

Chapter 5

Models for Measuring and Reporting of Green Performance

ABSTRACT

The main objective of this chapter is to highlight the potential effects improved social and environmental performance would have on economic performance. The use of adapted managerial tools enables entities to extend the conventional accounting model of performance towards a sustainable/green performance. The comprehensive picture of corporate communication is based on the concept of sustainability and combines three dimensions of performance: economic, social and environmental. This chapter addresses the models for reporting and managing the three aspects of performance evaluation and introduces specific concepts for measurement referring to the Triple Bottom Line performance. Debates are conducted based on an exploratory and interpretive study on social and environmental performance reporting. The correlations with corporate various characteristics are emphasized.

INTRODUCTION

This chapter per authors promote the green performance concept (in respect of sustainability), a communication tool linking the stakeholders that participate in the overall social, economic and environmental balance on different complexity levels of the information fields. As the need for sustainable practices in business becomes increasingly clear, the sustainability reporting provides real value to those who are responsible for the assessment of the corporate current financial condition and for the anticipation of future performance (Caraiani, Guşe, Lungu, & Colceag, 2009). Increasingly more entities should aim to achieve sustainable performance in order to ensure their continuity without eluding social and environmental requirements. Thus, the performance is measured increasingly more by using indicators reflecting aspects of safety, environment and employees, besides financial indicators. Items like safety, community or overall performance are addressed by new management systems that entities are currently implementing. It is intended to cover a wide range of information regarding the compliance, risk management, governance or performance assessment, providing both present information and future drivers as basis for responsible reporting.

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Corporate sustainability may be defined as the ability of developing a business by acting as a whole, when renewing assets, creating and delivering products and services. The aim is to meet the expectations of the society, attracting successive generations of employees, contributing to a sustainable environment and achieving confidence and support of the customers, the shareholders and the community when the business activity is developing. Sustainable actions involving entities provide for an increased emphasis on the economic, social and environmental impact, to bring more value and information to stakeholders. Accounting financial aspect of sustainability is reflected in social and environmental performance reporting. Social performance of reporting entities is to support sustainable objectives of the entities by managing operational risk and by alloying individual interests with the governmental ones. This ensures a solid and substantive contribution to sustainable development of communities and countries. Social performance objectives can be achieved by creating and maintaining concrete relationships with all interested stakeholders, by avoiding or minimizing adverse impacts of activities and by creating opportunities to benefit society in which they operate. Meanwhile, environmental performance has met the highest degree of consensus in the three dimensions of sustainability reporting. It is particularly important to provide information on environmental performance both in absolute and relative terms (e.g., resources used per unit of product). Both measures reflect important but distinct aspects of sustainability.

Instrumental approach is an important perspective of stakeholder theory in Donaldson and Preston's opinion (1995). They support the need for creating and implementing the activities to meet the stakeholders' requirements, arguing that they are those who control the key resources, and their satisfaction will ensure business continuity and success. Thus, stakeholders having the resources for the business success will be more willing to invest on a long term in order to achieve their aim. This achievement will lead to a higher employment rate, a more important effort from them, and therefore to a higher performance. To receive the stakeholders support, managers began to engage themselves in a complex process of developing relationships with corporate stakeholders and the environmental activists for presenting the corporate green performance (Waddock, 2004). Studies on this issue show a positive link of management practices to the improvement of social and environmental performance indicators, but on the other hand, a negative relation to economic performance is shaped.

The research proposition followed all around the chapter is that *increased importance of financial performance reporting in a company does not limit the necessity for an overall green performance*. The first part of this chapter addresses the transformations identified in existing literature regarding the performance of an entity. Researches conducted on the linkage between social and environmental performance and the financial/economic performance of corporations were reviewed, in order to introduce the discussions and proposals for enlarging the perspective of measuring and reporting corporate performance. Then, an exploratory study was conducted on a sample of UK companies. It is an overview of social and environmental disclosure practical aspects of the largest companies listed on London Stock Exchange, one of the most important stock exchanges in the world. These companies could be considered the most interested in a reliable, relevant and future-oriented disclosure of their activity, integrating social and environmental aspects along with financial ones. Therefore, the results of their annual reports' analysis represent a standpoint for other companies and standards' setters. The main limitation of the research presented in this chapter is that the valuation method for the extent of social and environmental disclosure may be subject of a pro and cons debate. Ones (the chapter's authors point of view as well) may consider that the extensive the report is, the greater importance is assigned for disclosure. Others may explain a less extensive report through the concise information.

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