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Evaluating Sustainability: a Need for Standards

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Abstract

Sustainability is one of the most used words in relation to business activity and reporting at present, but its meaning is vague. We argue that its use is based upon the concepts of stewardship and of the firm as going concerned, coupled with the traditional view of the transformational process of a business. We further argue that this is problematic in the present global environment when stewardship of resources is becoming paramount. We therefore argue that sustainability is actually based upon efficiency in the transformational process and equity in the distribution of effects. We therefore argue for the need for standards in analysing and measuring sustainability and outline a more complete model which recognises distributional implications, and is developed into a model of operationalisability

Keywords: *Sustainability; sustainable development; distribution; stakeholders; corporate reporting; regulation*

INTRODUCTION

One of the most used words relating to corporate activity at present is the word sustainability. Indeed it can be argued that it has been so heavily overused, and with so many different meanings applied, to it that it is effectively meaningless. For example, according to Marrewijk & Were (2003) there is no specific definition of corporate sustainability and each organisation needs to devise its own definition to suit its purpose and objectives, although they seem to assume that corporate sustainability and corporate social responsibility are synonymous and based upon voluntary activity which includes environmental and social concern, implicitly thereby adopting the EU approach.

Thus the term sustainability currently has a high profile within the lexicon of corporate endeavour. Indeed it is fre-

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quently mentioned as central to corporate activity without any attempt to define exactly what sustainable activity entails. This is understandable as the concept is problematic and subject to many varying definitions – ranging from platitudes concerning sustainable development to the deep green concept of returning to the 'golden era' before industrialisation – although often it is used by corporations merely to signify that they intend to continue their existence into the future.

The ubiquity of the concept and the vagueness of its use mean that it is necessary to re-examine the concept and to consider how it applies to corporate activity. Many people talk about the triple bottom line as if this is the panacea of corporate social responsibility and therefore inevitably concerned with sustainability. We regard it as self evident that corporations needs to be concerned with these three aspects of CSR and equally self evident that all corporations are so concerned. This is not new and is not really what CSR is all about. Instead we focus our concern differently and re-use the going concern principle of accounting to argue that what really matters for a corporation's continued existence is the notion of sustainability. For us this is the cornerstone of both CSR and of corporate activity.

SUSTAINABILITY

Sustainability therefore implies that society must use no more of a resource than can be regenerated. This can be defined in terms of the carrying capacity of the ecosystem (Hawken 1993) and described with input – output models of resource consumption. Viewing an organisation as part of a wider social and economic system implies that these effects must be taken into account, not just for the measurement of costs and value created in the present but also for the future of the business itself. This approach to sustainability is based upon the Gaia hypothesis (Lovelock 1979) – a model in which the whole of the ecosphere, and all living matter therein, is co-dependant upon its various facets and formed a complete system. According to this hypothesis, this complete system, and all components of the system, is interdependent and equally necessary for maintaining the Earth as a planet capable of sustaining life.

Such concerns are pertinent at a macro level of society as a whole, or at the level of the nation state but are equally relevant at the micro level of the corporation, the aspect of sustainability with which we are concerned in this work. At this level, measures of sustainability would consider the rate at which resources are consumed by the organisation in relation to the rate at which resources can be regenerated. Unsustainable operations can be accommodated for either by developing sustainable operations or by planning for a future lacking in resources currently required. In practice organisations mostly tend to aim towards less unsustainability by increasing efficiency in the way in which resources are utilised. An example would be an energy efficiency programme.

Sustainability is a controversial topic because it means different things to different people. Nevertheless there is a growing awareness (or diminishing naivety) that one is, indeed, involved in a battle about what sustainability means and, crucially, the extent (if at all) it can be delivered by corporations in the easy manner they promise (United Nations Commission on Environment and Development (Schmidheiny, 1992).

There is a further confusion surrounding the concept of sustainability: for the purist sustainability implies nothing more than stasis – the ability to continue in an unchanged manner – but often it is taken to imply development in a sustainable manner (Marsden 2000; Hart & Milstein 2003) and the terms sustainability and sustainable development are for many viewed as synonymous.

