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EDITORIAL

In this second edition of the *APCEA Journal* for 2009 two feature articles are presented. In December 2008 the 7th Australasian Conference in Social and Environmental Accounting Research was held at the University of South Australia, Adelaide, Australia 2008 (A-CSEAR 2008). Authors were provided with the opportunity to submit papers presented at the conference for review and publication in the *APCEA Journal*. It is planned to publish several revised versions of papers from A-CSEAR 2008 in the next few editions of the *Journal*.

This edition publishes two such papers. The first paper by Roger L. Burritt, Prabanga Thoradeniya and Chika Saka address an important area in social and environmental accounting; public sector sustainability accounting. This theoretical paper adds to the limited literature about influences on adoption of sustainability accounting by public sector agencies. Several avenues for further empirical work on public sector sustainability accounting are suggested.

The second paper by, Elvia Shauki, Chaerul D. Djakman and Paul Shum discusses poverty alleviation disclosure in a developing country, Indonesia. It focuses on stakeholder perceptions of such disclosure and adds to the limited literature in this area.

We then follow with our regular **Environment Extra!** and information about **Forthcoming Conferences**.

Instructions for contributors

Articles should be submitted in a word document, *Times New Roman*, 12 point, single spaced, two columns, attached to an email. References should be in the UniSA Harvard author-date referencing style, available from the following link:

<http://www.unisanet.unisa.edu.au/learningconnection/student/learningAdvisors/documents/harvard-referencing.pdf>

As a guide to authors articles should have no more than 6,000 words. However, the submission of short articles is particularly welcome. Feature articles are independently reviewed by members of the Editorial Board in accordance with the following requirements for classification as a C1 journal article in Australia: 'For the purposes of the HERDC, an acceptable peer review process is one that involves an assessment or review of the research publication in its entirety before publication by independent, qualified experts. Independent in this context means independent of the author.'

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INFLUENCES ON SUSTAINABILITY ACCOUNTING IN THE PUBLIC SECTOR

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ABSTRACT

Examined here are potential influences on the introduction of sustainability accounting in the public sector. A brief review of the general meaning and context of sustainability accounting is presented, followed by a review of positive and negative incentives for the adoption of sustainability accounting in public sector enterprises. Finally, concluding comments are made about the potential for sustainability accounting in the public sector.

1. INTRODUCTION

Within this paper is an examination of the potential incentives and barriers to the introduction of sustainability accounting in the public sector. Sustainability, social and environmental and triple bottom line accounting and reporting are growing in importance (Lamberton, 2005). Such issues as reduction of carbon emissions, addressing water shortages, employment of child labour and the current global financial crisis are increasing the importance of sustainability issues and the leadership role that governments can play in their resolution. Although the question has been raised as to whether the planet is safe in the hands of private companies (Gray & Bebbington, 2000) little attention has been directed at the

role of public sector entities in sustainability accounting (Ball, 2005). Debate over the similarity and differences between public and private sector organizations (see Barton, 1999) leads to an examination of the potential for sustainability accounting in the public sector.

The paper proceeds as follows: a brief review of the meaning and context of sustainability accounting is found in Section 2. Next, positive and negative incentives for the adoption of sustainability accounting in public sector enterprises are explored. Finally, in Section 4, concluding comments are made about the potential for sustainability accounting in the public sector.

2. MEANING AND CONTEXT OF SUSTAINABILITY ACCOUNTING

As a global vision sustainability embodies hopes for a peaceful society with social equity and justice and economic prosperity in a clean, natural environment (Schaltegger & Burritt, 2005). Foran (2005) suggests that six general principles behind sustainability are normally put forward: stabilizing human population numbers and age structure; reducing the use of grand global elements such as carbon, nitrogen, phosphorus and sulphur; basing society and economy on flows rather than stocks so that we do not live on capital; shortening the supply chain; engineering society for durability and resilience; and taxing for innovation in resource saving.

Sustainability is seen here as the goal of the process of sustainable development (Schaltegger, Burritt & Petersen, 2003, p.22; but see Robinson, 2004, p.381). Organizations working towards sustainability

need an accounting system that collects, analyzes and communicates information about sustainability issues based on the integration of environmental, social and economic performance (Elkington 1998; Schaltegger, 2004). Sustainability accounting is the name given to such an accounting system.

Sustainability accounting has been defined as a subset of accounting that deals with activities, methods and systems to record, analyse and report, first, environmentally and socially induced *economic* impacts and, second, ecological and social impacts of an organization, its subunits or activities (Schaltegger and Wagner, 2005; Schaltegger, Burritt & Petersen, 2003). In contrast the SIGMA Project (2003, p.7) defines Sustainability Financial Accounting as being:

the generation, analysis and use of monetarised environmental and socially related information in order to improve corporate environmental, social and economic performance.

Hence, a distinction is made between monetary and non-monetary information in sustainability accounting.

Gray (1993, p.252) suggests several different methods for sustainability accounting. These include: (i) natural capital inventory accounting, with its focus on the criticality of natural capital (see Burritt & Welch, 1997), its depletion, maintenance, or enhancement; (ii) sustainable cost accounting, which looks at the costs needed to maintain natural capital. This method is considered to be rather impractical; and (iii) input-output analysis, favoured by Gray, and having a focus on resource flows (ie resource use) and the potential for making these flows transparent inside and outside the organization. Takeup has been slow, so much so that Elkington (2000, p.37) observed that sustainability accounting for business had remained largely unexplored by 2000. In conceptual terms, these different methods link sustainability accounting to maintaining

the stock of natural capital and living from the flows, a principle of sustainability recognised by Foran (2005) and noted above.

Sustainability accounting for public sector organizations has to come to terms with the issue that the notion of sustainability has been criticised for its vagueness, for example should weak or strong sustainability be adopted; are intergenerational and intragenerational equity of concern; is the idea of sustainability part of a pluralistic world order or a new world order (Schaltegger, Burritt & Petersen, 2003, p.23). The critical test for any accounting system is whether it produces desirable, purpose-orientated behaviour from the people who receive the information provided (Chambers, 1966, p.54). Such a pragmatic approach to sustainability accounting in the public sector needs to address what the overarching goal, or goals, might be. Then relevant accounting information can be provided to help achieve these goals. Reporting of such information to external parties is an important use of sustainability accounting.

The last eight years have seen a growing interest in sustainability accounting. At the academic level the topic has been the focus of conferences and meetings (eg 'Sustainability Accounting and Reporting' was the theme of the Environmental Management Accounting Network Conference in 2004 - EMAN 2004 <http://www.uni-lueneburg.de/eman/eman2004/> accessed 17.5.09). Through the SIGMA project (a partnership of three organizations the British Standards Institution, AccountAbility and Forum for the Future - SIGMA Project <http://www.projectsigma.co.uk> accessed 17.5.09) guidelines and practices are now available. The SIGMA Project outlines a sustainability accounting framework that links economic, environmental and social impacts recorded in financial terms as stocks and flows. It recognises that changes in stocks are the results of inflows and outflows, but notes almost no examples of

sustainability accounting that articulates stocks and flows (SIGMA Project, 2003, p.11). Schaltegger (2004) attempts to move the concept beyond becoming an ‘empty’ buzzword. Although some progress has been made (Schaltegger & Burritt 2005, p.192), little research into sustainability accounting in the public sector is evident (Ball, 2006). What, then, are the positive and negative incentives for sustainability accounting in the public sector in comparison with the private sector?

3. POSITIVE AND NEGATIVE INCENTIVES FOR THE ADOPTION OF SUSTAINABILITY ACCOUNTING IN PUBLIC SECTOR ENTERPRISES

A review of contemporary literature reveals a number of positive and negative incentives for the adoption of sustainability accounting in public sector enterprises. Section 3.1 examines the main positive incentives identified, while Section 3.2 considers negative incentives which impede the adoption of sustainability accounting in the public sector. An incremental analysis is adopted, meaning that incentives common to the public and private sectors are not directly considered here, rather the aim is to highlight the differences between the two sectors and, thus, examine whether sustainability accounting is more likely to be developed in the public sector.

3.1 POSITIVE INCENTIVES

Government mandated reporting

Mandatory requirements for the introduction of *sustainability reporting* in public sector organizations are few in number. Some countries, however, have a specific focus on ecological issues. For example, in Australia there is a requirement that all Commonwealth public sector organizations have public reporting on ecologically sustainable development in line with the requirement of s.516A of the Environmental Protection and Biodiversity Conservation Act 1999. Such reports are likely to provide a partial stimulus for sustainability accounting

as a basis for providing information required in the reports.

