view of the components (i.e. actors, activities and resources) of the business practices that goes beyond the current management

approaches. It also requires a holistic view of the interfaces (i.e. interactions, co-ordinations, co-operations and competitions). In sum, it means that the economic, social and ecological factors should be addressed in conjunction with one another.

My view of sustainable management should not be seen as a criticism of current management approaches. On the contrary, it represents an amendment to move ahead and broaden management approaches in the future as per the scenarios outlined in the mentioned UN-report (IPCC WGI, 2007).

Svensson (2008) defines 'anti-climate change management approach' in two principal levels, namely: 1) a business- and environment-oriented approach that connects the components and interfaces between the upstream and downstream business echelons from the point-of-origin to the point-of-consumption. It also re-connects the components and interfaces from the environmental echelons following the point-of-consumption to the environmental echelons prior to the point-of-origin; and 2) a planet-oriented approach of components and interfaces considering economic, social and ecological factors in the global society and its political unions/governments. Current management approaches have a predominant emphasis on a business-orientation of corporate practices and to some extent also an environment-orientation. But what is still missing in management approaches that have planet-orientation, because there is or will be a need for visualizing the efforts performed and benefits achieved that goes beyond the business- and environmental levels of business. Otherwise, there is or will be no incentive for businesses to

dedicate any efforts on the planet-oriented level of business.

Management approaches are currently limited to the connection of upstream and downstream business echelons. Sustainable management is not only about connecting those business echelons, but the total circulation of the components in the different interfaces (i.e. the reconnection of environmental echelons). The circle should be closed up. Sustainable management indicates that neither global nor business levels have a beginning or an end. It connects upstream and downstream echelons, as well as re-connecting prior and posterior environmental echelons. The environmental echelons contribute to closing the circle of the business echelons that in turn may contribute to the sustainable management on the global level. Sustainable management strives to complement this lack of explicit attention in business. These loops should in turn be brought together on a global level, where the economic, social and ecological factors restrain the degrees of freedom.

This means that sustainable management (SM) is a function of three levels of management as follow:

$$SM = f(SM^{\text{Business}}, SM^{\text{Environment}}, SM^{\text{Global}})$$

This formula contributes to stipulate the generic criteria of an extended management approach in business to support sustainable management. These criteria may prevent sustainable management from being invisible or neglected to companies, leaderships, employees, customers, suppliers, competitors, shareholders or other stakeholders.

## CONCLUSIONS

Sustainable management may be seen as derived from the findings from different disciplines of natural science, summarized in the referenced UN-report. The core essence of sustainable management will need the support and regulation of the global society and its political unions/governments where the boundaries of economic, social and ecological factors are mostly determined.

Sustainable management is required at the level of individuals, companies, industries etc, while the global society and its supporting structures may stipulate the playground and the rules of the game, such as the United Nations, the European Union, the largest national economies and other major economic unions/regions and trade associations worldwide. Sustainable management is not likely to work out successfully if both approaches are not addressed simultaneously, because there is a mutual reliance and interdependence that should not be underestimated or neglected between local practices and global sustainability (Svensson, 2008).

Actions to prevent a deterioration of the noted climate change on the planet need to be addressed in future management approaches. The actions undertaken should be widened beyond their local orientation and towards global sustainability on the planet. The author believes that many organizations would be willing and capable of becoming planet-oriented in their management approaches, if appropriate support were provided by the global society and its political unions/governments. This is where the conditions of economic, social and ecological factors may be stipulated. Therefore there is a need for global

regulations and agreements to encourage and force sound planet-oriented management approaches that create and contribute to global sustainability in local practices worldwide across business and non-profit organizations and sectors.

There is an ongoing debate in the worldwide scholarly society regarding the causes of noted climate change. It is a concern also frequently debated in the non-scholarly societies. Principally, it is about whether or not the causes of noted climate change are the result of natural or human-related factors. This is where sustainable management may provide a seed for further debate. In sum, the author argues that sustainable management opens up a range of challenging and fruitful implications as well as openings for further research. It may be novel research that will be cutting edge and of great interest among scholars, practitioners, and politicians. The questions remains: is it an accounting issue too?! If so, what practices and principles would be crucial? How could it be supported and reported? Undoubtedly, I am convinced that it is a scholarly topic containing multiple possibilities and challenges for future research efforts in making contributions to sustainable management approaches from an accounting perspective.

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