

**A comprehensive literature review on,
and the construction of a framework for,
environmental legitimacy, accountability and proactivity**

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ABSTRACT

This paper identifies three conceptually distinct, but interrelated concepts regarding corporate environmental behaviour from the literature - environmental legitimacy, environmental accountability, and environmental proactivity - and shows how they can be integrated into a single framework. This is done in a context where prior studies in the literature do not relate these concepts to each other or place the concepts within a meaningful context, nor integrate them into a single framework. The framework demonstrates an organisational journey towards achieving legitimacy in environmental endeavours. Environmental legitimacy is conditional upon the public evaluation of corporate environmental performance and environmental reporting (environmental accountability), which in turn, requires organisations to invest in environmental management and accounting systems and stakeholder engagement (environmental proactivity). The paper identifies company, stakeholder and other characteristics that influence the constructs in the framework and also propose a research agenda based on this framework. Environmental performance constitutes the central concept in the framework, acknowledging that improved environmental performance promotes the ultimate goal of sustainability. The framework suggests that the judicious management of environmental performance and reporting, the two components of environmental accountability, results in environmental legitimacy. Furthermore, environmental accountability can be enhanced by environmental proactivity, a concept comprising environmental management and environmental accounting, as well as stakeholder engagement. This synthesis of the factors that influence and contribute to environmental performance is the framework's main contribution.

Keywords:

Environmental performance; accountability; legitimacy; sustainability; environmental legitimacy, accountability, and proactivity; ELAP framework

1. Introduction

Interest in environmental issues is widespread with climate change, global warming, ozone depletion, deforestation, species extinction, oil spills, overfishing, and other environmental concerns receiving significant media attention. Environmental treaties, including the Kyoto Protocol, the Convention on Biological Diversity, and the Montreal Protocol, demonstrate a commitment by leaders around the globe to mitigate environmental problems. The United Nations (UN) also organises annual climate change conferences. Business organisations' activities are heavily implicated in these environmental issues. With greater awareness, the general public is now demanding greater corporate environmental responsibility. In response to these calls, many businesses have begun to incorporate environmental considerations into their operations, as evidenced by the increasing trends in global ISO 14001 certification (To and Lee, 2014) and organisations publishing corporate responsibility, including environmental information (KPMG, 2013).¹

In the light of these developments, an extensive body of literature deals with corporate environmental behaviour and performance (Schaltegger et al., 2013). A comprehensive review of the literature, including articles and books that take a broader overview approach (e.g., Burritt and Schaltegger, 2010), reveal the use of similar terminology in slightly different ways. Three of the major concepts that relate to performance that emerge from this literature review are environmental legitimacy (Deegan, 2002), environmental accountability (Gray et al., 1996) and environmental proactivity (González-Benito and González-Benito, 2006). Even though these concepts are ubiquitous, no prior study relates these concepts to each other in a systematic way.

This synthesis of the literature delineates these three important concepts of corporate environmental performance and behaviour, explains the causal links between the concepts

¹ According to To and Lee (2014), as of 2009, there were a total of 223,149 ISO 14001 certificates issued worldwide (1996: 1,491).

and depicts the concepts and causal links diagrammatically in a framework. This is labelled the Environmental Legitimacy, Accountability, and Proactivity (ELAP) framework in this article and also includes the characteristics that influence corporate environmental behaviour.

Gray et al. (1996) define accountability as entailing two essential aspects, namely doing the right thing (performance), and giving an account of it (reporting). Therefore, environmental performance and environmental reporting constitute environmental accountability in the ELAP framework. Environmental performance is the most important central concept in the framework. Improvements in environmental performance will, after all, lead to the ultimate goal, namely sustainability. However, without reporting on environmental performance, stakeholders may not be aware of the performance achieved. Environmental performance and reporting therefore influence the level of stakeholder satisfaction and thus the environmental legitimacy of the organisation (Massa et al., 2015; Samkin, 2012). An organisation's level of environmental proactivity consists of its environmental management system, environmental accounting, and its process of stakeholder engagement (González-Benito and González-Benito, 2006). These aspects will influence an organisation's environmental performance and reporting. This forms the basis of the ELAP framework and is depicted in figure 1.

The ELAP framework serves several purposes. By mapping the influences on environmental performance, it assists managers and other interested parties to better understand, evaluate, and analyse corporate environmental behaviour. In addition, clarifying conceptual differences (in this study, the three concepts in ELAP) and identifying causal links are important tasks in developing a meaningful theory (Deephouse and Carter, 2005). Therefore, this framework provides a basis for future researchers to develop expectations and to identify possible gaps in the literature. Additionally, an improved understanding of the interrelationships between these concepts will ensure a more holistic approach in assessing

corporate environmental behaviour. Finally, the framework considers literature from multidisciplinary fields, which in itself will benefit the understanding of the social and environmental accounting literature (Parker, 2005).

The remainder of the paper is structured as follows. Section 2 focusses on explaining the concepts. An understanding of the definition and scope of each concept is fundamental to the development of links between the concepts, and thus, the ELAP framework. In section 3, the links between the concepts are described and the framework is presented in diagrammatic form. Section 4 discusses the characteristics that influence legitimacy, accountability, and proactivity. Section 5 briefly describes the impact of the framework on financial performance and stakeholder pressure, followed by the conclusion and proposals for future research in section 6.

2. An overview of environmental legitimacy, accountability, and proactivity

This section describes the main concepts in the framework starting with legitimacy.

2.1. Legitimacy and environmental legitimacy

Legitimacy, as defined by Suchman (1995, p. 574), is “a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially construction system of norms, values, beliefs, and definitions”. Expanding Suchman’s (1995) definition of legitimacy into the environmental arena, Bansal and Clelland (2004, p. 94) define environmental legitimacy as “the generalised perception or assumption that a firm’s environmental performance is desirable, proper, or appropriate”. Bansal and Clelland (2004) also contend that an organisation secures legitimacy when its environmental performance conforms to stakeholders’ expectations. Legitimacy is a complex concept. On the one hand, it is generally accepted that organisations have social responsibility towards society. On the other hand, legitimacy is temporally and culturally defined (Deegan, 2002;

Sethi, 1975, 1979), thus creating an immense challenge for organisations to secure legitimacy.

The need for legitimacy arises because organisations operate in society via a social contract (Shocker and Sethi, 1973). They are an integral part of a society and their existence, continuity and growth, to a large degree, rely on the continuous support of society (Sethi, 1975, 1978, 1979; Shocker and Sethi, 1973). The conditions of the social contract include granting of legal standing to organisations and offering support to an organisation by supplying resources and labour (Mathews, 1983). In return, organisations are expected to pursue various socially desirable goals in a socially acceptable manner (Ashforth and Gibbs, 1990; Shocker and Sethi, 1973; Woodward et al., 1996). Such expectations can be explicit (formal, and in the form of laws and regulations) or implicit (informal, hypothetical and based on moral justifications) (Gray et al., 1996; Mathews, 1983). Therefore, for organisations to survive and grow, merely operating within the legal constraints (legitimacy from a legal perspective) and securing adequate resources in the marketplace (legitimacy from a market perspective) are no longer deemed sufficient. Instead organisations must ensure that they act responsibly and consistent with the prevailing norms and moral values of the society within which they operate (Dowling and Pfeffer, 1975; Lindblom, 1993; Power, 1991).

Hence, legitimacy is said to occur whenever an organisation's actions – its output, goals, and methods of operation – are in congruence with societal expectations. To the extent that its actions and societal expectations do not converge – be it actual or potential, there is a threat to organisational legitimacy, widely described as a legitimacy gap (Dowling and Pfeffer, 1975; Gray et al., 1996; Lindblom, 1993). A legitimacy gap can arise as a result of changing organisational performance, changing societal expectations, or a combination of both (Deegan, 2002; Sethi, 1979). Furthermore, legitimacy can be both factual and perceptual. An

example of factual legitimacy could be an environmental event (e.g., a catastrophic oil spill, or a fine for non-compliance), which is visible to stakeholders, either by their own observation or through widespread media publicity. However, often external stakeholders cannot easily discern environmental performance (Hunter and Bansal, 2007; Neu et al., 1998), explaining the importance of perceptions.