Public sector involvement in policy making

Bebbington (2001) raises the point that debate about sustainable development and sustainability originated in the public sector, as governments began to consider public policy to address emerging environmental and social concerns. Movement towards a sustainable society is accepted as a policy to be implemented in numerous sovereign nations throughout the world. In this sense, a strong ownership interest in sustainability accounting also originates from the public policy process conducted through public sector organizations.

Table 1: Incremental incentives for sustainability accounting – public sector compared with private sector

Positive Incentives	Negative Incentives
Mandated reporting	Truncated attention on social accounting
Involvement in policy making	High cost of system
Public goods	Distraction from public goods
Risk and uncertainty	Emphasis on commercial thinking
Measurement techniques improved	Private sector metrics dominate
New public management	Whole of government thinking absent
Emphasis on sufficiency	Efficiency emphasis
Balanced scorecard	Lack of specialised skills
Stakeholder engagement	
Voluntary communication	Lack of standards
Governance	
Political visibility	
Financing sources	
Leadership role	

Public goods controlled by public sector

Public goods are managed by government on behalf of its citizens for the benefit of present and future generations and for the protection of the environment (Barton, 1999 p.208). Barton considers natural capital assets in his analysis and argues that they can be managed successfully without financial valuations being placed on them (Barton, 1999, p.208). Furthermore, these goods must be provided by government and not by the private sector because they involve externalities with a public impact, no revenue raising opportunities (ie costs and benefits are not confined to the transaction parties and marginal costs of adding another consumer are zero) and cannot be sold (Musgrave 1988; Stiglitz, 1988). Sustainability accounting is a useful notion because natural capital is held in trust for the community and information is needed because natural capital needs to be physically maintained and managed for future generations to enjoy. Such assets can be reflected in a physical eco-asset sheet (Schaltegger & Burritt, 2000), and a set of ecological and social measures which focus on the physical characteristics of the resources (Barton, 1999, p.220). Hence, sustainability accounting should be driven by the need for public sector organizations to manage public goods.

Risk and uncertainty in technological innovation

Public sector organizations in the natural science and technology fields, acting on behalf of the community, can accept projects that the private sector is loath to do, because the amount of capital involved is too high, the project duration is too long, the risks are too great, and the ecological and social payback uncertain (Schaltegger & Burritt, 2000). New process discoveries and inventions that are profitable can lead to cleaner and safer production processes. These circumstances encourage the development of sustainability accounting in public sector organizations.

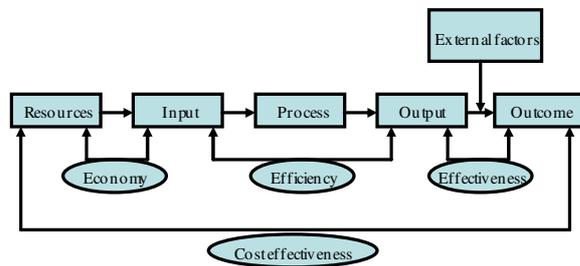
Improved measurement techniques

The development by engineers and scientists of improved measurement instruments for public goods enables the introduction of accounting systems that provide information about ecological and social risks previously unknown (Schaltegger & Burritt, 2000, p.36). Such measures may be recorded in physical terms, for example in Australia is estimated that about half of the invertebrates and simple plants have not yet been identified (Commonwealth of Australia 1996). Improved measurement tools, for assessing ecological impacts and risks, promotes the need for public sector sustainability accounting.

New public management and financial sustainability

New public management (NPM) has brought increased attention in many countries to the concept and practice whereby public sector organizations compete for funds with private sector organizations in the commercial market. Hood (1995, p.96) identifies several underlying doctrines of NPM including: unbundling of public sector organizations into corporatized units; stress on private-sector styles of management practice; greater emphasis on discipline and frugality in resource use; explicit formal measurable standards and measures of performance and success; and greater emphasis on output controls. These doctrines require that accounting in financial terms receives greater attention. Through NPM the need for accounting to reflect measures of economy, efficiency and effectiveness has been strengthened at the expense of ecological primacy and social equity (see Figure 1).

Figure 1: The relationship between the administrative management cycle and evaluation. (Source: Azuma, 2003, p. 58)



NPM means that information is needed about expected and actual resources used to deliver inputs (for economy); inputs and outputs (for efficiency), and outputs and outcomes (for effectiveness) (Azuma, 2003). These public sector organizations are likely to be driven by the need for financial sustainability accounting information as they seek to demonstrate to the funding markets that they have programs that can provide a return at an acceptable level of risk. Ball and Grubnic (2007) argue that the NPM focus of Australian Commonwealth public sector management will improve the reporting of environmental impacts of public sector organizations.

Adopting the notion of sufficiency

Sufficiency is a notion that considers whether, because of their deleterious ecological or social impacts, the output of certain goods and services and the associated resources consumed is needed in the first place (Dyllick & Hockerts, 2002; Schaltegger & Burritt, 2005). Sustainability accounting could be used to foster notions of sufficiency. However, sustainability accounting needs to reveal negative ecological or social impacts of public sector activities as a foundation for recognising the concept of enough (use of resources, poverty, etc.), and to overcome the stigma raised by Gorz (1989, p.85) that accountancy knows the concept of more and less, but not the concept of enough (Mauders & Burritt,

1991, p.13). Public sector organizations with their specific mandate to operate in the interests of citizens may, supported by sustainability accounting, have a better chance of successfully adopting the notion of sufficiency than private sector organizations.

A balanced scorecard with a dominant non financial focus

The balanced scorecard draws attention away from an over-concentration on financial measurement of performance. As financial information is only one of the key performance areas of concern to public sector organizations the notion of a balanced scorecard (Kaplan & Norton, 1992) that addresses financial, stakeholder, internal process and learning and growth strategies and associated measures of performance is appealing. The notion of a sustainability balanced scorecard with specific recognition of environmental and social performance has also been introduced (Figge, Hahn, Schaltegger & Wagner, 2002; Schaltegger & Wagner, 2005). The balanced scorecard framework for sustainability in public sector organizations can address attainment of financial standards, or targets, and measures of financial performance (Yamamoto, 2003, p.1; Olson, Humphrey & Guthrie, 2001, p.506). The scorecard provides metrics to help managers know how well their internal processes are running and commensurate accountability for whether results or outcome measures have been attained (Gendron, Cooper & Townley, 2001, p.281). Unlike the balanced scorecard for private sector organizations there is no specific incentive in the public sector to define and measure all performance in monetary terms, or to look towards the financial impacts of all aspects of the scorecard. In short, a public sector balanced scorecard holds the potential to provide equal balance to all components, or even to adopt a rigid ecocentric and social equity approach to the accountings provided.

Stakeholder engagement

Greater involvement of and pressure from professional accounting bodies,

nongovernmental organizations (NGOs) including activist groups, special task forces and interest groups, and local community influence the adoption of sustainability accounting in public sector organizations. For example, growing support from the accounting profession and accounting bodies has been provided for the triple bottom line concept (Barrett, 2004). Barrett (2004, p.4) suggests that the TBL approach will result in possible changes in internal organization and management and 'the way government might communicate with the community and stakeholders in the provision of its services and operations'. Public sector organizations can, of necessity, be required to consider key social and environmental impacts of their policies and activities as they affect different stakeholders, whereas it remains an optional strategy for private organizations (Bansal, 2005).

Voluntary communication

The voluntary Global Reporting Initiative (GRI) public sector sustainability reporting supplement aims to demonstrate governments' transparency and accountability in their own operations and to create a global common platform for public sector reporting (GRI, 2005, p.4). The GRI tries to harmonize sustainability reporting by ensuring comparability and consistency in ex post reported information through a voluntary sustainability reporting framework. The objective of the GRI is to develop and promote implementation of a widely accepted general sustainability reporting framework (Hedberg & Malmborg, 2003; Lenzen, Dey & Murray, 2004; Nganwa, 2002; Tschopp, 2003; Wheeler & Elkington, 2001; Willis, 1999; Willis, 2003; Woods, 2003), yet sustainability reporting is still in its infancy (Wallage, 2000) and requires development (Anonymous, 2002). Developed initially for the private sector, the GRI now has a public sector supplement to the 2002 generic reporting guidelines to measure agency performance and impacts and cater for the reporting needs of national, regional and local level public enterprises

(GRI, 2005). Already Australia, Canada, Hong Kong, Japan, New Zealand and UK public sector enterprises are engaged in non financial and sustainability reporting at various levels (GRI Project Fact Sheet, 2004). However, the GRI supplement has little to say about sustainability accounting for the public sector *per se*, although it does champion the need for generally accepted international metrics and the need to address consolidation and segmentation issues (GRI, 2005, p.49).

