

A Journey in Social
and Environmental
Accounting,
Accountability
and Society

A Journey in Social and Environmental Accounting, Accountability and Society

Edited by

Maria-Gabriella Baldarelli
and Mara Del Baldo

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TABLE OF CONTENTS

Preface	vii
Editors	ix
List of Contributors	xi
Chapter 1.....	1
Corporate environmental sustainability best practices Caterina Aura, Francesca Aura, Franco Rubino	
Chapter 2	17
Solid waste management in Albania: does accountability matter? Valbona Dudi	
Chapter 3	49
“Gaming”, accounting and accountability: experimenting in higher education Maria-Gabriella Baldarelli	
Chapter 4	71
The development of assurance services for sustainability reporting: a challenge and an opportunity for accounting professionals Ingrid Shuli, Linda Gjika	
Chapter 5	87
New categories for a sustainable and spirituality-based company: insights from the Economy of Communion Maria-Gabriella Baldarelli, Mara Del Baldo, Sabrina Vieira Lima	
Chapter 6	113
Global reporting initiative disclosures for oil and gas companies Athanasios Mandilas, Stavros Valsamidis, Dimitrios Kourtidis	

PREFACE

The goal of our research is to present a referred selection of chapters from the present academic discussion about social, environmental, and sustainable accounting and accountability. In the past the importance of accounting for the construction of social reality (Gray, Bebbington, and Walters, 1993; Gray, Owen, and Adams 1996; Gray, Adams, and Owen, 2014) and the need for cultural change to drive movement towards a new and better world have been stressed. The authors consider the subject of environmental problems and at present how to manage these problems and to face the challenges that derive from them.

So, the economic measurement process requires rigid system orientation. Then there can be a transition phase and in the other changing contexts, such as civil economy, new dimensions can be created. Civil economy requires new elements to measure and to account for. This matter engages current literature in this field because there is an urgent need to find decision-making tools to help managers to respect environmental and social problems (see, for example, Bebbington et al. 2017; Bebbington and Unerman, 2018).

The selected papers, deriving mainly from the 7th Italian Centre for Social and Environmental Accounting Research (CSEAR) conference—Urbino in 2018 and blind reviewed, want to contribute to the discussion about social and environmental accounting and reporting in academic and practitioner contexts, involving different sectors and both for-profit and not-for-profit companies of different sizes.

The authors who published their chapters are very grateful to the numerous anonymous referees that contributed to improving the papers.

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EDITORS

Mara Del Baldo is Associate Professor of Small Business Management, Financial Accounting and Economics of Sustainability and Accountability at the University of Urbino Carlo Bo, Urbino, Italy.

Her main research interests include entrepreneurship and small businesses management; corporate social responsibility; sustainability and business ethics; SMEs and networking strategies; accountability; financial and integrated reporting; and social and environmental accounting research (SEAR).

She is a member of the European Council for Small Business, CSEAR, the SPES Forum, the Global Corporate Governance Institute (GCI), and the European Business Ethics Network (EBEN) Italian Chapter. She is an editorial board member and reviewer of several international scientific journals. She is also the author of numerous scientific publications, including articles in Italian and foreign journals, book chapters, conference proceedings and books. She has given numerous lectures and didactic seminars by invitation in various Italian and foreign universities (University of Vigo, Spain; the Juraj Dobrila University of Pula, Croatia; the New Bulgarian University of Sofia, Bulgaria; and the Corvinus University, Budapest, Hungary).

Maria-Gabriella Baldarelli, PhD is an associate professor at the University of Bologna (Italy), (acting full professor), Department of Management. She has been a visiting professor at: University of Pula (Croatia) in May 2006; University of Vlore (Albania) from May 12–15, 2009; visiting professor—teaching staff mobility at the New Bulgarian University of Sofia (Bulgaria) from November 22–27, 2010; University of São Paulo (Brazil) from the end of May to June 1, 2011; University Institute of the Diocese of Buea (Cameroon) from February 4–8, 2012; La Trobe University (Melbourne—Bandoora campus) in 2015; State University of Tirana (Albania) in 2017. Editorial Board member of “Economic Research” Review (UDK 338; ISSN 1331-677X). Her research interests include: financial statements in tour operator and travel agencies; corporate social responsibility; ethical, social and environmental accounting and accountability;