A legitimacy gap could result in sanctions in the form of legal, economic, or social sanctions, including legal action, product boycotts by customers, withdrawals of investments by shareholders, difficulties in securing loans from banks, increased lobbying activities for higher taxes or more stringent regulations and difficulty in hiring qualified labour (Deegan, 2002; Dowling and Pfeffer, 1975; Lindblom, 1993). There are some exceptions, e.g., Suchman (1995) suggests that organisations can still achieve legitimacy when a departure from societal norms is unique or in isolation (i.e., non-recurring in nature), has gone unnoticed (e.g., the environmental problems have not been brought into the public domain) or is without consensus public disapproval (the primacy of collective values instead of individual values).

2.1.1. Legitimising as a motive for environmental behaviour

Legitimacy, as described above and adopted in the framework of this study, is concerned with a status or condition (see Lindblom, 1993). Hence, it is essential to clarify, from the beginning, the difference between legitimacy (a status or condition) and legitimising (an act or process aiming at legitimacy). Legitimising/legitimizing is “the process whereby an organisation justifies to a peer or superordinate system its right to exist” (Maurer, 1971, as quoted in Dowling and Pfeffer, 1975, p. 123). Richardson (1985, p. 141-2) conceptualises legitimization as “a process of semiosis which links the value-standards of society to particular [organisational] acts and relations”.

The extant literature has identified several actions that may be considered legitimising. These include, among others, improving corporate image, serving long-term company interests, being recognised for moral leadership, fulfilling stakeholder expectations and complying with regulatory requirements (Bansal and Roth, 2000; Brønn and Vidaver-Cohen, 2009; Hahn and Scheermesser, 2006). Depending on whether the strategy is to gain, maintain, or repair legitimacy, an organisation may engage stakeholders in the decision-making process, redefine its corporate mission statement, establish a separate department dealing with sustainability issues and/or obtain external certifications, contribute to charity, associate itself with other ‘legitimate’ institutions, and comply with legislation to appear legitimate in the eyes of its relevant publics (Bansal and Roth, 2000; Dowling and Pfeffer, 1975; Suchman, 1995). While gaining legitimacy is proactive in nature, repairing legitimacy is generally a reaction to an unforeseen crisis (Ashforth and Gibbs, 1990; Suchman, 1995). Being proactive therefore influences legitimacy.

A legitimising strategy can also be substantive, symbolic, or a combination of both (Ashforth and Gibbs, 1990; Deegan, 2006; Richardson, 1985). Substantive legitimation involves “the structural transformation of action to conform to social values” (Richardson, 1985, p. 145). Therefore, there is a real change in an organisation’s goals, structures, and processes (Ashforth and Gibbs, 1990; Deegan, 2006). By contrast, symbolic legitimation involves “the symbolic transformation of the identity or meaning of acts to conform to social values” (Richardson, 1985, p. 143). No actual change in the organisation’s performance is involved, but instead it would attempt to portray symbols so as to appear consistent with prevailing social values (Ashforth and Gibbs, 1990; Deegan, 2006). Moreover, for any legitimising strategy to be effective, communication between organisations and society is very important (De Villiers and Van Staden, 2006; Hasseldine et al., 2005; Toms, 2002). This can be done through, among others, stakeholder engagement activities (Suchman, 1995),

advertising (Bortree, 2009; Sethi, 1978), and/or disclosure in corporate reports (Deegan, 2002).

Dowling and Pfeffer (1975) also consider legitimacy as the outcome of organisations' legitimising activities. This, however, may not be necessarily so since organisations may not always be successful in attempts at legitimation. As Ashford and Gibbs (1990) describe, societal scepticism towards organisations' legitimising strategies is higher when the organisation is already deemed to have low legitimacy (e.g., having a poor environmental reputation and being associated with 'dirty' industries) (see also Aerts and Cormier, 2009; Brown et al., 2010; Klassen and McLaughlin, 1996). For this organisation, a symbolic response may only intensify the threat to legitimacy, and consequently, society would be more likely to demand more substantive change in organisational performance (see further Burchell and Cook, 2008; Frost and Seamer, 2002; Godfrey, 2005). Hence, it can be argued that a substantive strategy is more likely to secure legitimacy (as perceived by society), and it is this meaning of legitimacy that the proposed framework intends to convey. It is argued that a symbolic legitimacy strategy, due to its rhetoric and often manipulative nature, would not give the same positive impact and could possibly cause further detriment to organisational legitimacy.

As a final note, it is important to emphasise that by setting environmental legitimacy as a desired end, the framework does not intend to simplify the overly-complex reality by nullifying other possible motives. Organisations embrace social and environmental responsibility for numerous reasons (e.g., Okereke, 2007; Solomon and Lewis, 2002; Williamson et al., 2006), which generally fall under profitability, moral, or legitimacy motives (Bansal and Roth, 2000; Brønn and Vidaver-Cohen, 2009). The later sections of the paper will show how these other motives fit into the proposed framework, how moral motives can lead to legitimacy, and how legitimacy can be linked to profitability.

2.2. *Accountability and environmental accountability*

The accountability concept entails “the duty to provide an account (by no means necessarily a financial account) or reckoning of those actions for which one is held responsible” (Gray et al., 1996, p. 38). Gray et al. (1996) further assert that accountability renders two types of responsibility, namely responsibility for actions and responsibility to report. This is parallel with the Institute of Social and Ethical AccountAbility’s (ISEA, 1999) scope of accountability which consists of transparency (the duty to account), responsiveness (the responsibility for acts and omissions), and compliance (the duty to comply with agreed standards).

The notion of accountability envisages the relationship between an organisation and society in a principal-agent setting. In this setting, the organisation assumes the role of the agent (or the accountant), which is responsible (to act responsibly) and accountable (to report on the responsible actions accordingly) to other parties whom they influence and can be influenced by, designated as the principal (or the accountee) (see also Power, 1991). Unlike the traditionally accepted principal-agent relationship (i.e., involving business and shareholders or creditors) in which the responsibilities and rights of both parties are formally established, the same condition does not apply to relationships dealing with social and environmental concerns. The responsibilities and rights of the parties are both legally (contractual) and morally (communal) defined and determined by organisations, society, and other stakeholders (Gray, 2001; Gray et al., 1996; Woodward et al., 1996). In this sense accountability can also be seen as originated from the idea of a social contract, but it further extends the scope of responsibility by making explicit the essentials of disclosure to serve the stakeholders’ rights to information.

There is no systematic definition of environmental accountability in the literature. However, the following contributions are worthy of note. O’Riordan (1989, p. 141) describes

environmental accountability as “a metaphor for socially responsible management practice, sanctioned by regular public reporting and by demonstrable responsiveness to the public interest”. Meanwhile, Burritt and Welch (1997, p. 534) relate environmental accountability to “the actions made on behalf of organisations and the impacts of resulting activities on ecological systems” and further assert that the “environmental accountability mechanisms ... cannot function without information being provided to stakeholders about actual and potential environmental performance”. Al-Tuwaijri et al. (2004, p. 447) affirm that corporations must conduct business within the norms and expectations of society. This increasingly demands greater environmental accountability through “heightened public scrutiny of both the firm’s environmental performance and its public disclosure of that performance”. Finally, Bergeson (2006, p. 69) uses the concept of environmental accountability in relation to the role of government agencies and this includes “a broad range of mechanisms that are intended to make the environmental practices of organisations more transparent and subject to greater public scrutiny”.

Based on the above description of environmental accountability, one common theme that emerges consistently is that environmental accountability is a concept encompassing both environmental performance and environmental reporting. This means that organisations must not only be environmentally responsible by managing their environmental impacts (either positive or negative), but they must also report on these impacts and any efforts undertaken in this regard to the public (Jones, 2010; Stent and Dowler, 2015). Thus, in this study, environmental accountability is defined as the extent to which an organisation acts responsibly towards the natural environment (environmental performance) and reports on its environmental performance externally to inform its stakeholders.