Governance structure

The public sector is essentially different from the private sector in terms of its governance structure (Board of Audit of Japan, 2001, p.13) and this can affect the need for and form of sustainability accounting. Characteristics of public sector governance which have the potential to affect public sector sustainability accounting include: non-commercial activities where resources are sourced from involuntary payment from citizens; the recipients of benefits are not necessarily the same as the payers (transfers are an important part of the system); resource allocation in democratic countries is determined in advance through collective parliamentary decision making; parliament controls allocation and evaluation of resources while the public sector is responsible for policy development and administration; activities are limited; financial performance based on financial information is often inappropriate and impractical; and government has both the power to interfere with market mechanisms as well as to use them.

Political visibility

As the public sector is publicly visible, subject to political suasion and vulnerable to political interference, measurement and reporting do, as a matter of course, factor in such political oversight in relation to their non-economic activities (Holdsworth, 2002). Lim and McKinnon (1993), found a positive relationship between the political visibility of 50 commercial and semi-commercial

statutory authorities in New South Wales, Australia, and the voluntary disclosure of financial and non-financial information of a non-sensitive nature. The underlying notion is that political visibility will lead to higher takeup of sustainability accounting in the public sector.

Budget or non budget financing sources

NPM has highlighted that some public sector organizations can be entirely non-market in their orientation as they are funded by a fixed budget, while others have a totally commercial focus receiving their funding through market mechanisms. Hence, non budget financed public sector organizations are likely to be more receptive to social and environmental accounting to reflect their broader responsibilities (Burritt & Welch, 1997, p.83).

Top management buy in and leadership role.

It is somewhat passé to acknowledge that support from senior management in any organization is necessary to drive the sustainability accounting and reporting task (Owen, 2002). As Fowler (2004, p.50) observes 'Any decision to move to full TBL reporting must have senior management endorsement and commitment as it may have significant resource implications'. Less understood is the need for government bodies to exert a leadership role with sustainability accounting. Government commitment and initiatives such as legislation or policy can play a major role in encouraging sustainability accounting and reporting in private sector enterprises, by way of best practice examples. For example, in certain European Union countries, such as the United Kingdom, the Netherlands, Denmark, Norway and France, social and environmental pressures have led to compulsory corporate environmental reporting (Bebbington, 2002; Evers, Harmon & Ivancevich, 2004) and France has already mandated sustainability reporting by corporations (Cheney, 2004, p.14). However, in order to encourage private sector takeup different governments have implemented

their own local leadership agenda, including the introduction of strategies and legislation about accounting and reporting requirements (eg, Australia's National Strategy for Ecologically Sustainable Development (Commonwealth of Australia, 1992) and the *Commonwealth Environmental Protection and Biodiversity Conservation Act 1999*'s reporting requirements for sustainable development reporting under section 516A). One goal of the GRI public sector sustainability reporting supplement is to set an example to the corporate sector by way of leadership (GRI Project Fact Sheet, 2004). Perceived leadership and the symbiotic relationship between public and private sector organizations provide a further incentive for sustainability accounting in the public sector.

The set of positive influences outlined above provide a foundation for explaining the takeup of sustainability accounting by public sector organizations. Negative incentives affecting public sector organizations are considered in the next section.

3.2 NEGATIVE INCENTIVES

Overemphasis on private sector

To date, attention has largely been directed at approaches to sustainability accounting in the private corporate sector where the emphasis is on the business case for corporate sustainability (Salzmann, 2005) and on building information about social and environmental impacts into everyday decision making activities (Schaltegger & Wagner, 2005). This distracts attention from situations where public goods are being managed by public sector organizations on behalf of the community and the need for 'full' sustainability accounting.

Truncated social accounting focus in government regulation

Considerable attention has been devoted to accounting for environmental impacts in the last fifteen years, however attention to accounting for social issues is not an established practice (Gray, 2002, p.687). As

a result the social accounting pillar in sustainability accounting is underutilised. For example, as social issues are not included in the ecologically sustainable development requirements for Commonwealth entities in Australia there is less impetus for the development of integrated sustainability accounting.

Domination of accounting metrics by private sector market thinking

Private sector performance metrics tend to be dominated by financial measurement (eg see the SIGMA Project, 2003). In markets where consumers bid for the products they wish to buy and businesses produce at minimum cost it is to be expected that accounting is captured by the need for monetary measures. The financial worth of environmental and social innovations or the financial cost of environmental and social impacts are the mind map behind private commercial business activity. This domination leads to relevant non-financial information being ignored or at best a dramatic skew in the types of information being proposed as relevant for sustainability accounting in the public sector. See for example the recent United Nations promotion of environmental management accounting with its focus on monetary measures (UNSD, 2001).

Lack of a committed ecocentric focus in government

Ball (2004, p.13) explains how the lack of progress with sustainable development in the public policy domain has meant that public sector bodies have not been a particularly obvious focus for the development of sustainability accounting in practice. She views this lack of focus as being the result of an over concern for economic development in western countries. It is implicit that NPM influences this view. For public sector sustainability accounting to embed itself the existing primary concern for economic growth would need to change and ecological and social issues raised in relative importance.

New public management detracts from sustainability

As mentioned in the previous section, NPM reform has emphasised commercial thinking in a range of public sector organizations (Olson, Humphrey & Guthrie, 2001, p.505). Improved economy and efficiency are well recognised as contributing towards relative reductions in resource use (Von Weizaker, 1997), but sustainability of ecological systems and human society are values that differ from the values of economy and efficiency. Improvements in efficiency, through reduction of input-output ratios, are sometimes compatible with moving towards sustainable development (Schaltegger & Burritt, 2005), but sometimes they oppose it (Oka, 2003, p.19). Criticism of the dominance of financial accounting techniques in NPM, for assessing notions such as efficiency, is well documented (Bowerman & Hutchinson, 1998, p.299; Christensen & Yoshimi 2003, p.75). In consequence, the heterogeneity of organizations making up the public sector, ranging from the commercial and quasi-commercial to non-profit (Lapsley, 1988, p.21), means that the degree of commercial autonomy will be an incentive for sustainability accounting. The less commercial organizations, represented by the budget sector, will be the most likely adopters as they need to demonstrate to parliament their commitment to government policy if they are to continue receiving government funding.

Political influences

Pollitt (1986) demonstrates that measures of efficiency fail to capture and can distort the intrinsic political dimension of many policy decisions. While NPM recognises a need for improved efficiency in public sector organizations, hierarchical and bureaucratic decision making still seem to dominate the underlying processes, with the ever present scope for political interference in decision making on behalf of lobby groups, even when supported by sustainability accounting. In such circumstances the powerful players,

including large private interests, come to dominate policy and public sector decision making, with sufficiency and ecological equity (Dyllick & Hockerts, 2002) taking second place.

High cost of sustainability accounting system

One of the key issues to consider when implementing triple bottom line reporting is the identification of resource and cost implications (Fowler, 2004, p.50). Evidence suggests that larger Canadian municipalities focus more on sustainable development reporting than smaller communities because financial and technical support and reporting are considered too technical and too expensive at community levels (Burch, 1994). Over 70% of Flemish municipalities state that they do not have the time or means to implement sustainability accounting and reporting initiatives (Devuyst & Hens, 2000). Owen (2002) suggests that organizations can cut time, effort and expense by getting advice from others who have already started with sustainability reporting, via a mentoring approach. However, perceived cost of the sustainability accounting system can act to lower takeup of such accounting systems, especially in small local governments.

Lack of standards

At present there is no standard for sustainability accounting. For example Burritt (1999, p.57) notes that: 'There are no environmental accounting standards for the private sector in Australia'. Burritt and Welch (1997) found that, Commonwealth public sector entities are partially motivated by ad hoc single issues and such entities '...provide no standards against which to compare actual environmental performance and, hence do not provide information in a form which will readily assist with the assessment of comparative environmental performance over time' (Burritt & Welch, 1997, p.15). Voluntary GRI guidelines provide some assistance, since there is no generally accepted standard (Kolk, 2003). However, 'GRI provides guidelines rather than standards' (Evers, Harmon &

Ivancevich, 2004, p.25) and the need for a standard remains (Delfgaauw, 2000). SIGMA Project guidelines act in a similar way. Wallage (2000) concludes that as there are no standards for reporting and assurance it is a challenging task for external auditors to verify sustainability reports (Cheney, 2004; Barrett, 2004). 'The question of which parties can verify sustainability reports' (Delfgaauw, 2000, p. 73) and the role of the internal auditors is also challenged when testing and monitoring sustainability reporting (Evers, Harmon & Ivancevich, 2004).

