Editorial

Umesh Sharma*

Department of Accounting,
University of Waikato,
Hamilton, New Zealand
Email: umesh.sharma@waikato.ac.nz
*Corresponding author

Aida Sy

Department of Business Management,
School of Business,
Farmingdale State College,
State University of New York,
2350 Broadhollow Road, Farmingdale,
NY 11735-1021, USA
Email: Sya@farmingdale.edu

Biographical notes: Umesh Sharma is an Associate Professor of Accounting from the University of Waikato in New Zealand. His research interests are in management accounting, sustainability accounting and accounting history.

Aida Sy obtained her PhD with First Class Honours from the Sorbonne. She received her Master's, Bachelor's and a degree in Chief Manager. She teaches accounting and taxation in the USA, Farmingdale State College, SUNY and edits and co-edits four refereed journals. She was a plenary speaker, speaker, Chair and Discussant in the USA and international conferences. She is a member of the American Accounting and European Accounting Associations. She has numerous publications in refereed journals and a book.

Sustainability has become one of the major issues of the day. Sustainability accounting is but one aspect of sustainability (Milne et al., 2009), and yet the term sustainability accounting offers so many different perspectives (Bebbington and Gray, 2001; Gray, 2010). This is reflected in the different names utilised for the term, such as social and environmental accounting, triple bottom line accounting, emissions accounting and carbon accounting, amongst others. Social and environmental issues are attracting more political and media attention, reflecting increased social awareness (Deegan and Blomquist, 2006). These changes in societal attention to sustainability makes sustainability accounting an exciting and dynamic field of research. Sustainability and sustainable development, defined by their social, economic and environmental basis are one of the challenges for organisations and society. Research has generated a sizeable body of insights into sustainability reporting and disclosure practices. However, little is known about sustainability reporting and internal accounting procedures. Even less is known about the integration of sustainability into management control.

Copyright © 2017 Inderscience Enterprises Ltd.

This special issue reflects the complexity of sustainability accounting issues and covers many of the approaches that can be taken. The papers reflect diverse foci and a range of countries and approaches. O'Grady and Biswas (2017) consider the relationship between performance measurement systems (PMS) and environmental strategy. In particular, they examine developments in the carbon reduction strategy and PMS subsequent to the case organisation's enrolment into CEMARS – an external carbon reporting scheme. Using data collected via interviews, public seminars and document analysis, their study shows that developments in carbon reduction strategy and the carbon related performance measures are mutually constitutive and impact one another. The case findings show how increasing sophistication of the PMS facilitated refinements to carbon reduction strategy, which necessitated further changes in the PMS. Additionally, the CEMARS measures were integrated into decision making processes alongside existing PMS measures, thus enhancing the sophistication of the PMS and revealing integration as an additional factor impacting PMS use.

Climate change is another important challenges that we are facing at the moment. To this end, Sharma et al. (2017) paper aims to set out several key issues in relation to climate change research based on accounting and accountability. Their paper outlines using a case study of the Pacific Islands about the problem of uncertainty in relation to climate change, particularly in regards to the rising water levels and potential relocation of peasants from the atoll islands of Kiribati, Tuvalu and Marshall Islands. The literature on climate change accounting and the archival data on climate change from the Pacific Islands are reviewed. Despite growing corporate activity on climate change, no meaningful progress is being made on GHG emissions reduction, and in some cases no meaningful progress is being made on natural Kyoto emission reduction targets, suggesting the continuation of a relatively weak policy regimes and 'business-as-usual'. However, the Paris agreement recognised the specific needs and special circumstances of developing countries and acknowledged that climate change is a common concern of human kind. The agreement resolved to hold the increase in global average temperature to well below 2° above preindustrial levels and to pursue efforts to limit the temperature increase to 1.5° above preindustrial level. Such modest increase would significantly reduce the risks and impacts of climate change. The call for more research on climate change is arguably more relevant today given misgivings on market-based solutions and the consensus reached from the Paris agreement recently. There has been relatively little work done in climate change accounting in the Pacific Islands where an immense impact has been felt on people's lives and livelihoods as well as on important industries such as agriculture and tourism as a consequence of climate change such as rising water levels.

Judicial approach also plays an important role in accounting for sustainability. Arunachalam and McLachlan (2017) in their paper examine the concept of accounting and accountability for the impacts of hydroelectric operations in the Otago District of New Zealand. Using a case study approach, their paper examines two Environment Court cases involving a listed company that carries out hydroelectric operations in the Otago District. The study provides an interpretation of how the dimensions of accountability become operational during the court proceedings. The study adopts the arena concept of accountability as a theoretical framework to inform the interpretation of the textual content of the Environment Court documents (the text). The interpretation is a two-way process that employs the theoretical framework as a basis to understand the text and at the same time provides insights on the theoretical framework on the basis of the empirical evidence of the text. The interpretation indicates that, in the context of

Environment Court proceedings, accounting and accountability encompasses several features which include: a regulatory framework comprising the Resource Management Act 1991; the participation of corporate and non-corporate stakeholders; legitimising and problematising account giving; and an interdisciplinary approach to reporting.

