

To what extent do companies' environmental reports reflect their actual environmental performance?

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Corporate social responsibility towards environment is a promotion of business accountability to its stakeholders in terms of the environmental protection. The analysis covers four research papers carried out to understand how companies produce environmental reports and how these reflect the actual performance. The second half presents a new research proposal that consults on how to produce a sound environmental report.

All of the four research papers are looking at the augmenting environmental damage that is caused by various industries. They also discuss firms cooperating and engaging into business more responsibly when it comes to protecting the environment. The problems with such reports are the biased information given by companies and the uncertainty about their fairness and truth. The positive side of environmental reports is that it is a mean of interaction between all the stakeholders of a given company.

Research methods are applied in the research and analysis, which is useful for companies consulting on their CSR strategy and environmentally-friendly governance and for researchers who explore issues of sustainability in deep. Every report is created under axiological assumption because they all are closely related to ethical values.

Reports by Adams (2004) and by Hughes et al. (2001) are ontological in a way that there may be different realities for the researcher, for the companies and for their stakeholders. As for the report by O'Dwyer (2002), it is mainly about one particular country, so the nature of the report is epistemological because it shows the way the researcher views the given country. Report by Hughes et al. (2001) is epistemological in a way that it deals with knowledge, same as the other report produced by Cornier and Magnan (2003). However, the last one mostly deals with numeric data, which is again epistemological as these numbers give knowledge.

Coming back to the purpose of the analysis, there is a need to add that CSR towards environment is key concern nowadays same as profitability and financial survival. Companies can no longer act separately from the society: government's role has decreased, customers need to know more as they worry more with ethical issues, and investors think twice before investing into something environmentally sensitive, employees wish to work for environmentally caring companies.

Each company produces a report based on its performance. The report described by Adams (2004) purely regards the environmental sustainability of the company called Alpha: the report shows "the extent to which a company has discharged its duty of accountability to stakeholders". Such research is reasonable as several objectives should be achieved: to assess the current situation and realize the need for change and through the use of the research data to find ways of improvements. Adams (2004) argues that "moral arguments for more corporate responsibility arise from the increase in size, power and global spread of multinational companies and increased awareness of the impacts of company on environment and level communities". This increased awareness is brought by media, Internet and by non-governmental organizations. Most surveys are usually polled on critical and

controversial issues and emerging trends. They are produced to find out opinions of all stakeholders involved into the business.

All four reports are divided into qualitative and quantitative research. The research method used in Cornier and Magnan's paper (2003) is quantitative as it is based on numbers and the results show percentage of various costs.

There was probably a complex online survey system used to handle such vast amount of information. The data could have been collected via different means. However, it is generally considered that in-person interviews are the most reliable methods of data collection. Also, telephone interviews are of good use, but require good communication and possibly multi-language skills.

Such report evokes different kinds of responses and thoughts: customers may change their buying behaviour either positively or negatively due to positive image of the brand, emotional responses as a results of a reminder to be 'greener'; competitors may take advantage and steal customers if the report results are not encouraging, or the company may stand out as being environmentally friendly.

Various business practices and the nature of awareness of environmental, ethical and social responsibility are different between the cultures and nations. As oppose to O'Dwyer's research in 2002 for Irish industry and Irish business practices considered as questionable, Hughes et al. (2001) discuss how environmental corporate disclosures in American manufacturing companies in the early 90s are important in determining environmental performance. At that time, "public opinion poll results indicated that the "public views business as the major contributors to environmental problems" and "that business and industry will not voluntarily protect the environment" (Dunlap and Scarce, 1991)". Public knows about environmental performance from different media sources and from company reports. However the last ones are sometimes biased as some companies may lie in order to have a positive image. However, Hughes et al (2001) argues that "investors consider environmental disclosures desirable...they may be concerned that environmental disclosures will not affect the firm's actual environmental activities." The industry in Ireland described by O'Dwyer (2002) is a fine example of managerial perceptions of corporate social disclosure - CSD.