As far as corporate sustainability is concerned then the confusion is exacerbated by the fact that the term sustainable has been used in the management literature over the last 30 years (see for example Reed & DeFillippi 1990) to merely imply continuity. Thus Zwetsloot (2003) is able to conflate corporate social responsibility with the techniques of continuous improvement and innovation to imply that sustainability is thereby ensured.

An almost unquestioned assumption is that growth remains possible (Elliott 2005) and therefore sustainability and sustainable development are synonymous. Indeed the economic perspective of post-Cartesian ontologies predominates and growth is considered to be not just possible but also desirable (see for example Spangenberg 2004). So it is possible therefore for Daly 1992 to argue that the economics of development is all that needs to be addressed and that this can be dealt with through the market by the clear separation of the three basic economic goals of efficient allocation, equitable distribution, and sustainable scale. Hart (1997) goes further and regards the concept of sustainable development merely as a business opportunity, arguing that once a company identifies its environmental strategy then opportunities for new products and services become apparent.

There seem therefore to be two commonly held assumptions which permeate the discourse of corporate sustainability. The first is that sustainability is synonymous with sustainable development. The second is that a sustainable company will exist merely by recognising environmental and social issues and incorporating them into its strategic planning. We reject both of these assumptions – both are based upon an unquestioning acceptance of market economics predicated in the need for growth. While we do not necessarily reject such market economics we argue that its acceptance has led to the assumptions about sustainability which have confused the debate. Thus we consider it imperative at this point to reiterate the basic tenet of sustainability, that sustainable activity is activity in which decisions made in the present do not restrict the choices available in the future. If this tenet of sustainability is accepted then it follows that development is neither a necessary nor desirable aspect of sustainability. Sustainable development may well be possible, and even desirable in some circumstances, but it is not an integral aspect of sustainability.

Our second point is that corporate sustainability is not necessarily continuing into the future with little change except to incorporate environmental and social issues – all firms are doing this in some way. Nor is corporate sustainability a term which is interchangeable with the term corporate social responsibility. And environmental sustainability – the context in which the tem is generally used – is not the same as corporate sustainability.

CORPORATE SUSTAINABILITY

Sustainability is a fashionable concept for corporations and their reporting previously described as environmental reporting and then corporate social responsibility reporting is now often described as sustainability reporting (Aras & Crowther 2007a). Corporate websites also tend to discuss sustainability. But it is apparent that sustainability and sustainable development are used as interchangeable terms. It is apparent therefore that a very powerful semiotic (Guiraud 1975; Kim 1996) of sustainable activity has been created – conveniently as Fish (1985) shows that truth and belief are synonymous for all practical purposes. It has been argued elsewhere (Aras & Crowther 2008a) that this is a deliberate ploy as one of the effects of persuading people that corporate activity is sustainable is that the cost of capital for the firm is reduced as investors are misled into thinking that the level of risk involved in their investment is lower than it actually is.

THE FIRM AS A GOING CONCERN

One of the fundamental principles of accounting is the concept of the firm as a going concern. This of course means that the accounts and the Balance Sheet of a company must reflect the value of that company as if it were to remain in existence for the foreseeable future. As International GAAP states:

> ‘financial statements are normally prepared on the assumption that an enterprise is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the enterprise has neither the intention nor the need to liquidate or curtail materially the scale of its operations’.
>
> Para 23 of the Conceptual Framework

The going concern principle is among the most important accounting, and therefore business, principles. Nevertheless, despite the definition of the principle seeming to be relatively straightforward, the application of it can be fraught with difficulties. Accountants and lawyers spend much time debating the application of this concept in practice. What is missing from their discussions however is any attempt to apply the principles of sustainability to the company; instead they merely assume that an unchanged external environment will enable the firm to carry on in an unchanged manner. Firms themselves, in their publicity and annual reporting also assume this – merely that the going concern principle applies to the activities of the firm, but with the prospect of development being sustainable on the same basis.

International GAAP[1] however also has other things to say about the firm and its reporting. For example one such statement is that:

> ‘The objective of general purpose external financial reporting is to provide information that is useful to present and potential investors

[1] GAAP is the mnemonic for Generally Accepted Accounting Principles – the basis of all accounting practice.