2.2.1. Environmental performance

Environmental performance reflects the effect organisations' operations have on the environment. These include, among others, materials, energy and water usage; the impacts of the organisation's activities on biodiversity; emissions, effluents and waste discharges; the impact of products and services and compliance with environmental regulations (GRI, 2013). This definition is consistent with the environmental results measurement aspect in Miakisz and Miedema (1998), the environmental impacts and regulatory compliance aspects in Ilinitich et al. (1998), and the environmental impact indicators and environmental condition indicators in Kolk and Mauser's (2002) three aspects of environmental performance. The scope of environmental performance deals with the outcome/impacts an organisation has on the environment. Thus, it is narrower in scope than the scope adopted by some of the literature.²

A full discussion of the rich body of literature around environmental performance is beyond the scope of this paper, however the following papers provide a good starting point: Adams and Larrinaga-González (2007) for a focus on performance improvement; Epstein and Roy (2001) for an identification and discussion of measurement of sustainability performance variables; Hubbard (2009) for a discussion of measurement issues; and Schaltegger and Wagner (2006) for an integration of measurement and reporting. In addition, De Benedetto and Klemeš (2009) propose an environmental performance strategy map to support the strategic decision-making process; Hermann et al. (2007) discuss environmental performance indicators in the context of life-cycle assessments; Jasch (2000) discuss the appropriateness of various environmental performance measures in relation to different formal environmental

² For example, Ilinitich et al. (1998) include organisational systems and stakeholder relations; Kolk and Mauser (2002) include environmental management indicators; and Miakisz and Miedema (1998) include environmental process or systems assessment and customer satisfaction. These aspects of environmental performance are, by their nature, 'processes' (instead of impacts/effects). Therefore, they are treated as environmental proactivity (see Section 2.3). Meanwhile, Miakisz and Miedema's (1998) customer satisfaction aspect is analogous to the concept of environmental legitimacy discussed earlier.

management systems (e.g. ISO 14 000); and Nawrocka and Parker (2009) discuss the connection between environmental management systems and environmental performance.

2.2.2. Environmental reporting

Another component in the environmental accountability concept is environmental reporting. There are several definitions provided in the literature as to what constitutes environmental reporting (Atkins et al., 2015). Wilmshurst and Frost (2000, p. 16) define environmental reporting as “those disclosures that relate to the impact company activities have on the physical or natural environment in which they operate”. Berthelot et al. (2003, p. 2) define environmental reporting as “the set of information items that relate to a firm’s past, current and future environmental management activities and performance. [It]...also comprises information about the past, current and future financial implications resulting from a firm’s environmental management decisions or actions”. Thus, disclosures are considered as environmental information if they contain information on pollution, policy, audit, product and process, financial data, sustainability, environmental aesthetics, energy efficiency and environmental education (this list is not exhaustive, see further checklist instruments by Hackston and Milne, 1996; Williams, 1999; Williams and Ho, 1999).

The information can be provided in many forms (e.g., qualitative statements, quantitative facts or assertions, financial statement figures or footnotes) (Berthelot et al., 2003), are targeted to external stakeholders (Burrill et al., 2002; Jones, 2010), and can be reported in the annual report, stand-alone reports, press releases, company websites, and various other communication media (Adams, 2002; Tilt, 2008). Despite the fact that environmental information can also be provided by external parties (e.g., the media), in this context only environmental information provided (or reported) by organisations is considered.

2.3. *Environmental proactivity*

González-Benito and González-Benito (2006, p. 88) define environmental proactivity as “the voluntary implementation of practices and initiatives aimed at improving **environmental performance**”. Hence, the concept refers to a ‘process’, rather than an ‘outcome’.

Environmental proactivity is not new in the literature. Environmental proactivity is akin to the organisational system and stakeholder relations aspects of performance in Ilinitich et al. (1998), the environmental management indicators and environmental operational indicators in Kolk and Mauser (2002), and the environmental process or systems assessment in Miakisz and Miedema (1998). Finally, GEMI (1998) also distinguishes ‘leading indicators’ (in-process measures, or environmental proactivity in this study), from ‘lagging indicators’ (end-of-process measures, or environmental accountability in this study).

González-Benito and González-Benito (2006) further divide environmental proactivity into three components, namely planning and organisational practices (the environmental management systems in place), operational practices (the design and development of more environmentally conscious products and processes), and communicational practices (the communication of an organisation’s environmental impacts to the public). As the framework regards environmental proactivity as a ‘process’, the first two aspects are combined into a single component, namely environmental management systems. In addition, another component, environmental accounting, is included which was not considered by previous authors. In addition, the third component is relabelled stakeholder engagement. The next paragraphs provide a brief description of these components of environmental proactivity.

Environmental management systems “involves the formal systems and database which integrates procedures and processes for the training of personnel, monitoring, summarising, and reporting of specialised environmental performance information to internal and external

stakeholders of the firm” (Melnyk et al., 2003, p. 332). Herzig et al. (2012) provide useful cases of environmental management accounting systems.

Environmental accounting, according to Jones (2010, p. 124), is “the development and operationalisation of an accounting to measure the environment”. In this sense, it can be taken as “covering all areas of accounting, [existing or new], that may be affected by the business response to environmental issues” (Gray and Bebbington, 2001, p. 7), used for both internal decision making and meeting the information needs of external stakeholders (Burritt et al., 2002). These include the areas of financial accounting (e.g., accounting for contingent liabilities/risks, accounting for asset revaluations, and the accounting techniques which express assets, liabilities and costs in ecological terms), management accounting (e.g., new costs, capital items and revenue projections, cost/benefit analysis for environmental protection and improvement programs, investment appraisal, and performance measurement and incentives), information systems (e.g., management information and financial reporting systems), and auditing (e.g., internal environmental audit, environmental impact assessment, and independent attestation of environmental information) (Frost and Seamer, 2002; Frost and Toh, 1998; Henri and Journeault, 2010).

Stakeholder engagement is placed at the core of the ISEA’s AA1000 Series (ISEA, 1999) and a pivotal component in other frameworks, including the GRI reporting guidelines (GRI, 2013). ISEA (1999, p. 91) defines stakeholder engagement as “the process of seeking stakeholder views on their relationship with an organisation in a way that may realistically be expected to elicit them”. This definition envisages stakeholder engagement as a two-way, reciprocal communication between a business and its stakeholders (see also Cumming, 2001), although it can also include one-way, unilateral interactions (e.g., conferences, exhibitions, community outreach programs) (e.g., Gao and Zhang, 2006; Van Huijstee and Glabergen, 2008). The framework does not specify the type of stakeholder engagement (reciprocal or

one-way). Given that legitimacy is described as a state of ‘stakeholder satisfaction’, it is important to engage with stakeholders to determine their views on the organisation’s interactions with the environment (see e.g. GRI, 2013). Even though managers may themselves pursue sustainability, stakeholder pressure is often cited as the driving force behind improved sustainability performance.

3. The ELAP framework

Figure 1 depicts the proposed environmental legitimacy, environmental accountability, and environmental proactivity (ELAP) framework and the arrows indicate the causal links between these concepts.

The basic premises of the framework are as follow. First, environmental legitimacy is an important aim for business in its environmental endeavours. This is achieved when there is congruence between organisations’ actions and stakeholders’ expectations (denoted “stakeholders’ satisfaction (EL)” in Figure 1). Second, to secure environmental legitimacy, organisations need to demonstrate good (improved) environmental performance (EA1) with corresponding good (improved) environmental reporting (EA2), representing the environmental accountability concept (as depicted by arrow 1 linking environmental accountability and environmental legitimacy). As explained in Section 2.1., environmental legitimacy refers to “a condition or status”, and not “an act or a process” (known as legitimising). Despite the extant literature suggesting that organisations could use ‘symbolic’ disclosure as an attempt at legitimising (e.g., Dowling and Pfeffer, 1975; Lindblom, 1993), this short-term approach to legitimacy is not regarded as effective, particularly in the long run (and possibly could be detrimental to the business), as society would continue to monitor organisations’ performance and demand substantive changes (see also Ashforth and Gibbs, 1990; Frost and Seamer, 2002; Sethi, 1978).