Lack of specialised skills, knowledge and experience

It is recognised that a wide range of professional accounting skills is needed for triple bottom line reporting (Barrett, 2004), however the lack of available training means there is an overall shortage of accounting personnel in information gathering and analysis relating to sustainability impacts in the public sector. As part of the sustainability accounting process it is necessary to educate the reporting team about how to derive and analyse the data (Anonymous, 2002, p.45). For example, Devuyst and Hens (2000) find that staff training is essential for introducing and measuring sustainable development initiatives in Flemish municipal councils. Adams and McNicholas (2007) find that the lack of knowledge and experience of managers is a key impediment to the development of a sustainability reporting framework and greater accountability in a government owned statutory authority that seeks to provide high-quality water in the State of Victoria, Australia. Hence, the absence of education, training, knowledge and experience act as an obstacle to the perceived need for sustainability accounting in the public sector.

Whole of government thinking absent

Whole of government thinking denotes public service agencies working across portfolio boundaries to achieve a shared goal and an integrated government response to

particular issues. Sustainability thinking requires such a whole of government approach, but is hampered by thinking within the confines of conventional public sector structures, such as departments, agencies, or individual 'silos' of thought (Ling, 2002; Commonwealth of Australia, 2004, p.1). Sustainability accounting can only integrate the needs of different decision makers for information if the silo mentality is overcome.

4. CONCLUDING COMMENT AND POTENTIAL FOR SUSTAINABILITY ACCOUNTING IN THE PUBLIC SECTOR

Ecological thinking provides the primary backcloth for organizational movement towards sustainability (see Gray, 1992). The hallmark of such thinking is ecocentricism with its acceptance that relationships with the non-human natural world must change dramatically if a sustainable world for humans and non-humans is to emerge (Maunder & Burritt, 1991). Public sector organizations are traditionally designed to support the ecosphere and social wellbeing 'responding to demands of whole orders above those we currently place on corporate bodies' (Ball, 2004, p.1011). Conversion to the primacy of ecological thinking supported by sustainability accounting and sustainability accounts presents a significant challenge to any system of government of the people, by the people, for the people which almost by definition tends towards anthropocentrism.

Given the range of positive and negative incentives for sustainability accounting outlined above the challenge is equally daunting for governments at federal, state and local levels. As a minimum it requires an unfreezing of perspective away from the economic focus of business, and NPM with its economic emphasis. Refreezing with ecocentric thinking is a prerequisite for 'full' sustainability accounting (Maunder & Burritt, 1991). Such a process seems to have a greater chance of success for organizations that have an acknowledged concern for

collective actions and outcomes, such as public sector organizations, than those with a focus on private actions and private interests, such as corporations. Hence, concern for the ecosphere and social sphere has more opportunity to emerge in public sector organizations, and the need for sustainability accounting broadly supported. Unless public sector organizations are prepared to be guided by ecocentric thinking which accepts the centrality of ecological systems, the secondary importance of the anthropological and the supportive role of economic activity, it seems likely that sustainability accounting is destined to be an inappropriate guide towards securing sustainability.

However, in this second best situation sustainability accounting can provide necessary information to guide public sector organizations towards:

- the efficient and effective management of 'public goods', supported by new public management where improvements in efficiency can be seen as a necessary step towards sustainability;
- a governance system with a primary focus on balanced performance for sustainability rather than conformance with the rules of finance;
- transparency and accountability of public sector organizations in relation to critical ecological and social issues, through sustainability reporting to stakeholders in sustainability, using improved, integrated sustainability metrics;
- support for high risk, low financial return investments in projects towards sustainability;
- reconciliation of financial accumulation and accounting with the notion of sufficiency; and
- leadership towards and ownership of potential sustainable futures.

Sustainability accounting for public sector organizations will need to achieve these while not falling into the abyss caused by:

- not pursuing the difference between public sector and private sector responsibilities and accountabilities in relation to sustainability;
- unnecessary acceptance of the economic domination of the ecological and social;
- feinting blindness to market failures and to market domination by groups wielding significant economic and political power;
- following short term political exigencies when long term thinking is needed;
- the absence of standards of performance towards sustainability;
- the lack of data and acceptable means of verification; and
- thinking in departmental silos rather than in whole of government terms.

The range of positive and negative issues associated with public sector in comparison with private sector sustainability accounting is large. However, the public sector does appear to have some advantages as far as the relative benefits from promotion of sustainability accounting is concerned. First, accounting for public goods, which includes social concerns, is a conventional emphasis of public sector activities. Second, in its non-commercial activities the public sector does have the potential to use concepts such as sufficiency, and tools such as the balanced scorecard, to draw attention away from a dominant focus on efficiency and a bias towards financial matters, as pervades the private sector. The public sector does also have the potential to lead towards necessary integration of social, environmental, governance and economic concerns as represented in sustainability accounting.

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STAKEHOLDERS' PERCEPTIONS ON DISCLOSURES OF POVERTY ALLEVIATION IN INDONESIA

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ABSTRACT

Prior research has addressed the relationship between corporate social activities and corporate performance. However, little research has been conducted to identify the factors that influence the level of social initiatives and activities. Using survey data on poverty alleviation disclosures in Indonesia, this study applies factor analysis to identify four factors - social incentives, corporate social initiatives, corporate social responsibility (CSR) strategy, and labour-related CSR policy. Structural equation modelling has been used to identify the structural relationship among these four factors. The statistical results indicate that the relationship between social incentives, CSR strategy and corporate social initiatives is positively and directly related. Furthermore, social incentives also influence corporate social initiatives via CSR strategy. However, there is no significant relationship between labour-related CSR policy and other factors in this partial mediating structural model. The results also show that there is significant difference in stakeholders' perceptions on disclosures of poverty alleviation among the gender, age, and income/salary groups. These findings improve insights for report preparers and regulators on the appropriateness of social performance indicators and policy implications to raise

the level of corporate social initiatives in poverty alleviation.

KEYWORDS

Social performance indicators, corporate social responsibility, corporate social reporting, poverty alleviation, company's strategy, social incentives, CSR strategy, labour-related CSR policy, and corporate social initiatives.

1. INTRODUCTION

The aim of the study is to explore and identify key determinants of corporate social initiatives in poverty alleviation. To fulfill corporate social responsibility (CSR), an organisation considers the interests of society by taking responsibility for the impact of their operational activities on customers, suppliers, employees, shareholders, communities and other stakeholders, including social and environmental advocates, and regulators. CSR disclosure is the process of communicating the social and environmental effects of an organisation's economic actions on stakeholders (Gray et al. 1987). Nowadays, companies are facing increasing pressure to go beyond making profits to behave in socially responsible ways (Mohr et al. 2001; Deegan et al. 2000).

Earlier research finds that CSR has a powerful potential to make positive contributions to addressing the needs of disadvantaged or marginalised communities in developing countries whilst not compromising their political, social and economic integrity (Ite 2004, 2005). Blowfield and Frynas (2005) concludes that there are unique aspects of poverty and sustainability in the developing world which demand different solutions from developed economies to fill the gap

between community and corporate expectations of the social contract, also known as the legitimacy gap (Deegan, 2006).

The application and recognition of CSR is relatively new in Indonesia. Companies listed on the Indonesian Stock Exchange provide low levels of social disclosure (Cahaya and Porter 2008). After introduction of the Indonesian Corporation Law in 2007 (Undang-Undang Nomor 40 tahun 2007 tentang Perseroan Terbatas), though companies are not mandatorily required to allocate a certain percentage of their earnings to CSR activities, nevertheless, public sector organisations with substantial environmental impacts must allocate a certain amount of their earnings to assist the community. This mandatory requirement is called Partnership and Environment Development Program (Program Kemitraan dan Bina Lingkungan or PKBL). It requires State-owned enterprises (BUMN) to allocate 1% to 3% of their earnings towards business partnerships and environmental development. For other types of company ownership, there is no such mandatory obligation.

CSR is about protecting the environment, stakeholders, complying with anti-corruption action policies and a range of other activities, for example poverty alleviation. In Indonesia, the government, non-governmental organisations (NGOs), businesses and professionals aim to assist in eradicating poverty (United Nation's Climate Change Conference 2007; World Bank 2008). At the United Nation's Climate Change Conference (2007), Indonesia and other countries voiced their concern about environmental problems such as climate change, deforestation, and greenhouse gas effects. According to the World Bank (2008), poverty remains the primary social problem in Indonesia as it has close links with environmental issues. Poverty and environmental problems co-

exist. Therefore, solving one problem requires simultaneous engagement with the other problem (Petrics 2005; Kimenyi 2004). A series of comprehensive reports from the World Bank (2008) on poverty in Indonesia finds that 17.8% of people are living in poverty, measured by them having less than US\$1.55 in purchasing power parity terms per day. Currently, there are 37 million people living under this poverty line and a major poverty alleviation program has been implemented since 2001 (Kompas 2007).