> and creditors and others in making investment, credit, and similar resource allocation decisions'.
>
> Section 5.2.1

Furthermore the meaning of the phrase 'information that is useful' is further clarified as follows:

> 'financial reporting should provide information to help present and potential investors and creditors and others to assess the amounts, timing, and uncertainty of the entity's future cash inflows and outflows (the entity's future cash flows). That information is essential in assessing an entity's ability to generate net cash inflows and thus to provide returns to investors and creditors'.
>
> Section 5.2.1

Accounting is clearly about the provision of information to enable the assessment of future returns on investment. But we have attempted to show that although this has been interpreted as sustainability on the discourse of firms and their reporting it is clearly at odds with the discourse of sustainability within both the academic community and the environmental community. Our argument is that although these two discourses are seemingly incompatible they are both incomplete, and that their completion brings about their reconciliation.

ACCOUNTING AND STEWARDSHIP

One view of good corporate performance is that of stewardship and thus just as the management of an organisation is concerned with the stewardship of the financial resources of the organisation so too would management of the organisation be concerned with the stewardship of environmental resources. The difference however is that environmental resources are mostly located externally to the organisation. Stewardship in this context therefore is concerned with the resources of society as well as the resources of the organisation. As far as stewardship of external environmental resources is concerned then the central tenet of such stewardship is that of ensuring sustainability. Sustainability is focused on the future and is concerned with ensuring that the choices of resource utilisation in the future are not constrained by decisions taken in the present. This necessarily implies such concepts as generating and utilising renewable resources, minimising pollution and using new techniques of manufacture and distribution. It also implies the acceptance of any costs involved in the present as an investment for the future.

Not only does such sustainable activity however impact upon society in the future; it also impacts upon the organisation itself in the future. Thus good environmental performance by an organisation in the present is in reality an investment in the future of the organisation itself. This is achieved through the ensuring of supplies and production techniques which will enable the organisation to operate in the future in a similar way to its operations in the present and so to undertake value creation activity in the future much as it does in the present. Financial management also however is concerned with the management of the organisation's resources in the present so that management will be possible in a value creation way in the future. Thus the internal management of the firm, from a financial perspective, and its external environmental management coincide in this common concern for management for the future. Good performance in the financial dimension leads to good future performance in the environmental dimension and vice versa. Thus there is no dichotomy (Crowther 2002) between environmental performance and financial performance and the two concepts conflate into one concern. This concern is of course the management of the future as far as the firm is concerned.[2] The role of social and environmental accounting and reporting and the role of financial accounting and reporting therefore can be seen to be coincidental. Thus the work required needs be concerned not with arguments about resource distribution but rather with the development of measures which truly reflect the activities of the organisation upon its environment. These techniques of measurement, and consequently of reporting, are a necessary precursor to the concern with the management for the future – and hence with sustainability.

Similarly the creation of value within the firm is followed by the distribution of value to the stakeholders of that firm, whether these stakeholders are shareholders or others. Value however must be taken in its widest definition to include more than economic value as it is possible that economic value can be created at the expense of other constituent components of welfare such as spiritual or emotional welfare.[3] This creation of value by the firm adds to welfare for society at large, although this welfare is targeted at particular members of society rather than treating all as equals. This has led to arguments by Tinker (1988), Herremans et al (1992) and Gray (1992), amongst others, concerning the distribution of value created and to whether value is created for one set of stakeholders at the expense of others. Nevertheless if, when summed, value is created then this adds to welfare for society at large, however distributed. Similarly good environmental performance leads to increased welfare for society at large, although this will tend to be expressed in emotional and community terms rather than being capable of being expressed in quantitative terms. This will be expressed in a feeling of wellbeing, which will of course lead to increased motivation. Such increased motivation will inevitably lead to increased productivity, some of which will benefit the organisations, and also a desire to maintain the pleasant environment which will in turn lead to a further enhanced environment, a further increase in welfare and the reduction of destructive aspects of societal engagement by individuals.