Third, as good (improved) environmental performance and environmental reporting are essential to secure legitimacy, it seems logical to suggest that organisations need to have the necessary systems to help manage their environmental performance (depicted by arrow 2 linking environmental proactivity to environmental accountability). The framework proposes three main components of environmental proactivity, namely environmental management systems (EP1), environmental accounting (EP2), and stakeholder engagement (EP3). Before discussing this proposition (and other relationships as shown by the arrows), it is essential to tease out some of the issues that might be used as arguments against the framework. These are the position of the environmental reputation concept in the proposed framework, the dubious legitimacy-accountability marriage, and the multiplicity of stakeholders.

Reputation, according to Fombrun and Van Riel (1997, p. 10), is “a collective representation of a firm’s past actions and results that describes the firm’s ability to deliver valued outcomes to multiple stakeholders”, and in the context of the environment, it is “the extent to which a particular firm is known by its various stakeholders for its [environmental] performance” (Zyglidopoulos, 2003, p. 74). At the very basic, reputation is claimed to be different from legitimacy as reputation implies a relative standing (in relation to other organisations), and legitimacy, on the other hand, indicates social acceptance (Deephouse and Carter, 2005). Deephouse and Carter (2005, p. 333) further contend that “while conformity... [to social norms]... will likely to lead to legitimacy, further efforts at differentiation may be necessary to achieve higher levels of reputation”, implying that legitimacy is a pre-requisite for a favourable reputation (Zyglidopoulos, 2003). Based on this argument, Bebbington et al. (2008) develop a model/framework of CSR reporting, reputation, and legitimacy, in which organisational legitimacy is defined in a broader context (i.e., including the financial aspect).

Despite the conceptual differences, the framework views (environmental) reputation and (environmental) legitimacy from the same perspective (and thus are treated as similar), as

both concepts “have similar antecedents, social construction processes, and consequences” (Deephouse and Carter, 2005, p. 329). For example, reputation is developed and legitimacy is gained from, among others, demonstrating good environmental behaviour. Conversely, a tarnished reputation and a threatened legitimacy could lead to financial difficulties. It is also interesting to note that Bebbington et al. (2008) perceive CSR reputation as both an antecedent and outcome of organisational legitimacy (as inferred from the arrows linking both concepts in Figure 1 of their paper). Bebbington et al. (2008) also refer to Benoit’s (1995) image restoration strategies, which can be broadly divided into denial, evading responsibility, and reducing offensiveness. These strategies resemble the legitimising strategies proposed by Lindblom (1993) and others. In their own words, both strategies are, in effect, “largely cognate” (Bebbington et al., 2008, p. 353). In sum, the difference between these concepts is negligible (see also Adams, 2008).

The attempt to integrate the concepts of (environmental) legitimacy and (environmental) accountability in a single framework can be challenged. Gray et al. (1996, p. 44) argue that legitimacy, as a theory, is “descriptive (positive)”, while accountability is “prescriptive (normative)”. Furthermore, Deegan (2002, p. 294) asserts that being a prescriptive theory, accountability “does not have a direct role in predicting managerial behaviour” (see also De Villiers and Van Staden, 2006). However, as discussed earlier (see Section 2.2.), accountability in the framework refers to two components, namely environmental performance and environmental reporting.

Essentially, an organisation needs to ‘be accountable’ for its environmental actions in order to acquire legitimacy. ‘Being accountable’ means having demonstrated good (improved) environmental performance and environmental reporting. Hence, environmental

disclosure should reflect the actual environmental performance.³ However, as environmental performance is not easily visible (or the relevant data is not obtainable from other sources), it is the quality of the environmental information provided that the public will scrutinise (Frost and Seamer, 2002). Environmental information is said to be of higher quality if it is “specified, quantifiable, and verifiable” (Toms, 2002, p. 261). Brown et al. (2010, p. 87) also argue that lower quality information may be viewed by the public as “a disingenuous action”. In fact, they find that the quality of environmental reporting has a positive effect on the environmental reputation of organisations. Similarly, Hasseldine et al. (2005) find that the quality of environmental reporting has a stronger effect on the corporate environmental reputation, than reporting quantity.

Another issue that needs further clarification is the multiplicity of stakeholders. Freeman (1984, p. 25) defines stakeholders as “any group or individual who can affect or is affected by the achievement of the firm’s objectives”. Clarkson (1995, p. 106) includes “[all] persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future” within the scope of stakeholders. These broad views of stakeholders are unambiguously open to include virtually anyone. Therefore, several classifications of stakeholders were offered. Clarkson (1995), for example, distinguishes stakeholders into primary and secondary, with primary stakeholders (including shareholders, employees, customers, suppliers, government and communities) perceived as more critical to the survival of the business. Drawing upon the environmental literature, Henriques and Sadosky (1999) classify stakeholders as regulatory stakeholders, organisational stakeholders, community stakeholders, and the media. The stakeholder groups are not only different in terms of the degree of impact they may have on the business and vice versa, but also in terms of the

³ Section 2.1 claims that moral motives could lead to legitimacy. In essence, ‘morally motivated’ managers would provide environmental disclosures that reflect their organisation’s actual environmental performance, which would ultimately result in the achievement of environmental legitimacy. The moral (and other) motives are presented as ‘managerial motivation and attitude (CF4)’ in Figure 2.

contents and format of the environmental reports addressing their concerns (Freedman and Stagliano, 2008), and in the criteria they use to assess the appropriateness of corporate environmental behaviour (Bebbington et al., 2008).

This multiplicity could appear to be missing from the framework (see Figure 1). As depicted in Figure 1, there is an ‘all-encompassing’ stakeholder satisfaction component representing environmental legitimacy. This could give the impression that an organisation has only one group of stakeholders and this is the only group that the organisation needs to consider prior to making any strategic decision. Hence, it does not picture the reality accurately. However, in reality, managers would pragmatically identify stakeholder groups that require most managerial attention. According to Mitchell et al. (1997, p. 879), this selection is guided by the relative power, legitimacy, and urgency attributed to each stakeholder group, which are “varying from issue to issue and from time to time” (see also Gago and Antolin, 2004). The more powerful, legitimate, and urgent a stakeholder group (in the eyes of each individual manager), the more salient it is and its’ demands will be met with greater proclivity (Mitchell et al., 1997). Reflecting on this, terms such as “relevant public” (Lindblom, 1993, p. 2), “conferring public” (O’Donovan, 2002, p. 345) and “opinion-forming community” (Burchell and Cook, 2006, p. 162) have emerged in the literature. Furthermore, the absence of a universally acceptable measure of legitimacy⁴ (and one that considers all stakeholder groups) suggests that the term legitimacy means different things to different stakeholders. Based on these justifications and for practical reasons, a more generic term is used, i.e., ‘stakeholder satisfaction’.⁵

⁴ These include third-party rankings/ratings (e.g., Freedman and Stagliano, 2010; Klassen and McLaughlin, 1996; Toms, 2002), media legitimacy (e.g., Aerts and Cormier, 2009; Bansal and Clelland, 2004), and customer and employee satisfaction (e.g., Molina-Azorín et al., 2009; Bortree, 2009).

⁵ While management will be focused on the needs of salient stakeholders, the framework can be adjusted from time to time according to the needs of different stakeholders concerning, for example, the contents and format reporting in order to be accountable to different stakeholder groups.

The relationships among the components (and sub-components) in the framework will be discussed next.

3.1. The role of environmental proactivity in enhancing environmental accountability

Melnyk et al. (2003) identify several benefits that can be derived from having an environmental management system (EMS). These include helping business in developing appropriate environmental policies and goals, their execution, and monitoring their effectiveness; identifying legislative requirements and prioritising environmental impacts; fostering and managing employees' commitment and awareness; enhancing employees' skills; establishing a management process to review and audit; and maintaining appropriate communication with relevant internal and external parties. The benefits are argued to be compounded when an organisation decides to have its EMS externally certified (e.g., ISO14001 and EMAS). Indeed, being certified necessitates the organisation's development of environmental targets, improvement in processes on a continuous basis, and participation in regular audits by the certifying organisation (Sumiani et al., 2007).