This is a research based on qualitative methods – interviews. The problem with such data is that it is sometimes hard to gather together and interpret great amount of information. However, it shows various points of view and gives extensive understanding of the research subject. The importance of robustness, validity, and reliability of data should never be neglected. Similar research methods are used in the four researches, as they all involve interviewing. These are more convincing than the numeric results because they are based on opinions, like in the research by O'Dwyer (2002) where the interviewees were both managers and executives who only made presumptions and avoided talking about own companies. This is called symbolic legitimation. Interviews are used to have a wide perspective on the whole organization. Proactive symbolism is mentioned in the paper when some managers thought that CSD reflects actual responsibilities. Sometimes responses contradicted the reality. Reactive legitimation is when managers who worked in corporate culture of environmentally sensitive companies are more cooperative about CSD's incentives in their own companies. The sample for the interviews is the companies from the major industries in Ireland, including food, medicine, leisure, retail, manufacturing and financial services.

The outline and the reason for the interview were explained beforehand to ease the data collection process. "Of the 29 interviews, 25 were recorded by tape and

subsequently transcribed” (Adams, 2004) and notes taken in order to revisit them and summarize the topics. The choice of samples is totally justified as the author explains why this or that interviewee is selected and what it contributes towards the research.

Unless disclosures did not reflect actual situation in the company, they were positive. There is a conflict between stakeholders as managers are negative about environmental pressure groups and are oppressed by financially bothered stakeholders. Adams (2004) talks about the issue of accountability of stakeholders towards each other. They should always inform each other to minimize conflicts. The research results are used to see if there is a chance of advancing CSD in Ireland. O’Dwyer (2002) thinks that there is no bright prospective, “given the actual absence of its potential “to develop higher level of organizational transparency [and] stakeholders accountability” (Owen et al., 1997)”.

Some companies used disclosures and changed their tactics to please certain public or to change the image of the industry. Some companies choose to expose limited information to stop further pressure on them. The conflict of stakeholders is also raised here, same as in report by Adams (2004). The research of Hughes et al (2001) is a good example. The sample of the research is 51 US manufacturing firms which were divided into three groups: the good, the mixed and the poor. However, authors state that “46 out of 51 did not have environmental performance, so they were later excluded”. Their disclosures were made within the President’s letter and management discussion and analysis (MD&A). This paper includes conclusion that “environmental disclosures were being used by companies as an attempt to negotiate a concept of ‘environment’... This is consistent with an organization seeking strategically to manage a new and emerging with its stakeholders while attempting to assess the extent of the power of those stakeholders” (Gray et al, 1995). All four papers follow the same idea of corporate reporting and that not many companies share information on their environmental successes or failures.

Overall, the report by Hughes et al (2001) is mostly an analysis of these companies’ annual reports. Therefore, the data both qualitative and quantitative is secondary as it is already collected by the company members and represented in the form of report. Having based on three main groups, the hypothesis were tested and the following results were out as outlined in the paper by Hughes et al (2001): the ‘good’ companies had positive programmes of recycling and waste reduction and have no regulatory violations; the ‘mixed’ ones encourage the same positivity along with alternative energy resources, even having accidents that result in fines and complaints; and the ‘poor’ companies don’t have sound environmental policies and violate regulations and have lots of accidents.

The research is deductive same as other reports analyzed, because the theory was initially developed and hypothesis are created. To make conclusions the authors have tested them and some also produced numeric data which later would help them modify the initial theory if necessary. The research by Cornier and Magnan (2003) shows that there are numeric terms of environmental responsibility along with descriptive policies. This report may complete the other reports that are more descriptive and those that are based on opinions rather than numbers. All of the reports can be used in conjunction with each other when addressing issue of companies’ environmental reports reflecting their performance.

As oppose to the Adams’ paper (2004), Cornier and Magnan (2003) have managed to assess ‘green’ reporting in numeric terms in particular while describing French companies. There are stricter government and business-to-business regulations in Europe. More people are aware of environmental problems. Therefore,

poor environmental management leads to loss of customers, suppliers, more penalties and fines and higher information, proprietary costs. The difference is that French firms are less obliged to report to government on non-financial issues, than companies in the US (as seen in the paper by Hughes et al (2001)).

Same as report by Hughes et al (2001) this report also is based on hypothesis. However it is tested via certain calculations rather than opinions. The hypothesis is about the level of costs for stakeholders. The main idea behind this research is whether a firm is able to expose the costs in its reporting. Factor analysis along with other statistical techniques and calculations was used to find patterns between variables and to weight risks.