sustainability in tourist enterprises; responsible and accessible tourism for blind people; Economy of Communion enterprises; gender accounting and accounting history. She was a member of the board of SIDREA until 2018 (Italian Association of Accounting Scholars and Teachers). She is member of: SIDREA, the Centre for Social and Environmental Accounting Research (CSEAR), the Accounting History Association (AHA) and the European Business Ethics Network (EBEN) Italian Chapter. She is a reviewer of international scientific journals.

LIST OF CONTRIBUTORS

Caterina Aura
University of Calabria, Italy

Francesca Aura
University of Calabria, Italy

Maria-Gabriella Baldarelli
University of Bologna, Italy

Mara Del Baldo
University of Urbino, Italy

Valbona Dudi
University of Urbino, Italy

Linda Gjika
University of Tirana, Albania

Dimitrios Kourtidis
Institute of Technology, Kavala, Greece

Sabrina Vieira Lima
University of Milan-Bicocca, Italy

Athanasios Mandilas
Institute of Technology, Kavala, Greece

Franco Ernesto Rubino
University of Calabria, Italy

Ingrid Shuli
University of Tirana, Albania

Stavros Valsamidis
Institute of Technology, Kavala, Greece

CHAPTER 1

CORPORATE ENVIRONMENTAL SUSTAINABILITY BEST PRACTICES

CATERINA AURA
FRANCESCA AURA
FRANCO ERNESTO RUBINO

1. Introduction

The idea of this research work has been summarised in our statement: There will be no future for firms without a big commitment to respect for the environment.

Today, in fact, environmental risk is not limited to a mere reputational threat: it insinuates itself strongly in the life of companies—in investments, in strategies, and in business decisions.

Thus, it becomes a theme for the companies themselves, in an era like the one we are experiencing, in which climate policies and decarbonisation increase the need to assess environmental risks.

The intent of this paper is to provide a conceptual understanding of the state of the art, in terms of good practices on environmental sustainability for companies.

Sustainability—specifically, in a Europe turned upside down by the crisis—becomes the centre of an important line of study.

Not only is evaluation required but also accounting for environmental and energy risk.

It is also necessary to clarify the impact of operations on health, on the safety of society, on the risks of others, and on the environment in the medium to long term.

This communication is necessary in order to interact with stakeholders if the activity of the company with which they are involved in business and, therefore, in which they make investments may involve environmental risks.

The debate on sustainability, in this new century, takes on a central role in the reflection on development dimensions and possible emerging managerial frameworks, in search of world-class, sustainable organisations.

As a result, a new development strategy has emerged, embodying political, economic, social, technological and environmental dimensions.

Sustainable development means “the satisfaction of the needs of the present generation without compromising the possibility of future generations to realise their own”. In essence, it is a matter of finding solutions that allow good economic development, while at the same time keeping the focus on the environment.

A rigid framework for sustainability does not exist today; it is considered a unique challenge in literature—the use of the term “sustainability” was too broad. There are sustainability studies that can be summed up in a few lines (McDonald and Oates 2006; Alhaddi 2015).

This paper is based on the fact that the best practices in environmental sustainability performances are no longer the exclusive domain of the major international companies, as they were a decade ago, and it contains several proposals that help companies approach sustainable development as protagonists. However, good intentions are not enough (Epstein 2018).

Companies are therefore concerned about society and the environment and need to continue making significant changes to more effectively manage their environmental impacts.

Specifically, studies analyse how companies in the market respect and protect the environment starting from concrete actions that already exist or should be invented.

This paper includes best practices and is full of good ideas and innovative suggestions, as well as the analysis of initiatives already implemented by companies that aim for environmental responsibility.

Its contributions can be used by those who are interested in these topics: by following their contents, it will be possible to identify the ways to implement possible environmental policies.

These policies must be monitored, promoted and disseminated to entrepreneurs who have difficulty in identifying the economic and non-economic advantages of environmental responsibility, including by way of specific training courses.