DISTRIBUTIONAL CONFLICTS

In binary opposition to shareholders, as far as value creation and distribution for an organisation are concerned, are all others interested in the performance of the organisation (Crowther 2000), who are generally homogeneously described as ‘the stakeholders’. This concept neatly distinguishes one stakeholder group, the shareholders, from all others and enables the discourse to treat amorphously all other stakeholders. It is important to remember however that this amorphous mass contains very discrete

[2] Financial reporting is of course premised upon the continuing of the company – the going concern principle.

[3] See for example Mishan (1967), Ormerod (1994) and Crowther, Davies & Cooper (1998). This can be equated to the concept of utility from the discourse of classical liberalism.

groupings such as employees, customers, society at large and possibly most significantly the future (see Cooper 2000). This future can be broadly encapsulated in the concept of the environment. In this separation of stakeholders into two distinct groupings a dialectic is created which establishes a violent hierarchy (Laclan 1990) between the two poles of a binary opposition by establishing the idea of a conflict of interests. The creation of this dialectic provides a legitimation for the privileging of shareholders over all other stakeholders, a task for which accounting is singularly well equipped.

At the same time the creation of this dialectic implicitly creates two dimensions to the performance of an organisation – performance for shareholders and performance for other stakeholders, with an equally implicit assumption that maximising performance for one can only be at the expense of the other. It is in this way that a dialogue is created to consider which pole of the binarism should be dominant in the managing of corporate performance because one of the essential features of the violent hierarchy of poles established in this dialectic is that one must be privileged over the other.

The nature of the discourse regarding the measurement and evaluation of corporate performance has bifurcated in recent years with the adoption of different perspectives and this has been reflected in the changing nature of corporate reporting. Thus Beaver (1989) states that there has been a shift from an economic view of corporate performance measurement to an informational perspective with a recognition of the social implications of an organisation's activities. Similarly Eccles (1991) states that there has been a shift from treating financial figures as the foundation of corporate performance measurement to treating them as part of a broader range of measures, while McDonald and Puxty (1979) maintain that companies are no longer the instruments of shareholders alone but exist within society and so have responsibilities to that society. Others (eg Roslender 1996) argue for a changed basis for accounting to reflect these changes.

This part of the discourse therefore seems to have moved away from the concerns of shareholders in the firm and away from the economic rationale for accounting and towards a consideration of the wider stakeholder environment. At the same time however these shareholder concerns cannot be ignored and another part of the discourse has seen a return to economic values in assessing the performance of the firm. Thus Rappaport (1986) recognises some of the problems with accounting but goes on to consider the concept of shareholder value and how this can be created and sustained. He develops a methodology of shareholder value based upon his previous work where he argues (1992) that a shareholder value approach is the correct way of evaluating alternative company strategies, stating that the ultimate test of a corporate plan is whether it creates value for the shareholders, and that this is the sole method of evaluating performance.

This view of an organisation has however been extensively challenged by many writers (eg Herremans et al 1992, Tinker 1985) who argue that the way to maximise performance for society at large is to both manage on behalf of all stakeholders and ensure that the value thereby created is not appropriated by the shareholders but is distributed to all stakeholders. Others such as Kay (1998) argue that this debate is sterile and that organisations maximise value creation not by a concern with either shareholders or stakeholders but by focusing upon the operational objectives of the firm and assuming that value creation, and equitable distribution will thereby follow.

Adherents to each of these conflicting philosophies have a tendency to adopt different perspectives on the evaluation of performance. Thus good performance for one school of thought is assumed to be poor performance for the others. Thus performance maximising philosophies are polarised in the discourse and this leads to a polarisation of performance reporting and the creation of the dialectic considered earlier. Almost unquestioned within the discourse however is the assumption that good performance from one aspect necessitates the sacrificing of performance from the other, despite the ensuing distributional conflicts being hidden within the discourse. Indeed Kimberley et al (1983) have argued that some areas of performance which are important to the future of the business are not even recognised let alone evaluated. It is argued in this paper that the future orientation of performance management necessitates the creation of value over the longer term for all stakeholders and moreover that this value creation must be manifest in the way in which the value created in the organisation is distributed among the various stakeholders. It is only in this way that the sustainability, and even the continuing temporal existence, of the organisation can be ensured.

