

3.5. Business and the Environment Project

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1. Project Theme

Studies on environmental initiatives in the private sector

2. Background (Research Needs)

Voluntary environmental initiatives by businesses, in coordination with regulatory and economic tools, are essential in order to shift socio-economic systems towards more sustainable patterns. Efforts to integrate environmental conservation factors into business management using such measures as the ISO14000 series have become a global trend. In the Asia-Pacific region in particular, where rapid economic growth is expected to continue, environmental consideration in business management in the context of globalizing economies is becoming an urgent and strategic issues, together with improvement of governments' capabilities to deal with environmental problems.

For the sustainable development of the region, it is especially important to find the ways and means to promote voluntary activities of companies, in partnership with industrial sectors and consumer organizations.

Tools for this purpose developed considerably during the 1990s—the ISO14001 environmental management system, environmental accounting, environmental reporting and information disclosure. However, the integration of environmental and business management, and the development of supporting socio-economic systems are issue of global importance in the twenty-first century. This project is designed to tackle these issues from a comprehensive perspective, in order to propose socio-economic systems as well as practical methods that will promote voluntary corporate activities that are environmental conservation-oriented, based on analyses of best environmental practices in corporations.

3. Objectives (Policy Relevance and Practicality)

3.1 Studies on integrating environmental management tools into corporate management systems

Recently, environmental accounting has been of growing interest as an internal corporate system for the integration of environmental information with financial information. The Asia-Pacific region has lagged behind in studies on this topic. Building on the achievements of research that has been done in Western countries and in Japan regarding best practices in the private sector, the proposed studies mainly aim to develop practical methods of environmental management accounting for companies in the region, making best use of their cooperation.

3.2 Studies on developing tools and systems of corporate environmental information disclosure

More desirable and socially acceptable systems for corporate environmental information disclosure will be proposed after examining corporate disclosure practices. Tools for disclosure that are currently employed include environmental reporting and environmental labeling. The objectives of the proposed studies are not only to organize these tools into an integrated framework of disclosure but also to provide advanced corporate systems for environmental information disclosure through the development of methods to overcome practical difficulties and to spread the use of best practices in the private sector. A desirable way of environmental information disclosure from the standpoint of corporate social responsibility and corporate governance will be also studied.

3.3 Studies on establishing socio-economic systems to promote voluntary corporate activities for environmental conservation

This aspect of the studies consists of two categories: government support for companies, and social evaluation to select environmentally conscious companies. The former has been mainly discussed in terms of direct regulations and economic instruments. The studies seek to establish a number of tools for the promotion of voluntary corporate activities for environmental conservation. For effective promotion, the studies will also examine various combinations with activities of governments, citizen and consumer organizations. With regard to such combinations, the studies aim to find out how to socially assess the improvements made by a company in environmental performance, and to integrate that assessment with valuation in environmental economics.

4. Target Groups

Private companies, economic organizations, governments and public administrative organizations, citizen and consumer groups in the Asia-Pacific region

5. Expected Policy Impact on Stakeholders

This project will contribute to improving, developing and spreading voluntary private-sector initiatives/best practices for environmental conservation in the Asia-Pacific region, where further economic growth is expected under the present trend toward globalization. This will relieve environmental burdens regionally and globally, making up for the relative underdevelopment of governmental policies. Partnership-building will also become possible between different sectors in the region.

6. Methodology / Schedule

6.1 Studies on integrating environmental management tools into corporate management systems

The studies will focus on environmental accounting, based on the following methodologies and schedule.

First year: Survey the current circumstances of environmental accounting in the Asia-Pacific region. Seek to grasp the situation of environmental accounting and best environmental practices in corporate management in Japan, through extensive surveys. Also, stay informed on the environmental management accounting project of UNDSO (United Nations Division for Sustainable Development), along with international trends such as by monitoring initiatives of the United States Environmental Protection Agency, German Ministry of Environment, etc.

Second Year: Conduct analysis of best management practices and case studies on selected model cases for environmental accounting in the twenty-first century, based on the surveys and international comparative studies of the first year. Also conduct research on developing environmental accounting systems for small- and medium-sized enterprises that are common throughout the Asia-Pacific region.

6.2 Studies on developing tools and systems of corporate environmental information disclosure

First year: Conduct extensive surveys on the current status of environmental reporting, mainly about cases in Japan, and on voluntary information disclosure practices in the western countries, in order to grasp the present situation as well as to identify best practices and the problems in environmental information disclosure. Also, examine the influence on Japanese companies of various international trends concerning corporate environmental information disclosure.