This is because the companies of the “future”, whether large or small, in addition to having high margins of added value and being

innovative, will have to pay special attention to environmental sustainability in order to remain competitive in the markets.

2. Firms and environmental sustainability

The increase in concern regarding the future prospects of ecosystems and societies today obliges not only the political world but all society to reflect deeply on the objectives, the strategies and the actions to be taken to manage the complex relationships between the social, economic and environmental spheres. Sustainable development becomes the responsibility for living and managing the planet's resources so that future generations can meet their health-related needs.

In this sense, companies must be aware that in management they must respect the environment and ensure sustainable development. Educating companies about sustainable development means considering the different managerial situations, the various specific assumptions of corporate leaders, the environmental context and the many experiences already acquired. In recent years, the adjective "sustainable" has become a must-have addition in every context. We often hear managers talk about "sustainable" success, environmental "sustainability" and "sustainable" measures.

With the concept of environmental sustainability, we mean something that has a lasting effect. Consequently, for sustainable business management we mean the acquisition of skills and performing of actions related to the conditions and possibilities of development of the economy, society and the environment that can be solid and durable and suited for the future of our children. That means preserving the natural heritage and using resources wisely.

Making reference to the paradigm of "sustainable development", it is clearly a shared orientation which, however, must find its operative activation in heterogeneous contexts and at very different territorial scales. Precisely this variability is at the origin of very "free" interpretations of the concept itself, which takes on very different connotations depending on the system whose development is considered and the object whose sustainability it is intended to promote (Cicatiello 2015).

Precisely in this historical moment, not even a day passes without reading or listening to news of environmental disasters, pollution of any type in air, water or soil, or accidental or deliberate spills of toxic substances of various kinds and origins (Motta 2014).

The orientation towards sustainable development is considered in a long-term perspective in which interactions between companies are placed. In fact, there are many companies that in recent years have adhered to the “Business Card for Sustainable Development”, which aims to reduce the use of resources considered non-renewable. During the Rio Conference in June 1992, the central theme was the concept of sustainability.

Institutionally, the last Action Program of the EU stands out (1993/2000) as constantly referring to sustainability. The concept of sustainability includes development as part of competitiveness between interconnected objectives of a social, economic and environmental nature. This meaning of sustainability in relation to companies is defined by the regional sustainable development planning notebooks as conducting the activity in such a way as to reconcile the needs of the company with those of the stakeholders, protecting, supporting and increasing the availability of natural resources for tomorrow.

The sustainable development model frames the interdependence between economy and environment, and it suggests the possibility of reconciling sustainable economic development and environmental protection; in practice, sustainable development becomes an integral business activity. There are factors that are useful in recognising sustainability practices within the company system and are found in the management of environmental variables intended as important priorities, like: the environmental orientation of technological innovations and research, and dialogue with all stakeholders and with all employees on environmental issues (Frey 1995).

The concept of corporate sustainability is not a whim of entrepreneurs with feelings of guilt but a need that is emerging because it is the market itself that imposes it. It has now been shown that consumers tend to reward products and companies that choose to reduce their environmental impact and equip themselves with management and organisational structures that ensure they reduce emissions, waste and pollution.

After all, companies, whether small or multinationals, are increasingly valued in light of the ESG grid, “Environmental and Social Governance criteria”, and the same goes for their management.

The acronym ESG is composed of three words (environmental, social and governance), which in turn contain three distinct universes of social sensitivity. The first is that of the environment, which includes risks such as climate change, CO₂ (carbon dioxide) emissions, air and water pollution, waste and deforestation. The

second includes gender policies, human rights, labour standards and relations with the civil community. The third universe relates to corporate governance practices, including manager remuneration policies, the composition of the board of directors, control procedures, and the behaviour of top management and the company in terms of compliance with laws and ethics.

The challenge of sustainability is one of the most important challenges our economic system is facing. All the best companies, for example, are investing in innovative energy efficiency projects, increasing the use of renewable sources and designing products with lower impact.