2. LITERATURE REVIEW

Poverty alleviation, a CSR initiative, is an important policy objective of developing countries, international organisations, NGOs, and local communities. However, Shankleman and Selby (2001) observed only minimum business involvement in poverty alleviation activities. It has been claimed this is unacceptable to the above stakeholders because meeting sustainable development challenges in reducing poverty is as important as maintaining business growth of the company (Blowfield and Frynas 2005). However, the business community has used the concept of CSR increasingly to establish a framework for wider private sector involvement in poverty alleviation (Ite 2005).

Government and business communities see CSR as a bridge connecting business and sustainable development (Vivos 2004; DFID 2004). Increasingly, CSR programs are designed in terms of their contribution to community and sustainable development (Dunfee and Hess 2000). However, corporate contributions through social initiatives targeted at the disadvantaged or the marginalised remain minimal in Indonesia.

Strong support for the introduction of mandatory CSR in Indonesia is evidenced in the 69% of the respondents who agree with the introduction of compulsory CSR for Indonesian listed companies (CSR

Indonesia 2008). Environment initiatives and poverty alleviation in Indonesia are conducive to finding the best solution for social problems. Since poverty is linked to many social problems (crimes, low level of education, low productivity, malnutrition etc.), this issue must be solved strategically, according to the United Nation's Millennium Development Goal (MDG) that global poverty should be reduced significantly by 2015. Therefore, there is urgency for broader corporate involvement in addressing the social issues of slum settlements, health, education, unemployment, and meeting basic needs.

CSR-related research has been dominated by studies in the context of western developed countries such as Europe, the USA and Australia. Only a few studies have applied CSR to developing countries (Lokshin 2001; Peinado-Vara 2006; and Reddy 2007). Current CSR approaches do not warrant claims that CSR gives benefits to the poor and marginalised in developing countries (Christian Aid 2004). This study assesses corporate social performance in relation to poverty alleviation initiatives in Indonesia. It identifies key determinants of corporate social initiatives in poverty alleviation so as to inform policy makers about the appropriate mechanisms to raise the level of corporate social initiatives in poverty alleviation.

2.1. SOCIAL INCENTIVES

The theories that are popularly used in the CSR field are numerous and diverse. Relevant theories to explain the types of social incentives and the process through which companies respond include issues management (Sethi 1975; Wartick and Mahon 1994), stakeholder approaches (Freeman 1984; Mitchell et al 1997; Rowley 1997), legitimacy (Meyer & Rowan, 1991), and public responsibility (Preston and Post 1981). Demonstrating responsiveness to social demand and incentives is often more important than producing desirable and immediate results

(Meyer & Rowan, 1991). Furthermore, being perceived as lacking acceptable legitimacy in their activities can expose companies to accusations of negligence, with damaging effects on their image and reputation. Therefore, companies have to be sensitive to sense and be responsive to social and political issues that significantly influence their operations, according to the accountability model, stakeholder and legitimacy theories (Valor 2005; Deegan 2002; Mitchell et al 1997; Rowley 1997; Meyer & Rowan, 1991; Ullman 1985; Freeman 1984). They manage to balance the interests of diverse stakeholders and they take existing public policy and laws seriously in their decision making. They act in such a way as to be perceived by the public as desirable and proper within their socially constructed system of norms and values. These theories provide the rationale for companies to be sensitive and responsive to social demand in reducing the negative impact of their operations on society. According to the World Bank (2008), the world's poorest people depend on resources from the ecosystem such as clean water, soil conservation and the sustainable supply of marine and forest products for direct consumption or income generation. When society is concerned about the adverse effect of environmental damage on increasing poverty, companies have to respond constructively and act as good corporate citizens by introducing CSR initiatives that target environmental improvement and poverty eradication in order to restore a good corporate CSR image and reputation.

To reinforce this, apart from the social pressure exerted on companies, Government plays an important role in laying down the law and regulations to balance the interests between business and community. Government agencies should assess whether companies are complying with minimal social performance standards. They also should provide other incentives in terms of tax allowances and lower cost

of capital to businesses to pursue desirable CSR initiatives. As a result of more demanding but supportive social incentives, higher level of CSR initiatives can be generated. In survey conducted by the IBL (Lindgren 2006), it was reported that many companies might be willing to increase their current CSR investment if the government could provide incentives. For example, new tax incentives will certainly stimulate a higher level of CSR investment. This observation is part of the hypotheses of this study which tests whether those social incentives and demands generate a higher level of corporate social initiatives. Structural equation modelling is used for identifying the linkages between social incentives and corporate CSR strategies.

2.2 CSR STRATEGIES

Companies are operating in commercial reality that demands maximisation of shareholders' value. According to instrumental theory (Friedman 1970; Jensen 2002), companies focus on achieving economic benefits that maximise shareholder value and longer term competitiveness, sometimes even at the expense of the interests of other stakeholders. Many companies are not willing to share their profit or earning capacity to invest in CSR activities. They react only when it is necessary to meet the challenges of the local communities, usually in the form of bribes in developing countries like Indonesia, as reported by the World Bank (2003, 2008). This certainly does not add value to internal capabilities and external socio-economic development. Furthermore, consumers in developing countries are more price-sensitive and often tend not to choose products on the basis of their CSR standards, e.g. eco-labeling, sweatshops, and child labour (Maignan 2001). This has reinforced the producers' bias towards profit maximisation at the expense of stakeholders' interests. However, over the past three decades, there is increasing pressure from the public and employees to broaden company strategies

from pure profit maximisation to economic, environmental and social responsibility (Carroll 1979, 1991, 1999). Nevertheless, many companies still pursue CSR activities without systematically integrating these into their business operations and strategy. They treat it as charitable/philanthropic or community activity (PIRAC 2002) or a public relations exercise (BWI 2006).

Alternatively, companies can adopt a corporate citizenship strategy, which is closely integrated into core business strategy. Investment in CSR, in particular philanthropic activities, when related to the company's mission and strategy, can help attain a competitive advantage (Burke and Lodgson 1996; Porter and Kramer 2002), especially through a cluster of companies. The strategic outcome is usually better than that achieved by ad hoc donations unrelated to the company's strategy. On the other hand, strategy can be orientated towards serving the poor and simultaneously making profits. Prahalad (2002) proposes aligning CSR with business strategy by converting the poorer population into active consumers. Companies then view the poor as a business opportunity for innovation rather than as a social burden. Therefore, to maximise the positive impact on CSR initiatives, alignment with business strategy is essential so that companies can achieve their business objectives of profit and return on investment/assets, yet still initiate CSR activities to add value to society, for example, by alleviating poverty in the community in which they are operating.

Besides the positive social and political outcomes, implementation of poverty alleviation initiatives in a region can also result in desirable economic outcomes of raising income and purchasing power in the local community that also benefit companies in the form of new demand for products and services. As such, the need to make profit can co-exist with social investment, especially in response to

incentives. Since companies respond positively to tax incentives and lower cost of capital to reduce the costs of implementing CSR activities and initiatives, a pro-CSR environment can be nurtured through social incentives to generate higher levels of CSR initiatives. As such, besides introducing better law/regulation and enforcement, government can provide more CSR incentives such as tax incentives to stimulate businesses to implement better CSR practices and initiatives. Companies that have formulated CSR strategy can take advantage of such CSR incentives to fit into their core business strategy to generate CSR initiatives. For example, through design of products and services that target low income consumers, or provision of low cost technical training programs to equip local workers in specific product and process technology. This not only adds value to these companies by creating a more skilled and productive workforce pool in the region, but also increases the productive and earning capacities of the local community. Without such an integrated CSR strategy, CSR incentives can still stimulate further CSR initiatives; however, their volume and effectiveness would be minimal and not long lasting/sustainable.

As such, corporate CSR strategy can mediate the relationship between social incentives and corporate CSR initiatives. However, note that strategy is influenced by many other factors, apart from external incentives and CSR pressures. For example, a business code of conduct is a good device to influence strategy effectively to align it with a shared CSR vision. However, this needs to be implemented within a conducive business culture that ensures continuous internal enforcement (Kemp 2001). These other factors, e.g. competitiveness, market share, negotiating power with suppliers, are not examined here and are left for future research. This study looks only at the

mechanism to encourage businesses to formulate their business strategy and align with their CSR activities and initiatives to maximise the economic and social benefits to the companies and the communities in which they are operating.