It can be argued therefore that a clearer articulation of the needs of performance evaluation will not only facilitate a more meaningful evaluation of performance for all interested parties but will also lead to better performance for the organisation. This is not just because such an articulation of needs can be argued to lead to a reduction in tension within the organisational framework but also because it enables more clearly the identification of the factors which shape performance as far as meeting the objectives of the organisation is concerned, and the techniques of VBM[4] are designed for this purpose. It is further argued however that successful performance, in whatever terms deemed appropriate, is not just more likely to be achieved in this manner but also is more likely to be sustainable and so shape long term performance rather than the short term performance of the organisation. The factors shaping performance in the long and short term are not necessarily the same and the viewpoint and time horizon of the organisation are therefore important to its approach to measurement and evaluation. An examination of this time horizon and its relationship both to the organisation's evaluation systems and its performance, both projected and actualised, is important therefore to an understanding of the operating of the organisation.

DISTRIBUTIONAL PROBLEMS

Traditional accounting theory and practice assumes that value is created in the business through the transformation process and that distribution is merely

[4] VBM = Value Based Management, a technique claimed to optimise decision making for performance. See Cooper et al 2001 for further details.

concerned with how much of the resultant profit is given to the investors in the business now and how much is retained in order to generate future profits and hence future returns to investors. This is of course overly simplistic for a number of reasons. Even in traditional accounting theory it is recognised that some of the retained profit is needed merely to replace worn out capital – and hence to ensure sustainability in its narrowest sense. Accounting of course only attempts to record actions taking place within this transformational process, and even in doing so regards all costs as things leading to profit for distribution.

This traditional view of accounting is that the only activities with which the organisation should be concerned are those which take place within the organisation;[5] consequently it is considered that these are the only activities for which a role for accounting exists. Here therefore is located the essential dialectic of accounting – that some results of actions taken are significant and need to be recorded while others are irrelevant and need to be ignored. This view of accounting places the organisation at the centre of its world and the only interfaces with the external world take place at the beginning and end of its value chain. It is apparent however that any actions which an organisation undertakes will have an effect not just upon itself but also upon the external environment within which that organisation resides. In considering the effect of the organisation upon its external environment it must be recognised that this environment includes both the business environment in which the firm is operating, the local societal environment in which the organisation is located and the wider global environment.

The discourse of accounting can therefore be seen to be concerned solely with the operational performance of the organisation. Contrasting views of the role of accounting in the production process might therefore be epitomised as either providing a system of measurement to enable a reasonable market mediation in the resource allocation problem or as providing a mechanism for the expropriation of surplus value from the labour component of the transformational process. Both strands of the discourse however tend to view that labour as a homogeneous entity and consider the effect of organisational activity upon that entity. Labour is of course composed of individual people; moreover these individual people have a lifetime of availability for employment and different needs at different points during their life cycle. The depersonalisation of people through the use of the term labour however provides a mechanism for the treatment of labour as an entity without any recognition of these personal needs. Thus it is possible to restrict the discourse to that of the organisation and its components – labour capital etc – and to theorise accordingly. The use of the term labour is a convenient euphemism which disguises the fact that labour consists of people, while the treatment of people as a variable cost effectively commodifies these people in the production process. In order to create value in the transformational process of an organisation then commodities need to be used efficiently, and this efficient use of such commodities is measured through the accounting of the organisation. When this commod-

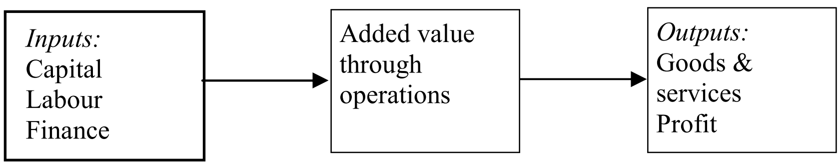
[5] Essentially the only purpose of traditional accounting is to record the effects of actions upon the organisation itself.

