From: "Kala Saravanamuthu" <ksaravan@pobox.une.edu.au>
To: <jackie.ohlin@parliament.nsw.gov.au>
Date: 05/11/2004 1:51:45 pm
Subject: RE: Submission on Sustainability reporting in the Public Sector

Dear Jackie,

I wrote you in mid-Octorber to seek an extension for putting in my
submission to the NSW govt Public Accounts Committee inquiry into
Sustainability Reporting in the Public Sector. I have completed my
submission and it has been attached as a PDF file.

Please let me know if you are able to access the document.

I look forward to hearing from you.

Cordially,
Kala

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"It is not a sign of good health to be well adjusted to a sick society": J.
Krishnamurti

-----Original Message-----
From: Kala Saravanamuthu [mailto:ksaravan@pobox.une.edu.au]
Sent: Thursday, 14 October 2004 3:06 PM
To: jackie.ohlin@parliament.nsw.gov.au
Subject: Sustainability reporting in the Public Sector

Dear Jackie,

We talked over the telephone earlier this morning. This is just to confirm
that I will be putting in a submission for this project - but I will
probably only submit it by late Nov.

I am an accounting academic, but I also publish in the Information Systems
(IS) discipline. I've attached a paper in the IS field - it critiques 3
existing formulations of systems design. It was published in 2002 in the
Journal of Information Technology. It is titled, 'The political lacuna in
participatory systems design".

To give you a bit of background: I've also included a more recent paper that
has been accepted for publication in the Journal of Sustainable Development
(probably in 2005). Unlike the paper above, this one is located in the

accounting/mgt field and I have developed my own research paradigm (in response to my 2002 critique of the failings of existing systems design). My model is aimed at triggering moral agency in individuals by connecting individual actions to the larger whole. It is based on Gandhi's interpretation of the Hindu philosophy (Vedas). This "recent" paper is 12 months old, as it takes close to 12 months to go through the peer-review process. I have a more substantial paper (in the second stage of the review process) at the British Accounting Review Journal.

My research is very much case-study based. The second paper above is not my usual type of paper because it represents my attempt to set out the conceptual framework for my future work. Because of that, I will be very interested in the survey results of the 3 depts which you mentioned over the phone

Cordially,
Kala

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"It is not a sign of good health to be well adjusted to a sick society": J. Krishnamurti

CC: "Austin Adams" <aadams@pobox.une.edu.au>, "Ian Eddie" <ieddie@pobox.une.edu.au>, <chancellor@une.edu.au>

By:
Dr. Kala Saravanamuthu,
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1] Aim

This submission will address the following strategies that were outlined in the circular dated October, 7, 2004:

> 1.a) "Study the processes agencies are using to achieve integration between the dimensions of social, economic and environmental sustainability and core principles of sustainability" (as per 1. 3. b in the circular);

> 1.b) "Discuss the processes by which sustainability reporting practice is communicated and discussed within and across agencies and to Parliament" (as per 1. 3. d in the circular).

The approach adopted in this submission: it will outline developments in sustainability research as a way of informing the Committee's evaluation of current (and future) practices in agencies. In this way the theoretical framework proposed here could become a benchmark or proforma that provides a research-grounded guide to the Committee's deliberations (as per 1.a and 1.b above).

In short, this submission stands back and identifies an overarching framework that captures the various dimensions of sustainability, as well as formulates a discursive vehicle to enable dialogue amongst stakeholders.