2.3 CORPORATE CSR INITIATIVES

There are two major reasons why businesses may embark on CSR activities. Management and employees of companies usually have a good intention to contribute to their communities. But because of business reality, they must conduct CSR activities consistent with their corporate vision/mission and strategy to benefit their business in terms of financial return on CSR investment, better image and reputation. Usually the economic reason dominates the business decision on CSR investment. As such, social incentives and demand that reduce the costs of CSR investment in improving the company's image and reputation will be well received by businesses and therefore stimulate corporate CSR initiatives. Examples of social incentives will be special tax allowances and CSR awards to stimulate new design of products and services that target low income consumers, or provision of low cost technical training programs to equip local workers in specific product and process technology. Apart from these, in Indonesia, the government and regulatory agents have a method called blacklisting companies. They publish the list of companies that are not up to required environmental standards. This method of blacklisting non-complying or non-performing companies is very effective in the Indonesian context, and can be considered as providing a negative social incentive. However, when such incentives do not exist, corporate CSR initiatives are fewer and usually characterised by one-off philanthropic activities, especially when they are not aligned with core business operations and strategy.

A well conceived corporate CSR strategy that aligns with business strategy can encourage management to undertake more CSR activities and initiatives. These types of CSR initiatives usually have a more enduring positive impact on local economic and sustainable development. However, the Indonesian Government must understand the important issues and challenges faced by the business sector and introduce appropriate policies and incentives accordingly. This study suggests that new incentives are necessary, together with other external social and environmental pressures, to influence corporate strategy formulation and decision making in the private sector to introduce corporate CSR initiatives that benefit both business and the community. However, because of the lack of empirical evidence, governments may hesitate to act without evidence-based policy. This policy issue is clarified here by providing empirical evidence to demonstrate the link between social incentives and corporate CSR strategy, and the link between corporate CSR strategy and corporate initiatives.

2.4 LABOUR-RELATED CSR POLICIES

Controversial labour regulation can discourage business investment in Indonesia if companies are confused about rights and responsibilities (Rees 2006), for example relating to child labour and disclosure of labour awards and work conditions. To clarify this CSR issue, apart from testing whether corporate CSR strategy mediates the relationship between social incentives and corporate CSR initiatives, this study will also test labour-related CSR policies as another mediator.

3. RESEARCH QUESTIONS

This study aims to address two central research questions: firstly, whether respondent perceptions of the proposed social performance indicators on poverty alleviation are influenced by respondent characteristics, as shown in Figure 1, in

terms of gender, age, qualifications, origin of graduates, job category, years of employment, and respondent's salary. Second, as shown in Figure 2, this study seeks to investigate whether corporate social initiatives are influenced by corporate incentives, corporate strategy and the company's labour-related policy. In addition, this study also tests whether corporate strategy and its labour-related policy mediates the relationship between social incentives and corporate initiatives.

Figure 1: Relationship between respondent characteristics and perceptions on poverty alleviation

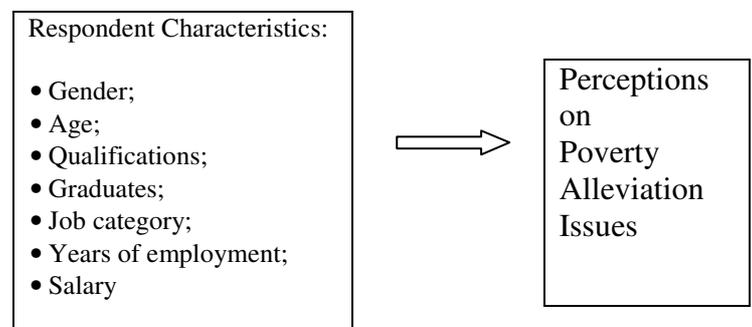
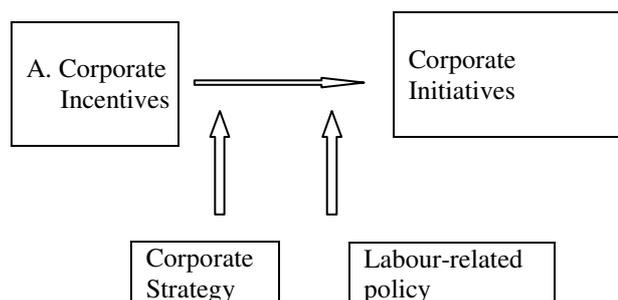


Figure 2: Structural model of factors that influence corporate social initiative



The study's research questions are outlined below:

1. Are there any differences in perceptions and expectations of social performance indicators related to poverty alleviation between groups within gender (male and

female), age, income, and stakeholder classifications?

2. Are corporate social initiatives influenced by corporate incentives?

3. Is any relationship between corporate incentives and corporate social initiatives influenced or mediated by corporate strategy and its labour-related policy?

Most companies have difficulty in identifying and integrating CSR activities into their core business (Adams et al. 2008; Bonacchi and Rinaldi 2007; Figge et al. 2002). As a result, they cannot routinely justify allocating sufficient funds for implementing CSR initiatives. To overcome this problem to a certain extent, this study plans to make the following contributions:

1. Identify key CSR determinants and their measures in raising poverty alleviation programs and initiatives for use by regulators and businesses.

2. Develop an effective mechanism to encourage companies to engage in CSR initiatives in empowering people and alleviating poverty.

3. Highlight the importance of integrating CSR incentives and activities into core corporate strategy and strategic decision making.

4. Assist businesses to understand that poverty alleviation initiatives can and should be developed strategically to benefit both the companies and the community.

To address the research objectives and questions, the following hypotheses are tested:

H1: Older and female respondents are more demanding about corporate social initiatives;

H2: Investors, regulators and professionals are more concerned about corporate social initiatives than other categories of respondents;

H3: The higher gross income the respondents have, the more concerned they are with corporate social initiatives;

H4: A higher level of social incentives generates a higher level of corporate social initiatives (either directly or mediated by corporate strategy and labour-related policy);

H5: Corporate strategy influences the level of corporate social initiatives;

H6: The more integrated the CSR strategy into the core business strategy, the higher the level of corporate social initiatives, i.e. corporate strategy mediates the relationship between social incentives and corporate social initiatives;

H7: Labour-related policy mediates the relationship between social incentives and corporate social initiatives.

4. RESEARCH METHOD

4.1 DATA COLLECTION AND SOURCES

Primary data on perceptions and expectations of social performance indicators from the perspectives of beneficiaries and the reporting entity was collected by survey. The survey included four different groups of respondents: investors, company as the reporting entity, regulatory bodies and professionals. This study refers to earlier economic and social indicators (labour practices, decent work, and human rights) proposed by the Global Reporting Initiative (EC5-EC7, LA1-14, and HR1-9), and Millennium Development Goals (MDG goals 1, 2 and 3), that are relevant for developing countries. These indicators inform the design of the survey of this project.

The survey was sent to 133 respondents of four different market participants in the Indonesian capital market (reporting entity, investors, professionals and regulators) who are actively using corporate financial reports. In order to get a high response rate, the survey was targeted at a capital market workshop/seminar organised by the

University of Indonesia where size of the of the workshop/seminar ranges between 30-40 attendees. As a result of this approach, a response rate of 100% was achieved. In total, three questionnaires returned were deleted from the database because of poor quality of response bringing the final sample size to 131 respondents. Missing values that were less than 5% of all the questions in the survey questionnaire were replaced by the mean of that variable. Missing values larger than 5% or questionnaires of poor quality were deleted from the survey. The questionnaire is divided into two groups of questions: the first group consists of demographic information related to respondent characteristics (gender, age, education, job category, number of years of experience, gross income and involvement in social activities). The second group consists of perception information on the proposed social performance indicators, and the ranking based on the relative commitment to poverty alleviation and the relative importance of the proposed social performance indicators in each category of the research questions.

4.2 EXPLORATORY FACTOR ANALYSIS

There are 23 data items in the survey questionnaire. This surveyed data is processed using factor analysis to identify a smaller number of factors that explain most of the variance observed in a much larger number of manifest variables. In particular, the analysis seeks to reduce the number of variables into dominant perceptions and expectations that are consistent with the theoretical model of this study.

To determine the internal consistency of the relationships between individual items in the measurement scales, Cronbach's alpha was calculated to confirm the reliability between individual items in each factor. Reliability of the constructs was acceptable, with Cronbach's alpha higher than the 0.7 threshold (Nunnally 1978). After investigating the underlying factors that have a similar pattern of correlations within a set of observed variables of respondent perceptions, the next step was to use the Mann-Whitney test procedure to analyse which items and factors are statistically different between groups within several respondent characteristics such as gender, age, education, job category, number of years of experience, gross income and involvement in social activities. Following on from this the study develops a structural model to identify the relationship among these factors.

