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Sustainability accounting in action: Lights and shadows in the Italian context

Emilio Passetti [a,*], Lino Cinquini [a], Alessandro Marelli [b], Andrea Tenucci [a]

[a] Institute of Management, Scuola Superiore Sant'Anna, P.zza Martiri della Libertà, 24, 56127 Pisa, Italy
[b] University of Teramo, Department of Theories and Policies of Social Development, Faculty of Political Science, loc. Coste S. Agostino, 64100 Teramo, Italy

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A B S T R A C T

This study analyses the use of eight tools for sustainability accounting and the aims of sustainability accounting in decision making. The data, collected through a survey and interviews, indicate that only a small set of experimenter firms use these tools while other firms appear to be more conservative. From a decision making perspective, sustainability accounting is closely associated with the monitoring of internal compliance and efficiency. Unfortunately, sustainability accounting is in a relatively early phase of development and the lack of engagement by most firms is negative for the construction of a more balanced relationship between business and environmental and social issues.

1. Introduction

Since the 1990s, the accounting community has been discussing the relationship between accounting and sustainability and trying to understand how accounting technologies can face the challenges of sustainable development (Bebbington & Thomson, 2013). In this regard, two different perspectives of analysis have been developed in the literature. The critical perspective argues that the concept of sustainability and the associated use of accounting have been deliberately simplified and oriented towards supporting the business interests of firms (Gray, 2010; Tregidga, Milne, & Kearins, 2014). The managerial perspective, which adopts a more pragmatic approach, affirms the inevitability of linking sustainability accounting with business interests (Burritt, 2012; Burritt & Schaltegger, 2010). In particular, it claims that the challenge is to insert sustainability issues into planning decisions, capital allocation and performance evaluation so that environmental and social issues can be integrated into mainstream decisions (Epstein & Buhovac, 2010).

Both the critical and managerial perspective have demonstrated that measuring sustainability is a challenging task because of the uncertainty of the results and outcomes (Barter & Bebbington, 2009; Epstein & Widener, 2011), the multiple and contrasting goals (Epstein, Buhovac, & Yuthas, 2013; Milne, 1996), and the influence of organisational and external factors (Adams, 2004; Christ & Burritt, 2013). Studies conducted in different contexts have shown that the use of tools for sustainability accounting is quite low due to technical (Virtanen, Toumaala & Pentti, 2013) and knowledge problems (Burritt & Tingey-Holioyak, 2012) and that, in some cases, their use is abandoned in the face of economic adversity (Vinnari & Laine,

* Corresponding author. Tel.: +39 34874299, +39 050883969.
E-mail address: emilio.passetti@sssup.it (E. Passetti).

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2013). It has been also demonstrated that there can be a better balance between environmental and economic dimensions which favour a more efficient use of environmental resources both at a unit and global level (Figge & Hanh, 2013). On the contrary, the social dimension of sustainability has not been thoroughly investigated (Bebbington & Thomson, 2013; Parker, 2005) and some topics are particularly difficult to assess from an accounting perspective (Cooper, Coulson, & Taylor, 2011; Gallhofer, Haslam, & van der Walt, 2011).

Consistent with the debate on the use of sustainability accounting in a corporate context, this paper investigates two research questions: what is the frequency of use of the eight tools of sustainability accounting, and for what decision making purposes sustainability accounting is used. The data set is formed by a survey of 65 firms operating in Italy and 14 interviews. The results indicate that the majority of the firms gave little importance to sustainability, that sustainability accounting was used by just a small set of firms and that significant changes, towards a more consideration of sustainability issues in decision making, changes did not occur.

This paper is structured as follows: Section 2 describes the theoretical relationship between sustainability and accounting. Section 3 provides a review of the literature on sustainability accounting. Section 4 describes the data collection process and variables measurement. Section 5 presents the findings of the survey and interviews. Section 6 discusses the results and Section 7 comprises the conclusions, limits and suggestions for further research.

2. The relationship between accounting and sustainability

Several studies have demonstrated that firms are not interested in changing their business conduct to address sustainability issues (Owen, 2008). This lack of interest shows how reluctant companies are to systematically adopt sustainable development principles (Gray, 2006; 2010). The critical literature points out that firms are oriented towards sustainability to pursue their own self-interests and not to protect natural capital or increase well-being. Firms adopt a half-way "sustainability" approach based on a win–win situation to demonstrate (and justify) their conduct and development is sustainable only if it can generate economic returns. Sustainability issues are managed exclusively to keep control over natural resources and technologies, and to promote economic efficiency (Milne, Tregidga & Walton, 2009; Tregidga, Kearins & Milne 2013). In this regard, accounting technologies have been considered ideological weapons in the social construction of sustainability and the measurement process is a way to maintain the power control over stakeholders, society and the environment (Tinker & Gray, 2003).

At the same time, the critical perspective argues the importance of developing new and democratic forms of accounting technologies based on sustainable development principles. The aims are to contrast and avoid the predominance of business on society and to build a fair society based on social justice (Brown, 2009; Spence, Husillos, and Correa-Ruiz, 2010). New accounting technologies should be adopted by the companies with the awareness that the targets are societal wellness, quality of life, environmental protection and reduction of the environmental and social impact of goods and resources (Gray, 2006; Spence et al., 2010). According to Gray (2010), the idea of democratic accounting should be abandoned in the absence of new narratives and targets concerning the interaction between organisations, individuals, societies and states and all attempts to construct new forms of accounting should be exclusively aimed at maintaining the predominance of business on society (Spence & Rinaldi, 2014).

Also the management oriented perspective underlines the importance of using accounting technologies when analysing environmental and social issues (Burritt, 2012). However, it argues that the critical perspective has called for the death of sustainability accounting since the Bruntland Report was published in 1987 (Burritt & Schaltegger, 2010). The managerial perspective does not argue for radical changes in the organisational domain and considers the radical notions of organisational sustainability too extreme to pursue. Rather, it tries to interact with firms under the assumption that sustainability should be integrated into organisational and decisional processes for economic and ethical reasons (Hopwood, Unerman, & Fries, 2010). Bebbington and Thomson (2013) underline that the managerial perspective may only have a positive impact on sustainability if it promotes sustainable development-oriented organisational changes that reduce the overall use of natural resources (Figge & Hahn, 2013).

3. A literature review of sustainability accounting

Empirical studies have pointed out several problems in the adoption of sustainability accounting (or its sub-dimensions). A first survey in the UK by Bebbington, Gray, Thomson, and Walters (1994) has shown that firms are not very interested in protecting natural capital. Similar results have also been obtained in the Australian setting where Wilmshurts and Frost (2001) have found that the "most developed" practices are energy costs, recycling and the cost analysis of environmental regulations. Ferreira, Moulang, and Hendro (2010) have reported a moderate adoption rate of environmental management accounting and Christ and Burritt (2013) have found that the use of environmental management accounting is very low in Australia. Henri and Journeault (2008) have shown that environmental performance indicators are considered moderately important for decision making in the Canadian setting.

Burritt, Schaltegger and Zvezdov (2011) have shown that leading German firms which operate in an emission-trading system are not able to effectively implement carbon accounting. Comoglio and Botta (2012) have shown that Italian firms in the automotive industry use a large number of environmental performance indicators to monitor several environmental aspects. Legal compliance and proactive management of some environmental issues influence the use of environmental