2] Introduction and Background

Mechanisms for integrating social, economic and environmental aspects of development (1.a) and the communication dimensions of accountability processes (1.b) may themselves be integrated into an agency's management control (and information) systems. Unlike conventional control systems that

are geared towards cost efficiency and productivity alone, the sustainability agenda is inherently ambiguous. In the case of the former, the cost efficiency ethos provides the starting point (or foundation) on which to construct sub-goals and emergent strategies. However this is not the case when it comes to designing a framework to achieve the sustainability ethos because it inherently implies a process of balancing (or juggling) the competing-and-complementary social, economic and environmental outcomes (following Carley and Christine, 2000). Therefore, unlike the conventional control system that focuses on cost minimization targets, there is no definite and measurable goal in the sustainability debate. In other words, until there is more knowledge about how the health of the eco-system is connected to human activities, we can only strive to reduce the impact of societal behavior on land, water, atmosphere and bio-diversity. It is reasonable to say that a system that is aimed at attaining sustainable outcomes has to grapple with the ambiguity about the interconnectedness between the activities of the agency in question and the rest of the socio-enviro-economic world (or the "whole"). To-date, all genuine endeavors undertaken under the banner of sustainable development are largely experimental in nature. Hence the framework proposed here seeks to enable the culture of experimenting with the integration of the social, environmental and economic priorities, and communicating it to other stakeholders. It is part of the learning and accountability processes of grappling with ambiguity about sustainability.

Furthermore, the process of formulating such control systems clearly has to be a participatory and social in nature as there are no specific, definable goals that may be used to signify "sustainable" outcomes or processes. The aim of this system is twofold: it enables the continued culture of experimentation (that is, what it means to be sustainable) whilst ensuring that the practices undertaken (or advocated) fall within parameters of transparency and accountability (that do not stifle innovation).

Saravanamuthu ((i) forthcoming) advocates using a discursive model of accountability that relies on measurements about the social, economic and environmental impact of activities to facilitate the culture of experimentation within reasonable limits of accountability. It would become:

2.a). a vehicle for engaging stakeholders in an informed dialogue about the best way to proceed;

2.b) a means of enabling risk-management of agency activities;

2.c) a means of explicitly incorporating ambiguity about the interconnected relationships that constitute the whole. Conventional accounting tries to eliminate ambiguity in its attempts to signify performance in definitive measurements. It results in partisan information that skews management decisions towards the economic aspects of activities and away from the socio-environmental ones (see Saravanamuthu (ii) forthcoming);

2.d) an <u>evolving means of understanding</u> the implications of sustainability (see Figure 1) whereby an intermediate definition of sustainability is initially used to measure performance achieved by an agency. Subsequent dialogue over the measured outcomes is compared against the lived experiences of stakeholders in deciding on the appropriateness and reasonableness of the measures employed to signify sustainability. This could result in the measures and/or the definition being modified (or tightened) over time. It also reinforces the realization that there is no universal approach towards sustainable development: it has to be tailored to local circumstances.
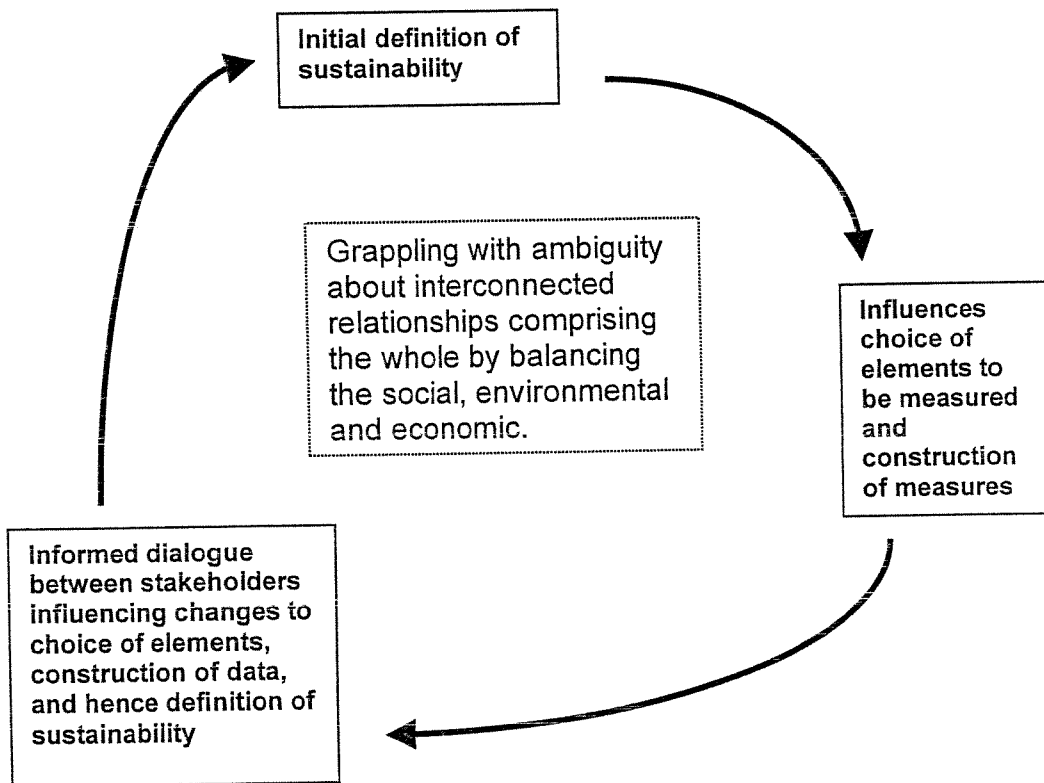

<u>Figure 1</u>

The exercise illustrated in Figure 1 is an open-ended and value-laden one that attempts to connect the various strands of sustainability and inform the definition of sustainability, which in turn evolves with greater levels of accumulated knowledge (in various disciplines including the sciences and humanities). Every attempt is made to minimize the degree of distortion in the measurements that are used to signify the socio-environmental impact of agency activities. The framework advocated in Saravanamuthu ((i) forthcoming) adopts a participatory and non-reductionist approach in the construction of measurements, which in turn loops back into the search for a

better definition of sustainability. The measurements are constructed to reflect their individuality (in the sense that they are not reduced to a common denominator such as conventional accounting's obsession with monetary value – see Saravanamuthu (ii) forthcoming). These measurements are also connected to each other in representing the interconnectedness between elements that constitute the whole. Interconnected relationships (amidst ambiguity about the whole) are depicted by minimizing the fragmentation time and space in the representations of the impact of agency activities on the whole (see Saravanamuthu, 2004, (iii) forthcoming).

3] Role of public sector and the national sustainability agenda.

There are two ways in which the public sector impacts on society's sustainability agenda. Firstly, its impact could be direct: that is, through its consumption of natural resources in managing the sourcing and supply of water, construction of infrastructure and energy generation such as electricity and gas. In the second case, the impact of the public sector is experienced more remotely by society. This occurs in situations where the public agency is not directly involved in the management of natural resources but its policies influence the behavior of entities that do so.

The participatory process of constructing a customised management control system oriented towards implementing the sustainability ethos will try to reflect the ambiguity over what it means to be sustainable in concrete measurements. These measurements will then be used to lock-in incremental performance improvements as well as refine and tighten the definition of sustainability over time. It is proposed that the process should be initially developed in the agencies that have a direct impact on society, before extending it to the agencies that have an indirect impact. The implicit learning process involved in grappling with the ambiguity surrounding sustainability is more easily attained in the case of the direct impact agencies than in ones that have an indirect impact.

4] Where to next?

It is recommended that this participatory process be initially trialled in three agencies that have a direct impact on societal agencies, preferably agencies that have already embarked on a journey of experimentation with sustainability reporting. The participatory (brain-storming) type group sessions is not dissimilar to dialogue-based group-think sessions conducted in the implementation of customized Total Quality Management programmes in the 1980s, and Activity-based systems in the 1990s. These sessions could be facilitated by the academics in the New England Business School with expertise in the sustainability as well as management information systems fields.

4

References

Carley, M. and Christie, I. (2000) <u>Managing Sustainable Development</u>. Earthscan Publications Ltd., London.

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