5. EMPIRICAL RESULTS

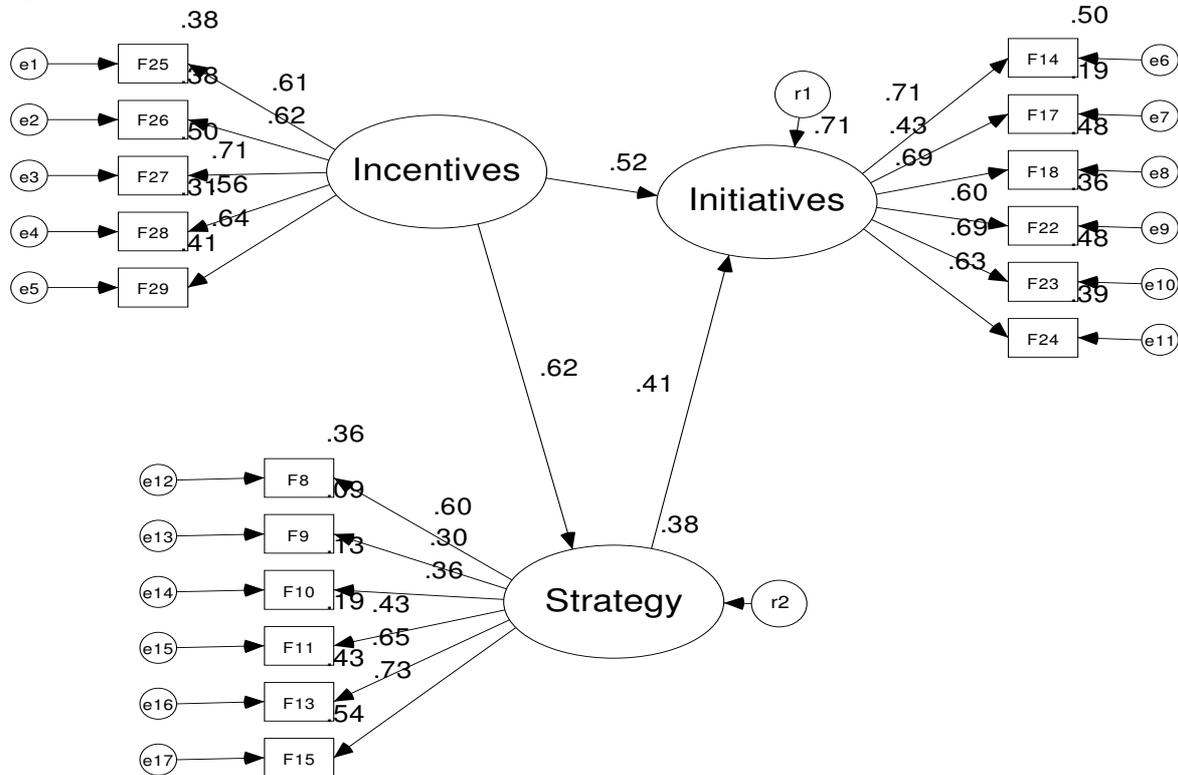
Using principal components and varimax methods in factor analysis, four perceptual factors are extracted, as shown in Figure 3. They are social incentives, corporate social initiatives, CSR strategy, and labour-related CSR policy and are consistent with the proposed theoretical framework. To increase the reliability of these factors, reliability analysis was used to refine the four key determinant factors to achieve the highest Cronbach alpha. The Cronbach alpha of all of these factors exceeds the 0.7 threshold, except for the labour-related CSR policy factor.

The structural relationship is identified in the AMOS structural path model, as characterised in Figure 4.

Figure 3: Four factors extracted on poverty alleviation disclosures

Factors	Cronbach's alpha		1	2	3	4
Social Incentives	0.76	F29	0.78			
		F28	0.71			
		F26	0.58			
		F27	0.56			
		F25	0.52			
Corporate Social Initiatives	0.78	F18		0.7		
		F24		0.64		
		F23		0.59		
		F17		0.55		
		F14		0.55		
		F22		0.53		
CSR strategy	0.70	F13			0.74	
		F10			0.72	
		F15			0.57	
		F11			0.5	
Labour-related CSR policy	0.43	F16				0.63
		F21				0.58
		F19				0.43

Figure 4 – AMOS Structural Path Model



The results support hypotheses H4 to H6. The structural paths characterise a partial mediation model, with “social strategy” mediating the relationship between “social incentives” and “social initiatives”. This is consistent with recent research studies (Adams and McNicholas 2007; Albelda-Pérez et al. 2007) which indicate that CSR data is informing corporate planning and decision making. Without “social strategy”,

companies may respond to “social incentives” and introduce “social initiatives”, especially among those companies which are already actively involved in philanthropic activities. However, to increase the effectiveness of “social incentives” on “social initiatives”, companies with a strong “social strategy” can respond more rigorously to introduce a higher level of “social initiatives”.

Therefore, it is important for a society to convince the corporate sector to build up their corporate CSR capabilities and formulate strategy that is integrated with their core business strategy (Porter and Kramer 2002) in order to realise the CSR benefits to a full extent.

The relationship between “labour-related social policy” and the other three factors is not significant statistically and therefore is excluded from the model. Therefore, hypothesis H7 is rejected. A multi-group analysis has been conducted, with the model fitness results shown in Table 1. “Social incentives” and “social strategy” explain more than 70% of the variation of “social initiatives”. However, “social incentives” explains less than 40% of the variation in “social strategy”. This reflects some missing factors that influence “social strategy” but have not been captured in this model, for example, social pressure, regulation, industry norms, enlightened management, and competition.

Table 1: Multi-group Analysis – Model Fitness R²

	Social Strategy	Social Initiatives
All groups	0.38	0.71
Male	0.40	0.71
Female	0.21	0.97
Age under 45	0.18	0.76
Age over 45	0.50	0.63
Education level below post-graduate	0.12	0.75
Post-graduate education level	0.59	0.70

To extend the analysis to compare the perception of different gender, age, and education groups, using this structural model, a multi-group analysis has been conducted, with the model fitness results shown in Table 2.

Table 2: Multi-group Analysis – Structural Paths

	Strategy<--- Incentives	Initiatives<---Strategy	Initiatives<--- Incentives
All groups	0.618 (4.212)	0.413 (2.863)	0.523 (3.401)
Male	0.636 (3.863)	0.474 (2.743)	0.460 (2.646)
Female	0.460 (1.330)	-0.078 (-0.392)	1.018 (1.606)
Age under 45	0.429 (2.048)	0.449 (1.975)	0.577 (2.879)
Age over 45	0.706 (3.185)	0.471 (2.233)	0.386 (1.757)
Education level below post-graduate	0.350 (1.200)	0.695 (2.998)	0.329 (1.237)
Post-graduate education level	0.766 (4.541)	0.295 (1.320)	0.590 (2.531)

** t-statistics in brackets

There is a gender difference in the structural path coefficients. The male group has similar structural path coefficients to that of the whole sample. However, the female respondents perceive that “social incentives” are more important and effective than “social initiatives”. However, the t-statistics for the female group are not significant, reflecting diverse opinions among females about this issue. In the age group, older respondents perceive that “social incentives” should target companies with a strong “social strategy” in order to achieve a good “social initiatives” outcome otherwise the impact of “social incentives” on “social initiatives” will be compromised. Similar patterns can be observed in the respondents with a higher education level.

To test hypotheses H1 to H3, this study also uses the Mann Whitney test to derive the mean differences between gender, age, income/salary, and education groups, as summarised below:

- There is a significant difference in perception within gender, age, and income/salary groups.
 - Gender: female mean scores are consistently higher male scores in all of the four factors – social incentives, strategy, initiatives, and labour policy. Therefore H1 is supported.
 - Age: the two age group scores in “incentives”, “initiatives”, and “labour policy” are statistically different at the 95% confidence level and in “CSR strategy” at the 90% confidence level. More mature age respondents have higher scores. Therefore H1 is supported.
 - Income/salary: the two income/salary groups (\leq Rp 50 million and $>$ Rp 50 million) are different at the 95% significance level for ‘CSR strategy’ and ‘initiatives’, and at the 90% significance level in ‘labour-related CSR policy’, but insignificant for ‘incentives’. However, higher income respondents have lower scores. Therefore H3 is rejected.

- Job category: there is no statistical difference between the four groups – report preparers, regulators, investors, professionals. Therefore, H2 is rejected, but this may be the result of the small sample size.
- Local versus overseas degree: there is no statistical difference between the two groups. It does not matter whether the respondents are working in Indonesia or elsewhere, there is no significant difference in their perception to the items in the survey questionnaire.
- Years of employment: there is no statistical difference in perception between the two groups. The only exception is in the item “A company should employ child labour so that they could help their parents” where respondents who have worked for a higher number of years give a relatively higher score. However, their scores are quite low with an average mean of 1.39 out of 4.00.