The development of corporate social responsibility (CSR) and sustainability practices has now led to greater awareness and general knowledge on the part of institutions and companies. This is found through institutional documents in the public sphere of the European Commission as well as with Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, transposed into Italian law by the legislative decree on non-financial communication n.254 of 2016 (effective from 1 January 2017). It is also evident from the birth, development and influence of the United Nations Global Compact proposals on SDGs (Sustainable Development Goals). In the private and non-profit sectors, this awareness is apparent from the drafting of social/sustainability budgets and their standards proposed by various research centres, and first of all by the Global Reporting Initiative (GRI), international and widespread among large companies, and by the work of the Study Group for the Social Report (GBS), in Italy (Costanza et al. 2016).

The GRI Reporting Framework aims to be a universally accepted model for reporting the economic, environmental and social performance of an organisation. The GRI, established in 1997, presented, in the form of guidelines, the reference standard, at international level, for the preparation of sustainability reports. The GRI was promoted by the non-profit organisation CERES (Coalition for Ecologically Responsible Economies), in partnership with UNEP (United Nations Environment Program) and with the involvement of companies, NGOs (non-governmental/civil society organisations), associations of accounting experts, entrepreneurial companies and other stakeholders at the international level. The GRI has drafted the most widespread and requested guidelines on sustainability: to date there are more than 15,000 reports, prepared according to the

guidelines promoted by the GRI, registered on the site of the organisation only.

Companies that want to implement responsible and sustainable behaviour towards the environment must take into consideration all kinds of environmental and ethical certification (ISO 14001, Eco Management Audit Scheme). One of the main objectives of European countries was the study of social responsibility linked to philanthropy, now and for future companies. Many companies have activated measures for the reduced use of paper, water and lighting; for energy saving; and for the introduction or enhancement of waste collection.

In 2015, the European countries set themselves common objectives to be achieved by signing the 2030 agenda. There are seventeen (SDG) objectives to be reached, and their contents are related to different areas: economy, environment, society, education, etc.

The European Union is progressing towards sustainable development, but Italy shows several problems, except for the area of environmental sustainability, where Italy has better data than the European average. Italy is especially strong in fields like clean and accessible energy, where Italy ranks third after Portugal and Romania.

European state companies show their commitment to respecting the environment through a very important document: the sustainability report. There is no current methodology for drafting the sustainability report, but various experiments have been carried out at European and national levels.

The ESG criteria indicators, now the result of a wide international debate, have become the parameters of judgment for CEOs, even for magazines such as *Harvard Business Review*. And while the sustainability reporting frameworks are multiplying (for an overview, see the Global Reporting Standard website), environmental impact, respect for workers' rights and transparent governance are now indispensable factors of competitiveness. According to Gfk Eurisko, over a third of buyers consider sustainability a decisive factor at least as much as quality and price. With regard to investors, it is estimated that the size of the global sustainable investment market represents at least 31% of the total managed today (Gsia Global Sustainable Alliance).

Before proceeding with the definition of a sustainable company, we must first clarify what is meant by sustainability. The origins of the term "sustainability" can be traced back to ecological studies, in which reference is made to the "potential of an ecosystem to survive

over time, without any change,” (Jabareen 2008) but the theme of sustainability is linked to many other themes: environmental, economic, social and cultural. A social, economic and political objective is considered a broad-spectrum issue, so much so as to be one of the main themes on the research tables

Sustainability today is conceived as a real principle, which can be modelled in relation to contexts and interests and is in need of foundation in another context.

There are three dimensions of sustainability in the studies: a social dimension, defined as the ability to guarantee conditions of well-being (safety, health, education) equally distributed by class and gender, so that it can grow, but never get worse (or, at most, temporarily worsen); an economic dimension “built” by individuals with their work and their knowledge (construction, infrastructure, information); and an environmental dimension, consisting of the ability to preserve three functions of the environment over time—the function of resource supplier, the function of waste collector and the function of direct source of utility.

3. Environmental responsibility in the sustainable firm

A sustainable company often means one that is attentive and motivated by ethical principles, which redistributes part of the value generated in the form of charity. A sustainable company is one that does its best to minimise the negative impact on the environment, on society and the economy, while maximising its positive impact.