ity consists of people then this implies using them in such a way that the maximum surplus value can be extracted from them. The way in which this can be achieved is through the employment of young fit people who can work hard and then be replaced by more young fit people. In this way surplus value (in Marxian terms) can be transferred from the future of the person and extracted in the present. As people have been constituted as a commodified variable cost then they become merely a factor of production which can be exchanged for another factor of production, as the costs determined through the use of accounting legitimate. Thus it is reasonable, through an accounting analysis, to replace people with machinery if more value (profit) can be extracted in doing so, and this has provided the imperative for the industrial revolution which has continued up until the present. Accounting is only concerned with the effect of the actions of an organisation upon itself and so the effect of mechanisation upon people need not be taken into account. Thus if mechanisation results in people becoming unemployed (or possibly unemployable) then this is of no concern – except to the people themselves.

DEVELOPING A FULL DISCOURSE OF SUSTAINABILITY

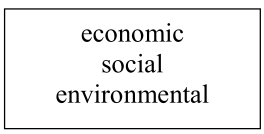
In this paper we have sought to show that there are two discourses concerning corporate sustainability which are operating in parallel with each other. One is predicated in the environmental sustainability discourse which is epitomised by such work as Jacobs (1991), Welford (1997) and Gray & Bebbington (2001). The second is predicated in the going concern principle of accounting as epitomised by the corporate reporting described earlier. Although seemingly incompatible, both are actually based on an acceptance of a conventional view of the transformational process:

Fig 1 The Traditional Transformational Process



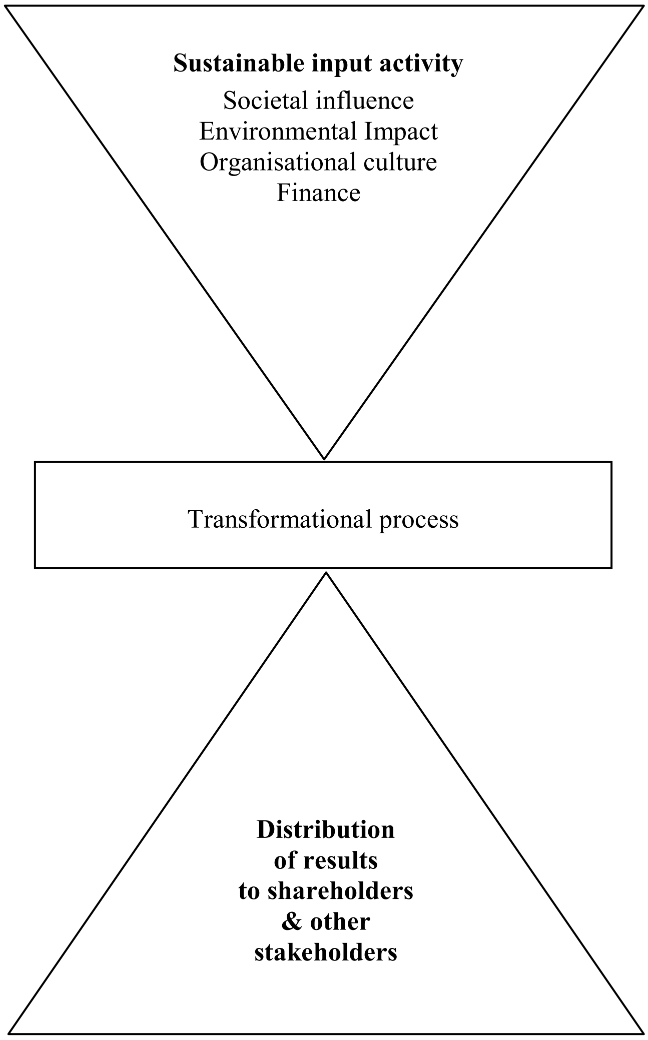
The environmental strand of the sustainability discourse extends this by recognising a wider set of inputs and outputs in the form of the triple bottom line approach to performance measurement:

Fig 2 Recording Inputs / Outputs for the environmental Discourse



Essentially this however is an acceptance of the traditional model of the transformational process with more effects recorded. Our argument is that this does not actually lead to corporate sustainability without a consideration of the