Since these research issues have not been examined before this study provides a platform to stimulate further research to enhance the model, for example, by identifying other important factors that can mediate the relationship between social incentives and initiatives; or best practice integration mechanisms that can generate better corporate responses to invest in and benefit from their CSR initiatives. Similar studies can be conducted in other countries to validate this model. Furthermore, a comparative cross country study can bring greater insight and understanding into the dynamic relationship among these three factors, and how they interact with corporate sustainability and financial performance.

6. CONCLUSION

Though CSR activities contribute to corporate performance, there is little research focusing on the identification of the factors that influence the level of social initiatives and activities. This study has developed a structural model to represent the relationship

of the key determinants of corporate social initiatives in poverty alleviation in Indonesia. These key determinants are “social incentives” and “corporate CSR strategy”. Individually, they have a positive influence on “social initiatives”. Social incentives and demand that reduce the costs of CSR investment in improving the company’s image and reputation will be well received in businesses and therefore stimulate more corporate CSR initiatives. However, when such incentives do not exist, corporate CSR initiatives are fewer and usually characterised by one-off philanthropic activities, especially when they are not aligned with core business operations and strategy. A well conceived corporate CSR strategy that aligns with business strategy can encourage management to undertake additional CSR activities and initiatives. These types of CSR initiatives usually have a more enduring positive impact on local economic and sustainable development.

The structural paths characterise a partial mediation model, with “social strategy” mediating the relationship between “social incentives” and “social initiatives”, consistent with recent research studies that reveal the importance of integrating CSR into the core business strategy, planning and decision making process. Without “social strategy”, companies may still respond to “social incentives” and introduce “social initiatives”. Many companies which are involved only in philanthropic activities fall into that category. They may or may not have formulated CSR strategy and integrate with their core business strategy. However, this study finds that companies with a strong “social strategy” can respond more rigorously to introduce a higher level of “social initiatives”. If a society wants to realise the CSR related benefits, it is important to convince the corporate sector to build up their corporate CSR capabilities and formulate CSR strategy. If a company wants to profit fully from CSR, it must formulate a CSR strategy and integrate this into its core business strategy, similar to leveraging

quality and innovation to gain and sustain a competitive advantage.

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ENVIRONMENT EXTRA!

Australia: Complaint lodged with ACCC over 'misleading' corporate carbon claims

The disclosure practices of Boral, Caltex, BlueScope Steel, Woodside Petroleum, Rio Tinto and Xstrata regarding emissions trading are under scrutiny. The Australian Conservation Foundation and the Australian Climate Justice Program alleged that the six companies have made misleading public statements regarding the impact that emissions trading will have on their operations, and want the ACCC to look into the issue.

The complaint sets out 14 instances in which the six corporations have made statements about the impacts of the Government's proposed Carbon Pollution Reduction Scheme (CPRS).

The complaint alleges these statements are exaggerated and contradictory when compared with the companies' disclosures to shareholders and independent analysis.

"We believe there is a prima facie case for investigating possible breaches of the Trade Practices Act," said ACF executive director Don Henry.

"Some of Australia's biggest corporate polluters appear to be presenting the worst case to government and the public, in an

effort to gain excessive free permits, while presenting the best case to investors, in order to keep their share prices up.

"We are asking the ACCC to investigate whether our politicians, policymakers and the public have been deceived by the likes of Rio Tinto, Woodside and Xstrata.

Recent analysis by RiskMetrics shows corporate welfare has blown out to \$16.4 billion under the most recent version of the emissions trading legislation.

"It is reprehensible for corporations to be saying one thing to politicians and the public and something completely different to their shareholders," Mr Henry said.

"Big polluters shouldn't get a free ride under the emissions trading scheme just because they've got the loudest voices.

"ACF urges business to be part of the solution to climate change, not just part of the problem

Sources: The Australian Financial Review, 14 June 2009, p.5 'Companies' hot air claims may mislead' and Australian Conservation Foundation web site (accessed 15 June 2009) http://www.acfonline.org.au/articles/news.asp?news_id=2309

FORTHCOMING CONFERENCES

THE 2009 SOUTH AMERICAN CONGRESS ON SOCIAL AND ENVIRONMENTAL ACCOUNTING RESEARCH CSEAR 2009: SOUTH AMERICA (1ST CSEAR SUMMER SCHOOL IN SOUTH AMERICA) 27TH - 28TH JULY, 2009 FEDERAL UNIVERSITY OF RIO DE JANEIRO, BRAZIL

The 2009 South American Congress on Social and Environmental Accounting Research (1st CSEAR Summer School in South America) will be held in July 2009 in Rio de Janeiro, Brazil. All plenary and parallel sessions will be held at the facilities of the Federal University of Rio de Janeiro.

Similar to the CSEAR UK Summer School, this Congress will be a deliberately informal gathering of researchers, teachers, students and practitioners concerned with social and environmental accounting, teaching and research in the very widest sense. Although there will still continue to be a high level of interaction, discussion and debate in a friendly, supportive and relaxed atmosphere. Attendees include academics, practitioners and doctoral students at all levels of experience, and involved with all aspects of social, environmental and sustainability accounting, reporting, theory and practice.

Conference Website

The conference website is now available at: <http://www.facc.ufrj.br/csear2009/in/>
Online registration is available until 15 July.

Enquiries and further information

Enquiries directed to the Scientific Committee and general inquiries about the conference, registration, and accommodation can be emailed: csear2009rio@facc.ufrj.br

THE 7TH SPANISH CONFERENCE ON SOCIAL AND ENVIRONMENTAL ACCOUNTING RESEARCH (VII SPANISH CSEAR GRAN

CANARIA 2009) 10TH - 12TH SEPTEMBER 2009, UNIVERSITY OF LAS PALMAS DE GRAN CANARIA, CANARY ISLANDS, SPAIN

The Seventh Spanish Conference on Social and Environmental Accounting Research is being organised principally by the Department of Financial Economics and Accounting at the University of Las Palmas de Gran Canaria. (See www.ulpgc.es) The conference will be organised in a similar way to the other CSEAR annual conferences, particularly in its spirit and objectives. VII Spanish CSEAR Gran Canaria 2009 will be an informal meeting of researchers, teachers, students, and practitioners from both governmental and non-governmental organizations. The conference is for all those that are concerned with social, environmental and sustainability issues, as they challenge management and accountancy, theory and practice.

Conference Website

The conference website is now available at: <http://www.congresos.ulpgc.es/7ricsma>
It contains the most recent information about the Conference including information about registration and accommodation; invited speakers, scientific committee and venue.

Enquiries and further information

General enquiries about the conference, registration, and accommodation should be sent to:

Jose Juan Deniz-Mayor, 7th Spanish CSEAR Coordinator at: 7ricsma@defc.ulpgc.es

8TH CSEAR DOWNUNDER CONFERENCE 2009 6TH - 8TH DECEMBER, 2009 THE UNIVERSITY OF CANTERBURY, CHRISTCHURCH, NEW ZEALAND

Background to the Conference

The Eighth Australasian Conference on Social and Environmental Accounting

Research (CSEAR) is organized by the University of Canterbury and will be hosted in Christchurch, New Zealand in 2009. This will be the eighth such conference to be held in Australia and New Zealand (paralleling summer schools held by the Centre for Social and Environmental Accounting Research in Scotland). Previous conferences have been held in Melbourne (2002), Bathurst (2003), Macquarie (2004), Deakin (2005), Wellington (2006), Sydney (2007), South Australia (2008).

Papers from all areas of social and environmental accounting are welcome. In addition the 2009 conference will also include a parallel stream on 'GHG measurement, management and sense-making'.

So mark your diary, and plan to be in Christchurch, Canterbury, New Zealand, from 6th - 8th December 2009, for an exhilarating period of intensive discussions, debates, and networking with leading and emerging scholars in our field. We look forward to your presence at CSEAR 2009 in Christchurch. Professors Amanda Ball and Markus J. Milne Co-Chairs CSEAR 2009.

The [plenary speakers](#) are:

- Professor Sharon Beder
- Professor Dennis (Den) Patten
- Professor Caroline Saunders

Special Issue of Accounting, Auditing and Accountability Journal

A special issue of AAAJ on 'Climate Change, Greenhouse Gas Accounting, Auditing and Accountability' is being co-edited by Amanda Ball, Markus J. Milne and Suzana Grubnic. A separate call for papers for this special issue will be distributed. Papers made available earlier for this special issue are also invited for presentation at a '*GHG measurement, management and sense-making*' stream of this conference.

Submissions for this special issue of AAAJ to: Professor Amanda Ball, at: amanda.ball@canterbury.ac.nz or Professor Markus J. Milne, at: markus.milne@canterbury.ac.nz University of Canterbury, Christchurch, New Zealand.

Conference Website

The conference website is now available at: <http://www.bsec.canterbury.ac.nz/csear2009/>

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