Based on four papers, it is possible to conclude that the extent to which companies' environmental reports reflect their actual environmental performance is medium, even small. This is because companies are afraid of public discontent and loss of reputation and money.

Laws and regulations, level of pollutions, overall environmental expenditures are the issues touched in the four reports. However, it is seen that patterns are different in various industries and countries. Companies with chemical background like food and drink, drugs industries, expose less information than others. Sometimes this depends on the year of the report; if it was successful for the company it feels more confident and may share more information.

In short, the four reports discuss the degree of trust between stakeholders when it comes to environmental reporting, however, they do not provide readers with the benefits of being environmentally friendly.

Environmental reports should not only reflect the current environmental strategy of the company but also provide stakeholders with forecast. So they may also include predictions on the changes or any experiments planned and mention company's actions in case of force-majeure situations.

To augment the extent to which environmental reports reflect the actual performance of companies there may be a research conducted to consult any company on how to produce a sound environmental report. This is an ontological research if the researcher is objective in his judgments. Therefore he should be outside the company and stay unbiased. Epistemological methods of research should be used to deal with knowledge like primary and secondary data based both on numbers and opinions. Axiological side of this research is that it deals with ethical values all stakeholders may have towards the environment.

Companies can be criticized for its inhumane and irresponsible behaviours. Hence, companies take particular courses of action in terms of redesigning their marketing strategies with respect to the environment. They may start with launching a separate CSR website; advertise their ethical messages in campaigns and via media, in other words, to choose proactive strategy, firstly by examining customer usage, attitudes and consumption behaviour. They may even launch a programme that enables customers and other stakeholders to leave their opinions and feedbacks independently from the research surveys, as such primary data will be valuable.

The next step of the research is a survey for triers and rejecters among customers. The results are calculated and it is decided what motivates customers to buy the product. This is also a price-sensitive survey. After receiving feedbacks, the data is processed via computer-assisted programmes and consultants produce graphic, Excel or PowerPoint presentations to help managers decide on further

actions. Business professionals and expert may advise and analyze the results of in-depth phone; in-person, online, focus groups surveys.

New 'green policies' should be implemented to retain the existing and attract new customers, to maximize profitability, improve corporate image and control season fluctuations. These are also included in the research, as it helps all stakeholders enjoy better quality of life. It is possible to set up an opinion-based research using interviewing, polls, questionnaires, brainstorming along with quantitative methods of research like calculation of costs incurred. The results of such research can be the following suggestions by the stakeholders of any company and in any part of the world: building green parks, fit plants into offices and balconies; cut energy costs by having solar water heating systems and solar panels or wind farms; having eco-friendly products means using recyclable materials and dispose of waste with as less harm as possible; and setting up stricter legal requirements on managing in-store waste and stock. However oil companies will not let this happen and renewable energy remains the poor option for now.

To make such kind of research and then to produce a report similar to the other four, it is necessary to have strategic planning, analyze corporate strengths and weaknesses, consumers' and other stakeholders' motivators and market opportunities. These will give insight on how to present corporate information to stakeholders, i.e. to the people who affect or are affected by the activities of the company. A 'green' company benefits from lower costs of production, higher customer loyalty, product safety, better quality, higher sales, more trust and better reputation. The benefits for the nature are: waste reduction, use of renewable and natural resources like wind, water, sunlight, etc. The community benefits from higher involvement into public education, charity and enjoys product quality and safety.

Those people who are good at generating 'green' ideas may go for 'green' consulting and help promoting better image. There is a huge potential for 'green' marketing. Brand work builds up awareness and adds value to the company. With harsh climate changes the new motto for all companies should be: colour your business green and get higher profits in return. Using environmental reports based on the opinion of all stakeholders may reposition the brand of the company and build a new brand personality. People being more aware of such problems and feeling more involved would care for such environmentally-friendly reputation. Thus customer base will augment, and so would the revenues. Therefore the communication via PR departments and company's speakers and websites should never be neglected same as issue management. The last one explores the possible environmental issues associated with the company, such as recycling, acid rain, hazardous waste and other depending on the company's profile.

In any case, it is necessary to be truthful, persuade people to be caring and educate them by involving into the process of recycling, re-using and re-thinking their way of life.

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