Actions that provide clear environmental advantages are:

- the control of gas emissions that change the climate;
- efficient use of energy, water resources and raw materials;
- reduction and recycling of packaging;
- correct waste disposal;
- logistics and transport system optimisation;
- having a choice of local suppliers;
- reduction of paper documents and their progressive digitisation.

Sustainability is not a passing trend or trend for companies, but a development path needed to respond to increasingly attentive consumers and an increasingly stringent regulatory framework. It is a necessary choice that involves all companies and that must be

accomplished here and now. Consumers are increasingly turning their attention to sustainable products. A mood therefore emerges that sees satisfied users only if there is a high signal of “greenness” of the chosen producer at a good quality-price ratio. The green producer also benefits in economic terms, thus creating a virtuous circle. Environmental sustainability for a company also becomes a source of competitive advantage. Sustainability, in its main environmental and social derivatives, representing a real competitive factor and thus also becoming economic sustainability, has a substantial—not to say revolutionary—impact on the business model and on the company’s processes and products. It is probably a long path that requires investments and a predisposition for innovation and change; but it is one that, for this very reason, must be developed with the highest priority and extremely accurate planning in order not to run the risk of being cut off, in a not-so-distant future, from the competition of the markets. Only by building a path of strong, effective and credible sustainability can this become a fundamental element of a marketing and communication strategy that puts the green approach at the core, thus avoiding the risk of greenwashing (Fasan and Bianchi 2017).

The emergence of consumer association NGOs, environmental movements and the protection of civil rights seems to be a manifestation of growing concerns, aroused by the evident effects of the behaviour of companies, which are not always consistent with the “ethically desirable” principles and values. The activities of these NGOs and movements are focused on denouncing the improper actions of the companies, but also on imposing conditions on the latter, to induce them to adopt social responsibility. A growing number of national and international companies today promote CSR strategies in response to a series of social, environmental and economic pressures.

Being responsible and respectful of the environment for companies means not only fully complying with applicable legal obligations but also increasing investments in the environment and in relations with interested parties.

Environmental responsibility can be divided into three different types, each with different juridical consequences and different procedural mechanisms:

- civil liability;
- administrative responsibility;
- criminal liability.

On the subject of social responsibility, the company must commit to reducing its impact on the environment, contributing to monitoring and reducing its emissions through energy efficiency policies and the use of renewable sources, optimising energy consumption and raw materials, using adequate waste disposal systems, giving priority to virtuous and environmentally conscious suppliers, raising awareness among stakeholders, and creating products and services capable of reducing environmental harm. No environmental and economic policy can do without the assessment of its environmental impacts and the consequent social considerations linked to collective well-being. It is therefore true that any policy or action regarding environmental protection has effects on the performance of the company. “The introduction of environmental sustainability policies produces positive effects, thanks to their impact on the whole economy” (Giacomello 2012). Many scholars have contributed to the studies of the literature concerning environmental initiatives and sustainable behaviour. Indeed, there are those who argue that in order to assess the positive effects of environmental sustainability actions, it is necessary to look at a long-term time horizon (Aura and Aura 2018).

On a scientific level, the discussion on environmental responsibility has produced a large body of literature. In fact, the benefits that may result in terms of image and improvement of relations with all the subjects that influence, and are influenced by, the performance of the business activity are considerable. These positive effects may not be evident in the short term but only over a longer time period. In support of this, (Pickman 1998) states, “Environmental regulation imposes costs on companies, necessary to comply with the restrictions imposed. Companies then decide to innovate if the expected cost deriving from compliance with the regulation is greater than the cost of innovation to be introduced.”

So, if, on the one hand, adopting initiatives generates costs which have negative effects on one’s business in the short term, on the other hand, in the literature there are those who maintain an opinion contrary to the results obtained in the analysis.

Other benefits may be derived from the increase in revenues (e.g., reuse of waste) and from the creation of a “green” image of the company that contributes to improving relations with local communities and public administrations, also increasing the company’s competitive level, as the markets that assign a value to environmental certifications are on the rise (Giacomello 2012).