Fig 3 Sustainability model



This is essentially a balancing model of corporate activity. In other words we are stating for example that the conventional view of sustainability in terms of either use no more of a resource than can be regenerated or not limiting the choices of future generations – in other words stasis (Aras & Crowther 2007b) – is neither a realistic nor an ethical model of sustainability. An ethical view of sustainability, predicated in a Utilitarian philosophy, would allow actions, as long as full evaluation of the consequences are made and as long as all stakeholders understand and accept the implications. Then it would be ethical behaviour if the net effect of summation of effects was positive. Thus it could be acceptable to affect the environment and hence the possibilities for future generations if this condition was met. In this model we are not arguing for or against sustainable development (as others do) but merely acknowledging that it may be possible and outlining the circumstances in which it is acceptable.The regulation of corporate social responsibility

The European Union, through its Commission, has concentrated on the enaction of corporate social responsibility (CSR) as an expression of European cohesion. Thus the Green Paper – Promoting a European framework for Corporate Social Responsibility (EC, 2001) and the Corporate Social Responsibility: A business contribution to Sustainable Development (EC, 2002) defined the pressure from the European institutions so that corporations were rinded of their responsibilities to their various stakeholders, both internal and external. The first document (EC, 2001: 8) described CSR as:

> … a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.

The essential point is that compliance is voluntary rather than mandatory and this voluntary approach to CSR expresses the reality of enterprises in beginning to take responsibility for their true social impact and recognises the existence of a larger pressure exercised by various stakeholder groupings in addition to the traditional ones of shareholders and investors (Aras & Crowther 2008b). Moreover it reflects the different traditions of business and differing stages of development throughout the Community.

Although this definition places an emphasis on such activity being voluntary the implication is that the EC will not be involved in any form of regulation and that the expectation is that companies will engage in socially responsible activity in excess of any regulatory requirements. Although phrased to place an expectation upon companies this statement is in reality a clear abdication of any responsibility on the part of the EC.[6] Such abdication is in accordance with the action (or lack thereof) of other governments and is predicated in an assumption that the market will enable such socially responsible activity.[7]

According to the European Commission therefore it is about undertaking voluntary activity which demonstrates a concern for stakeholders. But it is here that a firm runs into problems – how to balance up the conflicting needs and expectations of various stakeholder groups while still being concerned with shareholders; how to practice sustainability; how to report this activity to those inter-

[6] Conversely, as Ortiz-Martinez (2004) points out in a country such as Spain then some kind of information about socially responsible corporate behaviour is required to be shown on the corporate website. In this respect there there is not a universal consensus among government organs, at least as far as the EU is concerned.

[7] Of course, it is possible to argue that such things as International Financial Reporting Standards (IFRS) and such bodies as the International Accounting Standards Board (IASB) are effectively government endorsed regulations as they are supported by governments around the world and compliance is required by national and global corporations. Although this is a valid claim it must also be recognised that their enforcement is policed by organisations such as Arthur Andersen and that corporations such as Enron would be deemed to be in compliance, one of the problems causing a lack of faith in both financial markets and corporate behaviour.

ested; how to decide if one activity more socially responsible that another. The situation is complex and conflicting. So here the intention is to consider both what is meant by CSR and what we know about the relationship between CSR and financial performance.

Nevertheless steps have been taken by interested parties to change this voluntary approach and to develop some kind of standards for reporting, but they have not een adopted by governments to become enshrined into standards. Thus in 1999 the Institute of Social and Ethical Accountability (The Institute of Social and Ethical Accountability is probably better known as AccountAbility) published the AA1000 Assurance Standard the aim of fostering greater transparency in corporate reporting. AccountAbility, an international, not-for-profit, professional institute has launched the world's first-ever assurance standard for social and sustainability reporting. The AA1000 framework (http://www.accountability.org.uk) is designed to improve accountability and performance by learning through stakeholder engagement. It was developed to address the need for organisations to integrate their stakeholder engagement processes into daily activities. It has been used worldwide by leading businesses, non-profit organisations and public bodies. The Framework is designed to help users to establish a systematic stakeholder engagement process that generates the indicators, targets, and reporting systems needed to ensure its effectiveness in overall organisational performance. The principle underpinning AA1000 is inclusivity. The building blocks of the process framework are planning, accounting and auditing and reporting. It does not prescribe what should be reported on but rather the 'how'.