The extant literature also increasingly recognises the importance of two aspects of EMS, that is, the presence of an environmental mission or vision statement and the existence of a separate committee or department on environmental matters. Both aspects of EMS manifest a high level of management commitment (Henriques and Sadorsky, 1999) and the organisation's strategic positioning in relation to environmental issues (Kent and Chan, 2009). An environmental mission or vision statement serves to provide organisations with objectives, guiding principles, and values, which are important in directing its strategic decision making and actions (Kent and Chan, 2009). Furthermore, establishing an environmental committee enables the organisation to monitor corporate environmental policy (Vafeas and Nikolaou, 2001) and oversee its ecological impacts (Bansal and Roth, 2000;

McKendall et al., 1999), in an effective and efficient manner. As the committee's very *raison d'être* is to focus on managing the environmental issues and impacts of the business, it is logical to conjecture that the committee would be more likely to demand accountability from management (on environmental matters) so as to protect its reputation (McKendall et al., 1999). The role of a company's strategic attitude in influencing environmental accountability, specifically the strategic attitude in relation to the environment, is discussed in section 4 below.

All these benefits would eventually result in improvements in the corporate environmental and sustainability performance (Testa et al., 2014; Wisner et al., 2010, 2006; Zhang, et al., 2014). Similarly, the development of comprehensive environmental reporting requires adequate internal management systems, including an EMS, to generate the information (Dierkes and Preston, 1977; Frost and Seamer, 2002). Prior studies on environmental reporting find that the level of environmental reporting is higher among businesses with an EMS (Frost and Seamer, 2002), ISO14001 certification (Rankin et al., 2011; Sumiani et al., 2007), and an environmental mission statement (Kent and Chan, 2009).

Environmental accounting could also be a powerful tool in enhancing the environmental accountability of a business. Burritt et al. (2002), for example, underline some of the potential applications of environmental (management) accounting, including to estimate ecological strengths and weaknesses and improvements needed, control negative impacts on the environment, assess eco-efficiency, provide a foundation for both internal decision making and external communication, and to help promote ecologically sustainable development (see also Epstein and Wisner, 2005; Henri and Journeault, 2010; Rao et al., 2009). Despite these promising benefits, the use of environmental accounting as a control mechanism is still minimal (Frost and Wilmshurst, 2000; Henri and Journeault, 2010; Molina-Azorín et al., 2009) and has been more widespread in budgeting and risk assessment systems than in other

areas (see Bartolomeo et al., 2000; Frost and Wilmshurst, 2000). However, within the limited literature on the influence of environmental accounting on environmental performance, these studies found that environmental costs (i.e., both capital and operating) (Rao et al., 2009) and reward systems (Epstein and Wisner, 2005) are associated with better environmental performance.

Recent decades have seen an increasing number of companies producing stand-alone sustainability (including environmental) reports (KPMG, 2013). While this seems to be promising, there is also a general perception in the literature that the overall quality of these reports is relatively low (e.g., Cho and Roberts, 2010; Clarkson et al., 2011; Van Staden and Hooks, 2007). One of the possible reasons is the lack of information systems necessary to compile and distribute environmental data (Dixon et al., 2005). Frost and Seamer (2002), in providing support to this assertion, find that public entities that have an environmental accounting system in place published more environmental information. To alleviate this problem and to guide business in producing consistent and comparable environmental reports, various organisations at the global level (e.g., the Global Reporting Initiative, the UN Global Compact, and the Carbon Disclosure Project) and the local level have come up with reporting guidelines (see further KPMG et al., 2010). Finally, to further enhance the quality and credibility of the environmental information, and ultimately improve the accountability of the business (De Villiers and Van Staden, 2010a; Gray, 2001), it is of paramount importance for the reports to be verified by an external organisation providing such a service (Simnett et al., 2009; Dixon et al., 2005).

Another area that is receiving considerable attention in the literature is stakeholder engagement (Sharma and Kelly, 2014). Campbell (2007) posits that companies that are actively engaging their stakeholders appear to better appreciate the concerns of these stakeholders and will be more likely to take their concerns into account when it comes to

making corporate policy. Throughout this process, the interests of various parties are often redefined, and management starts to consider feasible environmentally responsible practices (Henriques and Sadosky, 1999; Spitzeck and Hansen, 2010; Zadek and Raynard, 2002). Attention to stakeholder dialogues would also enable an organisation to identify issues, including those related to environmental matters, which would not otherwise be captured and reported on (Adams, 2002). These include bringing in new knowledge and expertise that are crucial for business to detect and solve complex sustainability problems related to their operations (Burchell and Cook, 2006; Van Huijstee and Glabergen, 2008; Zadek and Raynard, 2002).

On the other hand, for the ‘engaged’ stakeholders, engagement provides an appropriate means to express their concerns, challenge business values and governance, and be involved in decision making (Cumming, 2001; Spitzeck and Hansen, 2010; Van Huijstee and Glabergen, 2008). Essentially, an effective engagement should lead to improved relationships, increased understanding and trust, the creation of long term partnerships, the identification of commitment, and the mitigation of business and environmental risks (Burchell and Cook, 2008; Gao and Zhang, 2006; Van Huijstee and Glabergen, 2008). ISEA (1999) also highlights the importance of public disclosure and feedback processes to give other stakeholders access to information that is valuable in assessing the outcome of the engagement (see also Burchell and Cook, 2008, 2006; GRI, 2013). Hence, it is more likely that stakeholder engagement has positive impacts on environmental performance and environmental reporting.

3.2. The relationship between environmental performance (EA1) and environmental reporting (EA2)

The relationship between environmental performance and environmental reporting can be bilateral. On the one hand, environmental performance has been found to influence the nature and quality of environmental reporting (e.g., Clarkson et al, 2008; De Villiers and Van Staden, 2011; Patten, 2002b), and on the other hand, there is literature suggesting the influence of (particularly, current) environmental reporting on (future) environmental performance (Al-Tuwaijri et al., 2004; Annandale et al., 2004). These two strands of research are described in brief next.

Earlier studies investigating the influence of environmental performance on environmental reporting find insignificant results (e.g., Freedman and Wasley, 1990; Ingram and Frazier, 1980; Wiseman, 1982). Patten (2002b) attributes these inconsistent findings to small sample sizes, failure to control for other company-specific factors, and the weaknesses inherent in the environmental performance measure. Thus, he used toxic release intensity as the proxy for environmental performance, controlled for company size and industry, used a bigger sample, and also modified the disclosure index used by Wiseman (1982). He found that companies with poor environmental performance made more extensive environmental disclosure, supporting evidence of using environmental disclosure as a legitimising tool, instead of as a means to discharge accountability. The conclusion to his findings is also evidenced in many other studies. More often, disclosure tends to highlight more positive environmental actions (Cho et al. 2010; Deegan and Rankin, 1996) and lacks 'hard' data (Aerts and Cormier, 2009; Clarkson et al., 2008).

Annandale et al. (2004) and Al-Tuwaijri et al. (2004) demonstrate the possible influence of environmental reporting on environmental performance. Annandale et al. (2004) suggest that environmental reporting improves monitoring and data collection, provides a good

internal management tool, and enables management to focus on critical environmental issues. Additionally, according to Al-Tuwaijri et al. (2004), stakeholders could base expectations regarding an organisation's environmental performance on environmental disclosures made in prior years. From another viewpoint, disclosures could be used to inform the public about the organisation's future environmental performance. These advantages in turn would result in superior environmental performance (all these possible relationships are depicted by arrow 3 linking environmental performance (EA1) and environmental reporting (EA2)).

3.3. Other relationships in ELAP

Despite the dearth in prior empirical findings, several other relationships in the framework can also be postulated. Firstly, as Frost and Seamer (2002) argue that the reporting function will drive more comprehensive environmental management and accounting systems. The reason for this is that organisations reporting on environmental performance may find it necessary to manage their operations in order to meet the expectations established by the reporting process (see arrows numbered "4" linking EA2 and EP1 and EP2).

Second, it is expected that by engaging stakeholders, an organisation can improve both the environmental management system and the environmental accounting system. For example, an organisation seeking EMS certification would engage personnel from the certifying body (or other individuals) to guide with the processes. Similarly, the fact that environmental accounting is a relatively new concept, engaging accounting professionals (or environmental engineers) is more likely (shown by the arrows "5" linking EP3 to EP1 and EP2).

Third, and related to the above proposition, ELAP also conjectures that companies with proper environmental management and accounting systems will be more likely to engage

their stakeholders. As a result of EMS certification, an auditor will assess compliance with the standards. Additionally, the need to provide more credible and transparent reports should motivate the business to espouse inclusivity (ISEA, 1999) and obtain an assurance statement from a third party organisation (depicted by the arrows “6” linking EP1 and EP2 to EP3).

4. Determinants of environmental accountability and environmental proactivity

There are various factors that can influence environmental proactivity and thus environmental accountability of an organisation. Some of them have been summarised in González-Benito and González-Benito (2006). They divide the determinants of environmental proactivity into three main categories, namely company features, external factors, and stakeholder pressure.

The company features category comprises factors of company size (denoted CF1 in the extended ELAP framework in Figure 2), internationalisation (CF2), position in the value chain (CF3), managerial attitude and motivations (CF4), and strategic attitude (CF5) (Glennie and Lodhia, 2013). A higher degree of involvement in environmental initiatives is more prevalent among companies that are larger in size, multinational, closer to end consumers, receiving top management support, and more proactive to market stimuli.

Strategic attitude (CF5) deserves some comment. Some two decades ago, Porter and Van der Linde (1995) set about debunking the myth that it is expensive and against the interests of companies to pursue an environmentally friendly strategy, suggesting instead that such a strategy could enhance competitiveness and profitability. Given the increased public awareness of environmental issues today, this view is becoming more widespread. Figge et al. (2002) specifically deal with linking sustainability management with general business strategy (through the balanced scorecard), whilst De Benedetto and Klemeš (2009) provide another example of the increasing focus in the literature on the strategy - environmental

performance nexus. According to the ELAP framework, general strategic attitude (CF5) influences environmental proactivity (see arrow 7), which in turn influences environmental performance (see arrow 2).

The external factors category includes industrial sector (EF1) and geographical location (EF2). Companies with the greatest environmental risks (e.g., mining, oil, chemicals, and forestry-based) have a higher tendency to be proactive in dealing with environmental issues (Summerhays and De Villiers, 2012). Industry concentration could also be an important factor, but from contradicting perspectives. Companies in more concentrated industries are able to pass on price increases (due to environmental investments) to their customers. However, companies operating in less concentrated industries may see environmental proactivity as a differentiation strategy and thus an opportunity to gain a competitive advantage. In regards to geographical location, environmental risks are perceived to be lower if companies are located far away from large cities and natural reserves, or within industrial estates. Cross country studies also provide evidence on the influence of country of origin in shaping corporate environmental behaviour and actions (e.g., Buhr and Freedman, 2001; Holland and Foo, 2003; Williams, 1999).

The greater the pressures various stakeholders impose on companies, the more likely the companies are to be proactive and therefore improve their environmental performance. Proponents of legitimacy theory (e.g., Deegan and Rankin, 1996; Patten, 2002a, 2002b; Walden and Schwartz, 1997) agree that the extent of corporate environmental behaviour is often a function of exposure to public pressure in the social and political environment. Walden and Schwartz (1997) also claim that public pressure can arise from dissatisfaction (of the general public or a group); new or proposed political actions; or increased regulatory oversight.

Based on the related literature, three more factors were added – financial performance and position (CF6), organisational culture (CF7), and corporate governance (CF8) – under the company features category. The list is not exhaustive, but it includes most of the important factors driving corporate environmental behaviour. The newly added factors are mapped in the extended ELAP framework (see Figure 2). A brief discussion of each new factor follows next.

The influence of financial performance and position has attracted contradicting views. On the one hand, the adoption of environmental initiatives requires a significant amount of investment (Melnik et al., 2003) and thus, less profitable (or financially unstable) firms have fewer resources to spare for these socially responsible activities (Waddock and Graves, 1997; Lawrence et al., 2013) and have less freedom in strategic choice (Azzone et al., 1997; Brammer and Pavelin, 2006; Wisner et al., 2006). Any risky decisions (including those related to the environment) may increase the risk of bankruptcy (Cormier et al., 2005). On the other hand, having lower (higher) profitability (leverage) could also mean that companies cannot afford to engage in environmental misconduct, which could lead to costly environmental lawsuits.

Culture has been defined by Hofstede (1984, p. 2) as “the collective programming of the mind which distinguishes the members of one group or society from those of another”. In an organisation, culture can be shaped through the patterns of thinking that “leaders [transfer] to their followers, and followers to their leaders” (Hofstede, 1984, p. 2). Hence, top management not only plays an important role in the strategic planning process, but also influences, even determines, the organisational culture (Wisner et al., 2006). Conversely, the corporate culture reinforces the strategic direction of the organisation (Azzone et al., 1997), although success depends on effective communication between top management and employees. For example, Judge and Elenkov (2005) find that lack of a shared or common

perception among top management, middle management, and frontline workers in regards to the organisational culture impedes environmental performance.

Corporate governance is “the system by which companies are directed and controlled” (Cadbury, 1992, p. 15). McKendall et al. (1999) suggest that there are several reasons to expect the influence of corporate governance (on corporate environmental behaviour). First, one of the roles of directors is to ensure firms’ compliance with any legislation. Second, if the protection of the interests of other stakeholders is a governance issue, this implies that managing environmental impacts is a governance and performance issue. Third, environmental compliance always involves complex decisions and requires significant expenditure, which can impact short term profitability. Thus, the board should monitor and approve environmental decisions. Corporate governance aspects that have received particular attention in the literature include, among others, the independence of the board of directors, the size of the board of directors, the ownership structure, and the number of directorships held by a director (De Villiers et al., 2011; Haniffa and Cooke, 2005; Kassinis and Vafeas, 2002).

In addition to incorporating the three factors into the framework, two stakeholder groups were identified, other than the financial stakeholders (whose interests are represented by the determinant denoted CF6 in the framework), that have been cited as the most powerful in driving corporate environmental behaviour. From a pragmatic viewpoint, business would prioritise the claims/rights of certain stakeholder groups based on their perceived power, legitimacy, and urgency (Mitchell et al., 1997). The first group of stakeholders is the regulators (SP1) for their ability to introduce (and enforce) laws that could be detrimental to the business (Doonan et al., 2005; Lefebvre et al., 2003; Wilmshurst and Frost, 2000). Furthermore, Kassinis and Vafeas (2002) observe a lower incidence of environmental

lawsuits among companies located in a state with more stringent environmental regulations, showing companies' respect for regulation.

The second group of stakeholders is the media (SP2). According to Brown and Deegan (1998), the media can be used to shape, and in turn represent, the community's concerns about environmental performance (see also Henriques and Sadorsky, 1999). They find that higher levels of media attention regarding companies' environmental performance is associated with higher levels of environmental disclosures (see also Aerts and Cormier, 2009; Deegan et al., 2002; Rupley et al., 2012). The relationship between the determinants (company features, external factors, and stakeholder pressure) and environmental proactivity is depicted by arrow "7".

Some clarification around the concept of environmental proactivity as used in the ELAP framework and a proactive organisational approach to environmental legitimacy may be in order. As noted in section 2.1.1, legitimacy can be sought through proactive or through reactive means. The ELAP framework suggests that a company's legitimacy will be influenced by its environmental proactivity (via the concept of accountability). If the company is less proactive, then its legitimacy will be influenced by this orientation. If the company is more reactive, then it will react to stakeholder pressure (see "determinants" box in figure 2) with environmental reporting (see "environmental accountability" box). Therefore, both reactive and proactive legitimacy approaches are accommodated in the ELAP framework.

Finally, please note that strategy may drive accounting and reporting, but that reporting may also initiate accounting and influence strategy. In Figure 2, arrow 7 suggests strategy (strategic attitude (CF5)) influences accounting; and arrow 2 suggests accounting influences reporting. Arrows 4 and 8 point in the opposite direction. Thus the ELAP framework accommodates these influences in both directions.

5. The influence of stakeholder pressure on financial and environmental performance and sustainability

Environmental disasters have proven costly to businesses. For example, the market value of Union Carbide's common stock dropped by one-third within five trading days after the accidental release of methyl isocyanine gas to the atmosphere in Bhopal, India. Exxon incurred costs of approximately USD16.5 billion for causing the catastrophic oil spill in Prince William Sound, Alaska (Dixon et al., 2005). The oil disaster in the Gulf of Mexico has caused BP USD32.2 billion of pre-tax charge (including USD20 billion for the Deepwater Horizon Oil Spill Trust) (Smith et al., 2010).

These phenomena lend support to the arguments that environmental initiatives and performance could result in significant cost savings (Christmann, 2000). Some prior literature also associates good environmental performance with being more profitable (Mahoney and Roberts, 2007; Molina-Azorín et al., 2009; Wisner et al., 2006), competitive (Lefebvre et al., 2003; Rao et al., 2009; Wagner and Schaltegger, 2004), efficient (Burnett and Hansen, 2008; Wang et al., 2014), productive (Molina-Azorín et al., 2009), and innovative (Lefebvre et al., 2003). Furthermore, studies of the impacts on stock market performance increasingly provide evidence in favour of good environmental performance (e.g., Bachoo et al., 2013; Hughes, 2000; Moneva and Cuellar, 2009) (see arrows "8" pointing from right to left, linking environmental legitimacy, environmental accountability (which includes environmental performance), and environmental proactivity, to financial performance (CF6)).

The concept of a social contract maintains that meeting the expectations of society is essential for a business to survive. 'Unsatisfied' stakeholders could have a direct impact on the business financial performance and position through shifting to other suppliers (customers), withdrawals of investment (shareholders), and imposing higher interest rates (creditors). Other stakeholders cannot act in this way and for these other stakeholders, their

concerns are more likely to be heard through other mechanisms, such as lobbying the regulators for punitive action and engaging the media to create public awareness (this is shown by arrows “9” pointing from right to left, linking environmental legitimacy (EL) and environmental accountability (EA) to stakeholder pressure through regulators (SP1) and the media (SP2)). In this regard, a study by Martín-Peña et al. (2014) on a sample of manufacturers and suppliers in the Spanish automotive industry found not only that EMS improves environmental performance, but it also improves firm's market position, access to environmental technologies, and stakeholder relation.

6. Discussion of opportunities for future research based on the ELAP framework

The framework may serve as a basis for researchers to develop expectations and also to identify relationships that require further investigation. This synthesis of elements is a starting point, however, as pointed out by Clarkson (1995), to establish a framework's validity, empirical testing is important, which requires operational development and hypotheses (see also Mitchell et al., 1997). Furthermore, the framework can be examined in total (which will require huge data collection and analysis efforts) or based on a certain aspect of corporate environmental behaviour (in which each arrow in Figure 1 and 2 could be a testable hypothesis). This provides opportunities for future research.

Following are some suggested studies for consideration, which can be approached using various methods - qualitative or quantitative, and from different perspectives – positive, interpretive, or critical. Some of them represent areas that have been examined in the past but still remain interesting and thus, warrant further investigations.

Firstly, the journey towards achieving environmental legitimacy is depending upon environmental accountability which requires environmental proactivity (as shown by arrows “1” and “2”). In a way, it resembles three stages of corporate environmental behaviour.

Whether this proposition reflects the actual reality is subject to further empirical evidence. Secondly, one of the possible measures for environmental legitimacy (which connotes “stakeholders’ satisfaction” in the framework) is third-party ratings/rankings. In this respect, Freedman and Stagliano (2010) raise the issue of whether the existing ratings/rankings do reflect the actual environmental performance of an organisation. In their study, they find no significant difference in the level of toxic releases between companies included in the ratings and companies that were not, suggesting that these ratings/rakings were nothing more than a public relations tool. In another study, Cho et al. (2012) found firms with better environmental performance tend to have lower reputation scores (based on the Newsweek magazine ranking of the American greenest companies) and were more likely to be a member of Dow Jones Sustainability Index. This is in contrast to the finding of Klassen and McLaughlin (1996) implying that the award-winning samples produced significantly lower toxic releases than their counterparts. A rather mixed finding is offered by Chatterji et al. (2009), in which they find that the current KLD concern ratings were reflective of past environmental performance and, to a certain extent, able to predict future environmental performance. However, the same was not observed for the strength ratings. Definitely, more studies are needed to untangle this issue as it has implications not only on the credibility of such ratings/rankings but more importantly, it also impacts on the way future investment decisions are made. Perhaps, the development of a better model for inclusion in the rankings/ratings (such as a rating which considers both environmental performance and environmental reporting in combination, as suggested by the framework) is another area that future researchers would like to consider.

A large number of studies find evidence providing support for the allegation that poor environmental performers tend to have more extensive and elaborative environmental disclosure as an attempt at legitimising (Al-Tuwaijri et al. 2004 and Clarkson et al. 2008 are

studies demonstrating contrary evidence) (shown by arrow “3”). However, upon investigating these studies, they are predominantly US-based or otherwise country specific, and do not consider different reporting media. Thus, international comparative studies (see also Freedman and Jaggi, 2010, 2005) and analyses by reporting media (see also De Villiers and Van Staden, 2011) would enhance the understanding of corporate environmental reporting strategies. Additionally, in the light of scant attention paid to the role of environmental reporting in improving environmental performance (except for Al-Tuwaijri et al., 2004 and Annandale et al., 2004), this can be an area worthy of investigating.

Content analysis is the most widely used method in assessing the quality of environmental reporting (Guthrie and Abeysekara, 2006). According to Parker (2011), studies utilising content analysis constitutes about 20 percent of the total social and environmental accounting research published in four leading interdisciplinary research journals between 1988 and 2008. Essentially, such studies have the power to uncover the strengths and weaknesses in the emerging practice.

The above review also hints at the importance of internal management systems in shaping the environmental performance and reporting of an organisation (shown by arrow “2”). So, logical questions arising from this are: To what extent environmental accounting is being implemented in an organisation? What role (if any) environmental accounting has in enhancing the environmental performance and reporting of an organisation? What impacts do the existing (voluntary) guidelines have on the organisation’s environmental accountability? In the light of many calls for mandatory reporting (e.g., Clarkson et al., 2011; De Villiers and Van Staden, 2010b), have the existing (mandatory) standards proven effective? Since some of the issues relate to aspects internal to the organisation, it is perhaps timely for researchers to engage organisations (e.g., Gray, 2002; Owen, 2008; Parker, 2005) so as to help better understand the relationships.

Finally, the impact of environmental behaviour on financial performance (as shown by arrow “8”) has not been conclusive and the debate is still open. Therefore, it is also essential to continue investigating the impact of environmental initiatives on corporate financial performance so as to convince shareholders in particular that it really pays to be green (see e.g., De Klerk and De Villiers, 2012; De Klerk et al., 2015). After all, there is evidence of increasing awareness among the shareholders of the importance of environmental information (see e.g., De Villiers and Van Staden, 2010a; De Villiers and Van Staden, 2012).

7. Conclusion

This paper develops a framework which integrates the literature on three environmental concepts, namely environmental legitimacy, environmental accountability, and environmental proactivity, into a single unified framework. Environmental performance is the central construct in the framework. Improved environmental performance signifies improved sustainability. The framework advances understanding of corporate environmental behaviour, by mapping the pathways that lead to environmental legitimacy and demonstrating the interrelationships between the components. The framework suggests that the judicious management of environmental performance and reporting, the two components of environmental accountability, results in environmental legitimacy, and that environmental accountability can be enhanced by environmental proactivity, a concept comprising environmental management, environmental accounting, as well as stakeholder engagement.

The framework also outlines the determining factors or characteristics that influence corporations’ proactivity and their environmental performance and reporting (accountability). These factors can be broadly categorised into company features, stakeholder pressure, and external factors. Financial performance and position of the organisation, organisational culture, and corporate governance as company features were added from previous models.

The framework also shows that stakeholder pressure can be leveraged by harnessing the media and regulators, resulting in improved environmental performance.

This synthesis of the factors that influence and contribute to environmental performance is the framework's main contribution. Overall, the framework is the first to explain the relationship between environmental legitimacy, environmental accountability, and environmental proactivity. It integrates elements of corporate behaviour and characteristics and provides insights into how these work both for and against each other.

For researchers and academics the integration of the literature on the concepts of environmental legitimacy, environmental accountability, and environmental proactivity into a single unified framework brings a new perspective on environmental and sustainability performance. Additionally, the framework will be helpful as a basis for developing research expectations and to identify relationships that require further investigation.

The framework assists managers and other interested parties to better understand, evaluate, and critically analyse corporate environmental behaviour. An improved understanding of the interrelationships between these concepts will ensure a more holistic approach in assessing corporate environmental behaviour. Management can therefore understand how company characteristics, stakeholder pressures and external pressure contribute towards achieving environmental legitimacy through proactivity and accountability.

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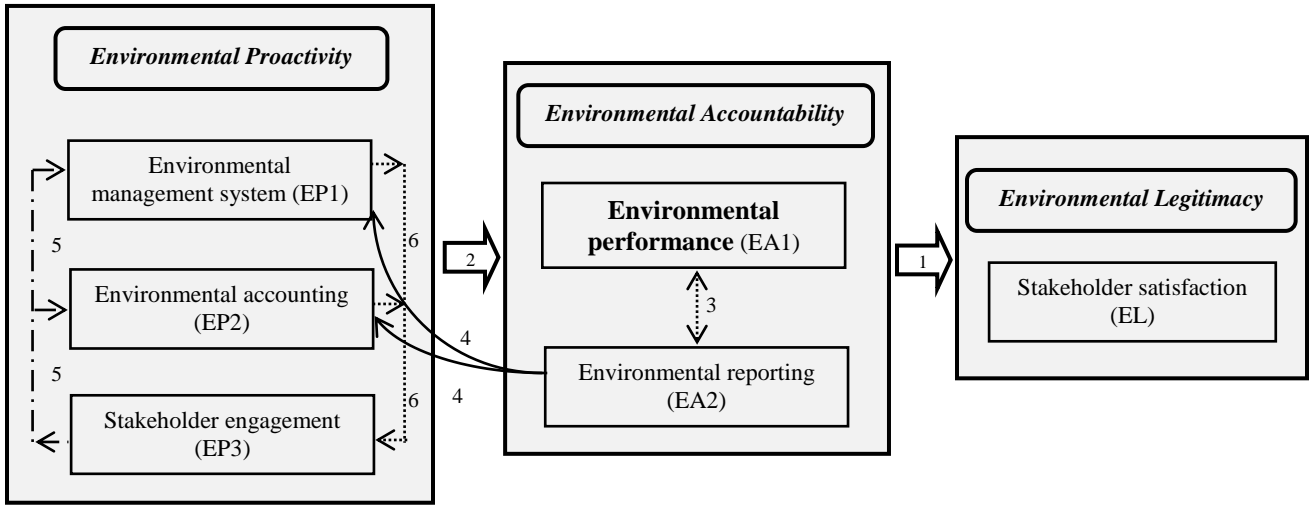
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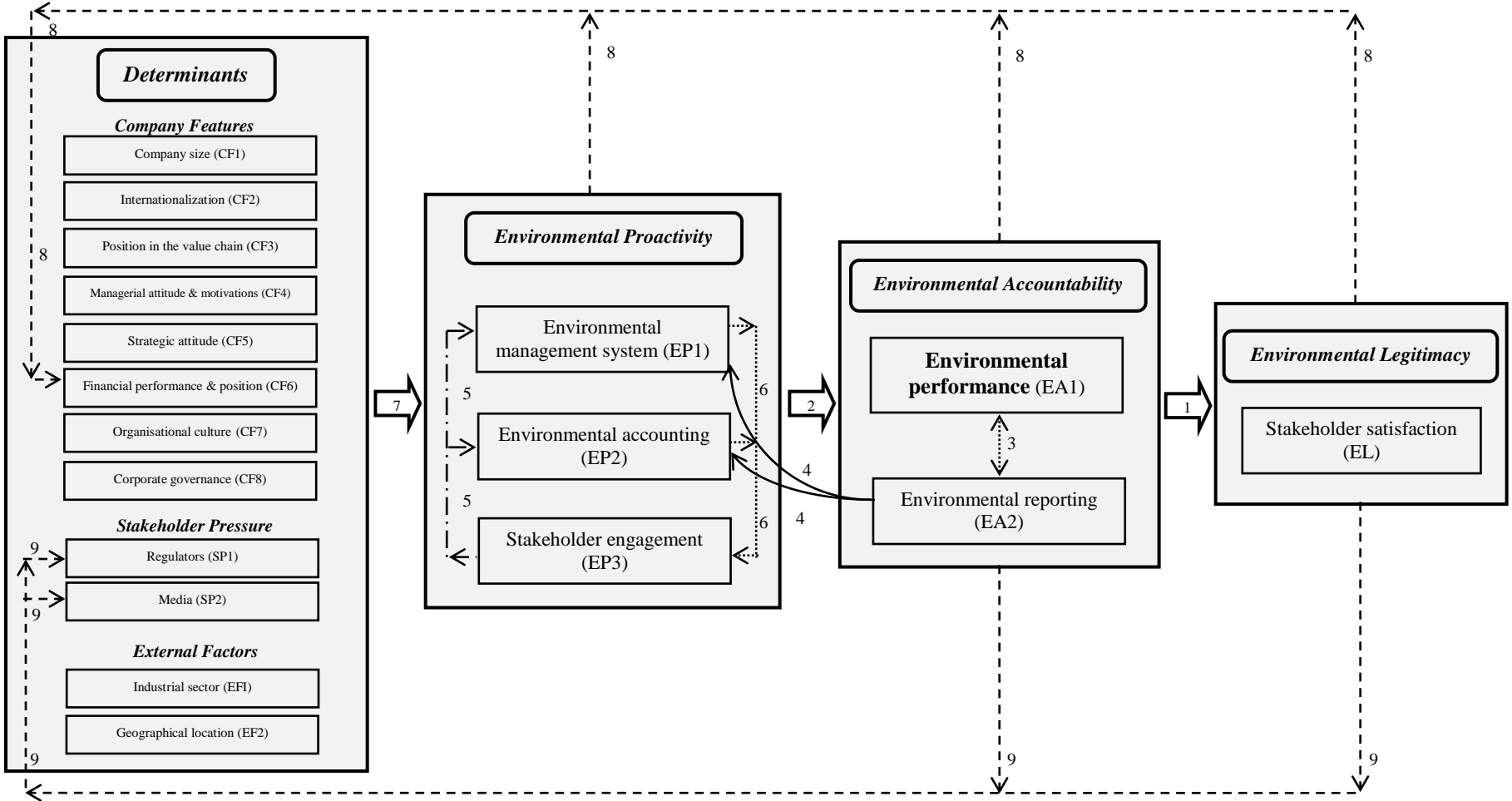


Notes:

¹ Arrows show direction of influence.

² Different arrows/lines (→,→, ->, ->) show relationships between components of the framework. These relationships are explained in the paper.

Figure 1. Framework for environmental legitimacy, accountability, and proactivity (ELAP).



Notes:
¹ Arrows show direction of influence.
² Different arrows/lines (\Rightarrow , $\cdots\Rightarrow$, $-\Rightarrow$, \rightarrow , $- \rightarrow$) show relationships between components of the framework. These relationships are explained in the paper.

Figure 2. The extended ELAP framework.