All companies that have as their objective the pursuit of the sustainable path in terms of the environment must implement initiatives and good practices to enhance the field. Specifically, there are several initiatives and actions that the entrepreneur can implement to improve their reputation and image in the eyes of stakeholders. We list some of these in the following section, inserting them into a context of “best practice”.

4. The best practices of sustainable firms

Good practices, or best practices, are quality experiences and projects carried out in the field by organisations, companies or citizens that bring benefits in the environmental sector and are replicable. The exchange of best practices represents a key approach to all strategies for sustainable development.

Among the advantages of best practices are:

- they are often innovative and contribute to collecting the necessary data to search for new applications or to improve existing ones;
- they are visible in the field, contributing to the spread of know-how regarding technology and application;
- they bring a real advantage in economic and sustainability terms in the field of application;
- they can be replicated in whole or in part and can therefore be taken as an example of intervention in other more or less similar fields.

Good practice means an action, exportable to other situations, which allows any local administration, community or company to undertake a path towards sustainability, understood as an essential factor of development able to respond to the needs of the present, without compromising the ability of future generations to satisfy their own. By “best practice” we mean the most significant actions that allowed us to achieve the best results, thus becoming a reference model to follow.

There are many experiences and initiatives that show companies' interest in protecting the environment. Examples include the initiatives of municipalities for the development of renewable sources such as sustainable urban transport with sustainable systems, virtuous behaviour in terms of separate waste collection,

flexible mobility, green culture, zero soil consumption and reduction of energy waste.

A best-practice catalogue should contain a selection of the best “good practices” to enable each company to plan and implement the selected and planned strategies in relation to the sector where the company carries them out.

The guidelines are:

1. Policy planning;
2. Regulations and official documents;
3. Regulations;
4. Internal organisation;
5. Training and updating;
6. Information, awareness campaigns and events;
7. Help desk and support to local authorities;
8. Systems to enhance good practices;
9. Use of environmental criteria in calls for tender;
10. Checks;
11. Centralised green purchases;
12. Quantification of the costs and benefits of green purchases;
13. Monitoring systems;
14. Comparison, dialogue and involvement of suppliers.

A project to be classified as “best practice” must meet certain requirements, such as:

- the project under consideration must be implemented or must be being implemented;
- the project must be easily extendable and repeatable in other situations;
- the project must be consistent with the quality and target objectives adopted nationally and internationally;
- the project must possess environmental, economic and social sustainability objectives.

There are databases on good practices for local sustainability that are working tools available to public administrations, environmental associations, technicians, environmental consultants, citizens and all those who are interested in how innovative they are being in the field of sustainable development.

Every company should be inspired primarily by safeguarding the environment and therefore taking into account the current best

practices for companies. Choose every day to extend your commitment to protecting the environment, drawing inspiration from the guiding values of your responsibility and putting the best skills in terms of technologies, processes and raw materials. Within the company, a continuous and progressive improvement regarding the environmental impact of each activity and process should be promoted, from the choice of the most advanced packaging solutions to an increasingly efficient use of water and energy, and from the selection of materials to the innovative management of waste and logistics consistent with the type of process carried out by the company. Of course, every company and its core business have best practices to follow.

5. Conclusion

The path traced in this chapter started from a general description of the world of environmental sustainability, then examined the sustainability actions that companies can put in place to protect the environment. In this regard, more specific aspects have been addressed, such as responsibility towards the environment, actions and good practices to protect the environment, characteristics of sustainable enterprises and the GRI, in order to concretely assess the dynamics of businesses regarding the issue of sustainability.

The elements discussed clearly denote a growing interest in the issue of sustainability among companies. This attention has had proven effects on the strategic choices of entrepreneurs. The business world is considering the idea that companies must not only produce and exchange goods and services to create profit but must also respond to the complex expectations and specific ethical-social demands that are required of companies in respect of the environment.

“Environmental regulation imposes costs on companies, which are necessary to comply with the restrictions imposed. Companies therefore decide to innovate if the expected cost deriving from compliance with the regulation is greater than the cost of innovation to be introduced” (Pickman 1998).