According to AccountAbility the AA1000 Assurance Standard is the first initiative offering a non-proprietary, open-source Assurance standard covering the full range of an organisation's disclosure and associated performance (i.e. sustainability reporting and performance). It draws from and builds on mainstream financial, environmental and quality-related assurance, and integrates key learning with the emerging practice of sustainability management and accountability, as well as associated reporting and assurance practices.

At the similar time the Global Reporting Initiative (GRI) produced its Sustainability Reporting Guidelines have been developed through multi-stakeholder dialogue. The guidelines are claimed to be closely aligned to AA1000, but focus on a specific part of the social and environmental accounting and reporting process, namely reporting. The GRI aims to cover a full range of economic issues, although these are currently at different stages of development. The GRI is an initiative that develops and disseminates voluntary Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. Although originally started by an NGO, GRI has become accepted as a leading model for how social environmental and economic reporting should take place. It aims to provide a framework that allows comparability between different companies' reports whilst being sufficiently flexible to reflect the different impacts of different business sectors.

The GRI aims to develop and disseminate globally applicable Sustainability Reporting Guidelines. These Guidelines are for voluntary use by organisations for reporting on the economic, environmental, and social dimensions of their activities, products, and services. The GRI incorporates the active participation of representatives from business, accountancy, investment, environmental, human rights, research and labour organisations from around the world. Started in 1997, GRI became independent in 2002, and is an official collaborating centre of the United Nations Environment Programme (UNEP) and works in cooperation with UN Secretary-General Kofi Annan's Global Compact. The guidelines are under continual development and in January 2006 the draft version of its new Sustainability Reporting Guidelines, named the G3, was produced and made open for feedback. The GRI pursues its mission through the development and continuous improvement of a reporting framework that can be used by any organisation to report on its economic, environmental and social performance. The GRI has become the popular framework for reporting, on a voluntary basis, for several hundred organizations, mostly for-profit corporations. It claims to be the result of a permanent interaction with many people that supposedly represents a wide variety of stakeholders relative to the impact of the activity of business around the world.

GRI and AA1000 provide a set of tools to help organisations manage, measure and communicate their overall sustainability performance: social, environmental and economic. Together, they draw on a wide range of stakeholders and interests to increase the legitimacy of decision-making and improve performance. Individually, each initiative supports the application of the other – at least this is the claim of both organisations concerned; AA1000 provides a rigorous process of stakeholder engagement in support of sustainable development, while GRI provides globally applicable guidelines for reporting on sustainable development that stresses stakeholder engagement in both its development and content.

DEVELOPING STANDARDS OF SUSTAINABILITY

We have discussed elsewhere (eg Aras & Crowther 2007b, 2007c, 2008c) the features of sustainability in terms of the factors involved. Here we wish to focus upon its operationalisation, in terms of the development of standards. Our argument has been that sustainability must involve greater efficiency in the use of resources and greater equity in the distribution of the effects of corporate activity. For standards to be developed then of course the effects must be measurable and the combination must of course be manageable. This can be depicted as the model of sustainability shown as fig 4:

Fig 4 The facets of sustainability

Manageable (strategic)	Measurable (financial)
Equitable (distributional)	Efficient (technological)

This acts as a form of balanced score-card to provide a form of evaluation for the operation of sustainability within an organisation. It concentrates upon the 4 key aspects, namely:

- Strategy
- Finance
- Distribution
- Technological development

Moreover it recognises that it is the balance between these factors which is the most significant aspect of sustainability. From this a plan of action is possible for an organisation which will recognise priorities and provide a basis for performance evaluation.

CONCLUSIONS

The discourses of sustainability all adopt a viewpoint of the acceptability, or otherwise, of sustainable development. Equally these discourses accept that sustainability is possible but disagree about the circumstances in which it is possible and about the resultant level of economic activity. We have argued that these are all based upon an incomplete analysis and have therefore outlined a more complete model which recognises distributional implications, and developed this into a model of operationalisability.

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