The impact of corporate social responsibility (CSR) on firm performance is also an important area. Hazaima et al. (2017) explore the impact CSR disclosure has on the financial performance of industrial companies operating in Jordan. Their study adopts a quantitative methodological approach. Using a statistical analysis technique the study tests three developed hypotheses. The study makes use of content analysis in order to extract data about the independent variable (CSR disclosures). The dependent variable is the average share price of companies in the sample. The total population is 67 industrial companies listed in Amman Stock Exchange (ASE), and the sample comprises of 65 of these companies. The three hypotheses were declined statistically and findings revealed a negative correlation between CSR disclosures and the financial performance of industrial companies located in Jordan.

The association between CSR and dividend pay-out is another important area within sustainability accounting. de Villiers and Ma (2017) examine the association between CSR and dividend pay-outs for US firms. In theory, high dividend pay-outs could limit managers' ability to invest in CSR. Managers' decision to invest in CSR could be driven by a desire to attain a competitive advantage for the firm or by a desire for personal kudos. If an investment in CSR leads to a competitive advantage with the economic benefits that entail, then high dividend pay-outs and investments in CSR will not be mutually exclusive. de Villiers and Ma (2017) find that high dividend pay-outs are associated with better CSR performance. Therefore, they conclude that investments in CSR are mostly driven by managers' desire to seek a competitive advantage and that this strategy is mostly successful. Their findings and implications will be of interest to investors and analysts, because the findings show that better CSR performance should be seen as a positive signal.

Managing carbon is another important aspect of sustainability accounting. To this end Lodhia (2017) argues about carbon pricing which requires corporations to incorporate carbon-related issues into mainstream practices. Climate change accounting, the management and reporting of carbon emissions, is a tool that corporations can use to achieve this goal. Through the use of practice theory, Lodhia (2017) critically analysed how Australian corporations responded to the carbon tax through changes in their management systems. The impact of the repealing of the carbon tax on the development of the carbon management practice was also examined. In-depth case studies of the carbon management practices of two Australian organisations affected by the carbon tax was undertaken through interviews and document analysis. The findings highlight that having a good prior understanding of carbon management, accompanied by systems and processes, and positive organisational culture and employee attitudes towards climate change, contribute to an effective carbon management practice when rules and regulations on carbon emissions management, reporting and pricing are introduced. These elements enabled the two organisations studied in this paper to take a strategic and long-term perspective towards carbon management. The findings of Lodhia's (2017) study will be useful to companies potentially affected by carbon pricing or other similar requirements by enabling them to improve their approaches towards embedding carbon-related issues into mainstream business practices.

Given the immense scope of sustainability accounting as a topic area and the scale of the social implications in the line of study, it stands to reason that the special issue has scratched only the surface. There is room for a major research agenda in sustainability accounting. Some of the areas that are, in our opinion, still under researched are:

1. the influence of integrated reporting initiative on sustainability reporting
2. carbon and water accounting and the implications for sustainability
3. health and safety issues and the implications for sustainability
4. contaminated sites and the impacts for sustainability reporting.

We are confident that more accounting researchers will take up the challenge to research this fascinating sustainability topics. We are also calling for collaboration (or interdisciplinary approaches) with disciplines such as biology, environmental sciences, geography and engineering to address true sustainability from new and creative perspectives.

References

Bebbington, J. and Gray, R. (2001) 'An account of sustainability: failure, success and reconceptualization', *Critical Perspectives on Accounting*, Vol. 2, No. 5, pp.557–588.

Deegan, C. and Blomquist, C. (2006) 'Stakeholders influence on corporate reporting: an exploration of the interaction between WWF-Australia and the Australian minerals industry', *Accounting, Organisations and Society*, Vol. 31, Nos. 4/5, pp.343–372.

Gray, R. (2010) 'Is accounting for sustainability actually accounting for sustainability and how would we know? An exploration of narratives of organisations and the planet', *Accounting, Organisations and Society*, Vol. 35, No. 1, pp.47–62.

Milne, M.J., Tregidga, H. and Walton, S. (2009) 'Words not actions! The ideological role of sustainable development reporting', *Accounting, Auditing & Accountability Journal*, Vol. 22, No. 8, pp.1211–1257.