Second year: Select cases that can provide a benchmark for environmental reports, based on surveys and international comparative studies taken from the first year, and develop a standard that can guide

environmental reporting, especially for companies in the Asia-Pacific region. Consider ideal types of environmental reporting and the ways of dissemination to Small and Medium Enterprises (SMEs) by comparing the standard with different international guidelines as well.

6.3 Studies on establishing socioeconomic systems to promote voluntary corporate activities for environmental conservation

In order to promote voluntary corporate activities for environmental conservation, it is of paramount importance to establish supporting mechanism in society that can adequately evaluate the environmental effects of such activities. The studies will be made from this perspective, on evaluation methods of the environmental effects of corporate activities for environmental conservation.

First year: Examine monetarily convertible environmental valuation methods (e.g. CVM and conjoint analysis) employed in environmental economics, and implement actual environmental valuation with the cooperation of companies in acquiring sample data.

Second year: Seek to improve the accuracy of valuation, based on the accumulated data on environmental improvement, by continuing the implementation of environmental valuation. Also, establish a generalized environmental valuation method through the unification of valuation processes.

6.4 Integration studies

The third year is dedicated to studies to develop policy proposals, based on the integrated results of the two years of studies on items (1), (2) and (3) above.

The third-year studies are designed to present a comprehensive vision and the means to give incentives for its realization as clearly and practically as possible. Environmental accounting is a technique that addresses the costs of corporate activities for environmental conservation, while environmental valuation is a technique to evaluate the effects (profits) of such activities. By integrating the two, a supporting system for corporate decision-making on environmental issues can be established. Next, by disclosing the results through environmental reporting, environmental conservation-oriented companies can receive various forms of support from society.

In addition to the policy proposals, the project will analyze, categorize and describe cases of the best environmental voluntary practices by corporations gained in the course of this project. These cases may be introduced in the form of materials for training in business schools and providing information to business people, with a view to disseminating the accomplishments of the research and utilizing it for capacity-building.

7. In-house Staffing / External Collaboration and Organizations

This research project will be implemented at the IGES Kansai Research Center (tentative name), planned to open in Kobe City in the year 2001. As necessary, this project will collaborate and link with related projects at the IGES headquarters (in Hayama, Kanagawa Prefecture).

7.1 Staff at IGES Kansai Research Center (tentative name)

- ① Director: Akihiro Amano, Director, IGES/Professor of Economics, School of Policy Studies, Kwansai Gakuin University; part-time
- ② Project Leader: Katsuhiko Kokubu, Associate Professor of Accounting, Graduate School of Business Administration, Kobe University; part-time
- ③ Project Manager and Senior Researcher: 1 person, full-time; to be recruited
- ④ Researchers: 3 to 4 full-time researchers, and some visiting researchers

In addition, a counselor (resident part-time) and a manager (full-time) are planned to be placed in charge of general affairs, and research planning.

7.2 External Collaboration and Organizations

IGES Kansai Research Center will implement research projects with the cooperation of universities, research institutions, companies and environment-related organizations (such as "Global Environment Forum-KANSAI") in the Kansai area (Kobe, Osaka, Kyoto, etc.). Expected cooperation with: member institutions of "Asia-Pacific Environmental Accountability Network" (headquarters at the Australian National University); "Environmental Managerial Accounting Network," established to succeed the Eco-managerial Accounting Research Project in the EU; "Centre for Social and Environmental Accounting Research" of University of Glasgow, U.K.; etc. Cooperation with member universities of "Hyogo University Mobility in Asia and the Pacific (HUMAP)" and other organizations will also be sought.

8. Linkages with International Programs

The study results will be disseminated to networks of business circles, academic societies, governments and administrative organs in the Asia-Pacific region. Seminars and workshops will be held so that countries in the region may develop the systems according to their own circumstances.

Linkages will also be sought with the following: "Research Project on improving the Governments' Role in Promoting Environmental Managerial Accounting" of UNDS (United Nations Division for Sustainable Development); "Environmental Accounting Project" of the United States Environmental Protection Agency; "World Business Council for Sustainable Development (WBCSD)"; etc.

9. Expected External Funds

Subsidies to IGES from Hyogo Prefecture. Other domestic and international grants and subsidies will also be sought.