Adaptation policies in our country have just begun and local authorities and businesses are beginning to think about how to intervene in this territory and how to plan future actions, taking into account the changes taking place. Most of the time, environmental changes have been pushed into the background without considering them a cause of climate change, and often the environmental transformations that are observed today are the result of choices that do not respect the environment. Italy, together with Europe, is acting

on the basis of the indications of the Kyoto protocol and of the European objectives to reduce carbon dioxide emissions (Calabresi and Taliento 2014).

Today, companies cannot escape the best practices that have become part of corporate life. They show a growing attention being paid to the theme of sustainability, so that they can make strategic choices. In other words, the business world has changed. Companies must respond to the complex expectations and demands of stakeholders, not only in terms of value but also in social terms. The construction of a common social identity and shared values seems the only way to manage the negative repercussions in terms of corporate reputation.

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CHAPTER 2

SOLID WASTE MANAGEMENT IN ALBANIA: DOES ACCOUNTABILITY MATTER?

VALBONA DUDI¹

1. Introduction

This chapter aims at tracing the state of the art of social and environmental accounting in Albania, a post-communism territory, which has been dominated for 500 years by the Ottoman Empire. In recent decades the country has undergone drastic political and economic changes. Rapid urbanisation, higher economic activity and population growth place multiple pressures on environmental and social problems. During this time, in order to create an environment for the promotion of social and environmental accounting, the Albanian government—with the leadership of the Ministry of Economy, Trade and Energy (METE) and the UNDP’s support—has developed a National Action Plan on Corporate Social Responsibility (CSR). In March 2013, the Albanian CSR Network was founded; its main mission is to promote the importance of CSR within the business community and the social environment with the future view of having sustainable CSR practices.

At a political policy level, targeted interventions are made even on waste and solid waste management, with the approval in 2011 of the “National Strategy” and “National Plan on Waste Management”, the latter of which is under revision at the time of writing. The documents cover the period 2010–2025 and address the economic, environmental, social, legal and organisational challenges in establishing a modern waste management system. In March 2016, the National Strategy of “Plastic Waste Management and Recycling in Albania” was published, along with Regional Waste Management

¹ PhD student, Department of Economics, Society and Politics, University of Urbino Carlo Bo.

Plans and a new law on Integrated Waste Management adopted in line with the Waste EU Directive and, lately, Resolution of Council of Ministers No. 177, dated 6 March 2012, “On packaging and packaging waste, the targets and rules for recycling and recovery of packaging waste are set”.

Currently, the process of implementing CSR policies by the Albanian government seems to be accelerating due to the EU accession process, considering CSR as one of the vehicles for positioning Albania in a better light compared to other European business partners, and considering that creating a high CSR performance level allows it to have a competitive advantage over other Balkan states. However, while environmental and social accounting together with the sustainability agenda are becoming mainstream issues for many foreign organisations, for now the country still seems to have some large-scale difficulties in implementing it. CSR is, in fact, mainly promoted by foreign companies which implement the practices that have proved to be efficient in the different countries wherein they operate.

Starting from this premise, the work is focused on addressing the related issues/problems by first noting that corporate responsibility has a social and an environmental component. CSR has been an issue discussed in business literature for decades (e.g., Bowen 1953; Carroll 1999), and corporate environmental responsibility has increasingly become a topic of concern (Hart 1995; Shrivastava 1996; Starik and Rands 1995).

The research design is configured in two steps; the first step consists of a structured literature review (SLR) related to social and environmental accounting and its implementation in the Albanian context. The SLR aims to provide evidence of the corporate social accounting and environmental accounting in Albanian literature.

According to Massaro, Dumay and Guthrie (2016, 2):

An SLR is a method for studying a corpus of scholarly literature, to develop insights, critical reflections, future research paths and research questions (Massaro, Dumay and Guthrie 2016, 2).

The second research step consists of a brief presentation of the Albanian solid waste management system and a brief description of the recycling industry, through the case study methodology. According to Yin, researchers use the case study methodology to investigate: