



Initiating sustainability assessments: Insights from practice on a procedural perspective



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ABSTRACT

Sustainability assessment is a key method that offers a platform from which the private sector can implement systematic processes to address sustainability. While this presents a unique opportunity for broadening the use of sustainability assessments, this is constrained by the lack of commonly accepted processes and little empirical evidence on private sector practices. This study directly engages with this dilemma, examining the initiation step of the sustainability assessment from a procedural framework perspective. A multiple case study approach is utilised with semi-structured interviews of 32 respondents from nine multinational enterprises operating in the manufacturing industry of Indonesia. Findings indicate the initiation step is initially directed by regulatory compliance, with organisations using checklists based on mandatory sustainability issues to consider. The majority of organisations go beyond this compliance approach, however, with the role of the headquarters directing these organisations to more holistically consider sustainability issues through the use of established lists and materiality analysis. This is informed through headquarter commitments to voluntary international standards and global sustainability guidelines, which have translated into corporate practice through established policies and procedures. These findings highlight the importance of an emerging trend for the private sector to undertake voluntary activities beyond the regulatory context of the country they are operating within, and guided by corporate codes of conduct, when undertaking sustainability assessments.

1. Introduction

The 2030 Agenda for Sustainable Development by the United Nations renews a call to action for the global community and represents “the world’s blueprint for global sustainable development” (European Commission, 2016, p3). With this renewed focus, large companies, and particularly multinational enterprises (MNEs), are confronted with the dilemma of how to more actively address sustainability within their operations. The private sector is, however, presented with a range of different global standards, guidelines and methods for addressing sustainability that are all becoming more widespread and accepted (see, Ghadimi et al., 2012; Govindan et al., 2013; Lion et al., 2013). A method that has emerged with promise as a means of addressing sustainability-related issues in development activities is sustainability assessment (Bond et al., 2012; Pope et al., 2013), which draws on more traditional impact assessment approaches (Bond and Morrison-Saunders, 2011; Morrison-Saunders et al., 2014; Pope et al., 2004; Pope et al., 2017) – such as the widely legislated environmental impact assessment - and offers a platform from which the private sector can

implement processes to address sustainability (Donovan et al., 2017a; Myllyviita et al., 2016).

The proliferation of sustainability-related impact assessment research over the last two decades has given rise to a range of conceptions and variations in how sustainability assessments have been approached and developed. At the outset, the literature is confounded with variations of sustainability assessment types including an integrated sustainability assessment (Shields et al., 2011), sustainability impact assessment (Lee, 2006), corporate sustainability assessment (Donovan et al., 2017a), internal sustainability assessment (Morrison-Saunders and Pope, 2013), integrated assessment (de Ridder et al., 2007), EIA-driven integrated assessment, objectives-led integrated assessment or assessment for sustainability (Pope et al., 2004). A range of authors have proposed a variety of different yet interlocking definitions and understandings of the concept of sustainability assessment. This includes a consideration of the time of application (i.e. ex-ante, ongoing or ex-post, such as in Morrison-Saunders et al., 2014; Pope et al., 2017; Shields et al., 2011), the level of application (i.e. policy, planning, programme or project contexts through work by Coteur et al., 2016;

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Dizadaroglu, 2015), approach to the consideration of the sustainability pillars (i.e. integration, articulation or outcomes from Pope and Klass, 2010; de Ridder et al., 2007; Sala et al., 2015), or the actor undertaking the sustainability assessment (i.e. government or proponent from Topple et al., 2017a; Morrison-Saunders and Pope, 2013).

Rather than argue for the relative merits of each of these different positions within the broader sustainability assessment literature, which is beyond the scope of this paper, we recognise these differing conceptualisations of sustainability assessment and identify several main components that appear to cross many of these definitions and understandings of sustainability assessment. This includes that it is a process (i.e. Arodudu et al., 2017; Pope et al., 2017), aimed at informing decision-making (i.e. Dizadaroglu, 2015; Morrison-Saunders and Pope, 2013; Pope and Klass, 2010), and should seek to address environmental, social and economic dimensions (i.e. Dizadaroglu, 2015; Morrison-Saunders et al., 2014). This can occur throughout the entire lifecycle of a policy, plan, programme or project (i.e. de Ridder et al., 2007; Donovan et al., 2017c; Hacking and Guthrie, 2008) and may be undertaken by a variety of different actors including the government and authorities or the private sector (i.e. Donovan et al., 2017a; Morrison-Saunders and Pope, 2013). We thus define a sustainability assessment as *a process aimed at informing different actors' decision-making processes when considering sustainability issues in policy, plan, programme or project contexts*.

Of significance to this article is understanding the processes that guide the sustainability assessment from the perspective of a procedural framework. By procedural framework, we are referring to a framework that details the steps forming the basis for how the assessment is undertaken (Binder et al., 2010; Sala et al., 2015). This understanding generally reflects descriptions not only in sustainability assessment literature, but also more broadly across the impact assessment domain. For example, Sala et al. (2015) refer to the 'sustainability assessment procedure' as comprising "several steps"; or Binder et al. (2010) notes the 'structure of the procedure' being composed of a phase and steps. This reference to a "procedural framework" being focused on the key steps is evident in other impact assessment literature, such as from Strategic Environmental Assessment (SEA) (Chaker et al., 2006), Environmental Impact Assessment (EIA) (Momtaz, 2002), Social Impact Assessment (SIA) (Arce-Gomez et al., 2015), and Health Impact Assessment (HIAs) (Harris-Roxas and Harris, 2011).

This perspective is warranted for a number of reasons, not least of which, is the recognition that there is a lack of "commonly understood process for conducting them [sustainability assessments]" (Pope et al., 2017, p205). Beyond this, limited research has engaged with this perspective, particularly research that provides empirical insights. A number of studies have sought to provide insights into a procedural framework or "dimension" that can be applied at the project level but from a largely theoretical perspective (such as Shields et al., 2011; Binder et al., 2010). Other studies have provided insights through case studies into different aspects of the procedure; however, these have not been examined from a procedural framework perspective with little theoretical framing. Rather, these studies have provided insights into potential considerations at various steps within a sustainability assessment (such as Morrison-Saunders and Pope, 2013 and Orenstein et al., 2010).

Focusing on clearly formulating and empirically testing a procedural framework for sustainability assessments will clearly contribute to the dearth of studies evident and the dilemma noted by Pope et al. (2017). Here, we concentrate on the initiation step of the sustainability assessment, an area that has received disparate and conflicting theoretical and empirical insights. While this will be more clearly detailed in the literature review, it is worth highlighting several of the varying perspectives within the extant literature to illustrate this point. Some authors suggest that the sustainability assessment begins with defining the approach to sustainability and setting values and sustainability principles (Sala et al., 2015), or identifying stakeholders, impacts and

information (Shields et al., 2011), while others still suggest it is private sector commitments to international standards and sustainability guidelines that will direct how the sustainability assessment is initiated, before identifying key sustainability issues to be considered (Lion et al., 2017). What is clear, however, is the initial step or phase (as referred to by Binder et al., 2010), plays a critical role in directing how the entire assessment is undertaken and thus holds significant value for not only consolidating existing theoretical and empirical insights, but also testing through empirical investigation.

To do this, this study focuses on a set of multinational enterprises operating within the Indonesian manufacturing sector. Indonesia was chosen for a number of reasons including large foreign direct investment (FDI) inflows (UNCTAD, 2016), an FDI-dominated manufacturing industry (Munandar, 2017), which the government has prioritised to further increase (Amianti, 2014; Danubrata et al., 2014; Munandar, 2017). In a 2009 report by the International Institute for Sustainable Development (IISD), it was suggested that FDI operations in Indonesia are contributing to increasing standards of commercial operations. For instance, in examining chemical manufacturing, the study found that broadly FDI operations were outperforming domestic organisations in terms of environmental performance and community impact (Adiningsih et al., 2009). Despite this focus on increasing the FDI involvement in manufacturing, indications that these organisations are contributing more directly towards sustainability, and a government focus on sustainable development (OECD, 2016), a paucity of literature has sought to directly examine this.

Indeed, a review of previous research within the Indonesian context illustrates a focus largely on EIAs, which have been required by regulation for over thirty years (Hadi, 2002; Petts, 1999; Purnama, 2003). These studies have included a focus on, for example, an overview to the EIA (AMDAL) (The World Bank, 2005; Zulhasni, 2000; Lohani et al., 1997) and policy reform (Purnama, 2003; Qipra Galang Kualita, 2005; Giovanna et al., 2006); an EIA system critique (WALHI, 1994; Phillips et al., 2009; Quitzow et al., 2011; Simbiak and Sammut, 2013) and opportunities (EASES, 2006; Hadi, 2002; Kessler et al., 2015; Syafig, 2015); needs for and increasing public participation in ex-ante assessment processes (Hadi, 2002; Simbiak and Sammut, 2013); post-natural disaster EIA (Gore and Fischer, 2014); project-level (Razif and Persada, 2016; Simbiak and Sammut, 2013); and, foreign authority assessment of industry policy and performance (Environment Agency [of Japan], 1998).

With a lack of explicit focus on sustainability assessments within this context, the increasing prevalence of FDI in Indonesian manufacturing, and indications that these MNEs are contributing more broadly towards sustainability, this article makes an important contribution towards the literature. This study focuses on providing empirical insights into how organisations address sustainability challenges through the initiation step of the sustainability assessment. By initiation step, this research focuses explicitly on the first step within the sustainability assessment that "initiates" the overall process. In taking this perspective, this research specifically examines 1) What are the processes associated with the initiation step of the sustainability assessments by MNEs in Indonesia? and, 2) What are the key tools and techniques utilised within the initiation step by these MNEs? This article provides empirical evidence from manufacturing MNEs in Indonesia to explore the processes of the initiation step of the sustainability assessment.

In the next section, we will locate this research within the broader sustainability assessment literature, with a focus on procedural frameworks. Following this, literature examining procedural frameworks and the initiation step of the sustainability assessment will be examined drawing on both theoretical and empirical insights from the extant literature. A broad framing will follow, that focuses on the existing knowledge for the initial activities and processes involved at the beginning of a project level sustainability assessment. The remainder of the article will justify the methodology of this study, subsequent to

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