Environmental disclosures in a conservation organisation: An insider view

A thesis submitted in fulfilment of the requirements for the award of the degree of Doctor of Philosophy
by

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Abstract

The disclosure of environmental information by companies has attracted significant attention from accounting researchers over the past 30 years. The majority of this research has focussed on investigating the nature and quantity of environmental disclosures. Many questions remain unanswered, however, as to *how* and *why* companies choose to disclose environmental information. The investigation of these unanswered questions formed the basis of the research described in this thesis.

The three specific objectives explored in the research were to:

- understand the process of environmental disclosures operating within a conservation organisation
- identify the nature of and rationales for particular environmental disclosures made by the organisation
- observe the development of the environmental disclosure policy, media and content of the organisation as it underwent significant change.

The investigative approach adopted in the study identified a level of complexity associated with the process of disclosure that would have otherwise remained concealed. The techniques used in the investigation were processual, relying on multiple methods of data collection, analysis and interpretation. The study was an interpretive, field-based case study, exploring and monitoring the process of environmental disclosure within a single organisation over a period of 22 months.

Satisfaction of the research objectives found that:

- The organisation utilised a range of disclosure media to convey environmental information to external stakeholders.
- Significant organisational resources were allocated to the disclosure of financial environmental information.
- As a result of rapid organisational expansion, there was a shift over time in the targeted audience for the disclosures.
- A series of internal and external pressures were experienced by the organisation as a result of considerable change that impacted on the process of environmental disclosure.

Positioning the findings within a wider context of existing theoretical frameworks of, such as Laughlin's (1991) model of organisational change, Llewellyn's (1994) theory of boundary management and Burns' (2000) conceptions of power mobilisation, facilitated the understanding of the complex and dynamic process of change impacting on the environmental disclosures made. In addition, the motivations for environmental disclosures as a strategy for financial legitimisation were considered using Suchman's (1995) articulation of organisational legitimacy.

The results of this investigation and subsequent reflection on the results in the light of prior theoretical frameworks extend the existing knowledge and understanding of the motivations and actions associated with the disclosure of environmental information by a conservation organisation.

Declaration

This work contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

I give consent to this copy of my thesis, when deposited in the University Library, being made available in all forms of media, now or hereafter known.

Lisa Powell

2 MAY 2007

Date

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Environmental disclosures in a conservation organisation: An insider view

CHAPTER 1

Introduction

Since the early 1970s the natural environment has been increasing in importance as an issue of global concern. The disclosure of environmental information in corporate annual reports has also increased over that time. Despite a plethora of research over the past 30 years, many questions remain unanswered as to *how* corporate environmental information is gathered and *why* it is voluntarily disclosed to external stakeholders.[1] In this study, the process of environmental disclosure was explored from a unique perspective and the questions of *how* and *why* a particular organisation disclosed environmental information to external stakeholders was specifically addressed. As a result, previously undocumented findings are presented that shed light on an area of research that has, to date, been hidden from inquiry.

This chapter provides background and an overview of the thesis. The first section includes a summary of the context within which the study was developed. Following this, the key terms referred to throughout the study are defined. In the third section, the research objectives of the study are identified together with the specific research questions that formed the framework of the investigation. In the fourth and fifth sections the methodology and scope of the investigation is outlined. The final section provides an overview of the thesis.

1.1 Background

Attention was drawn to the problems facing humanity and the natural environment in the early 1970s when the Club of Rome published *The Limits of Growth* (1972).[2] Since then, a series of widely publicised international conferences addressing issues

[1] This study adopted the commonly used definition of a stakeholder as provided by Freeman (1984): ‘A stakeholder in an organisation is (by definition) any group or individual who can effect or is affected by the achievement of the organization’s objectives’ (p. 25).

[2] The Club of Rome was a group of scientists, economists, businessmen, international high civil servants, heads of state and former heads of state who pooled their different experiences from a wide range of backgrounds to come to a deeper understanding of the of the most crucial problems – political, social, economic, technological, environmental, psychological and cultural – facing humanity. Its mission was to act as a global catalyst of change that was free from any political, ideological or business interest. *The Limits of Growth* (1972) was the groundbreaking publication that identified the most serious social and environmental problems facing humanity (Club of Rome, 2001).

such as global warming and climate change have taken place (e.g. the Rio Earth Summit, 1992;[3] the Kyoto Climate Change Conference, 1997;[4] the Hague climate talks, 2000;[5] and the Johannesburg Earth Summit, 2002[6]). In addition, individuals and communities have voiced a widespread public outcry to environmental disasters such as the *Exxon Valdez*[7] in 1989 (Patten, 1992) and the Bhopal disaster in 1984.[8]

Coinciding with greater attention from the wider community to issues concerning the natural environment has been an increase in corporate environmental disclosures (ACCA, 2004; ASCPA, 1995; Deegan & Gordon, 1996; Mathews, 1997). This disclosure, however, does not appear to correlate with increased environmental performance (Freedman & Jaggi, 1982; Ingram & Frazier, 1980; Wiseman, 1982). In addition, the information disclosed in relation to the environment is predominantly good news (Deegan & Gordon, 1996; Guthrie & Parker, 1990) and there is a preference for the disclosure of qualitative rather than quantitative information (Deegan & Gordon, 1996; Gibson & Guthrie, 1995; Guthrie & Parker, 1990; Niskala & Pretes, 1995).

Several studies have explored the specific motivations for disclosing environmental information. Early investigations focussed on external reporting practices (Gibson &

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[3] June 1992 United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro, Brazil, to devise strategies to overcome the problems of environmental degradation and to promote sustainable and environmentally sound development in all countries (UNCED, 1992).

[4] December 1997 United Nations Framework Convention on Climate Change (UNFCCC) held in Kyoto, Japan, to set targets for greenhouse emissions by industrialised countries (UNFCCC, 1997).

[5] November 2000, Sixth Conference of the Parties to the UNFCCC climate change talks (COP 6, 2000).

[6] The World Summit on Sustainable Development, marking the 10 year anniversary of the 1992 Rio conference summit took place in Johannesburg, South Africa in September 2002, (Johannesburg Earth Summit, 2003)

[7] The Exxon Valdez oil tanker ran aground in the Prince William Sound off Alaska on the 24th of March 1989, spilling 232,000 barrels of oil. The environmental impact of this disaster was devastating to wildlife surrounding the area. The scale of the incident prompted the development of the Valdez Principles (later renamed the CERES Principles), a ten-point code of corporate environmental conduct to be publicly endorsed by companies that strive to improve their overall performance (CERES Principles, 2001).

[8] Dec 3, 1984, 40 tonnes of methyl isocyanate (MIC) gas leaked from a tank at Union Carbide India Ltd's Bhopal plant, contaminating the surrounding air, water and soil. Approximately 3,800 people died, and thousands of other individuals experienced permanent and partial disabilities (UCIL, 2006).

Guthrie, 1995; Niskala & Pretes, 1995) or the interaction between disclosures and investors (Freedman & Jaggi, 1986; Patten, 1990). In addition, there have been attempts to explore the theoretical rationales for social (defined as both social and environmental) disclosures, empirically testing single theories (Deegan & Gordon, 1996; Roberts, 1992). These early attempts to investigate the rationale for disclosure examined specific aspects of the disclosure process, but none considered the relationship as a whole. Wood (1991) noted this deficiency in relation to corporate social performance research by stating that:

> conceptual developments have not been systematically integrated with one another but usually treated as free standing implicitly competing ideas. (p. 691)

The majority of early empirical studies concerning environmental disclosures adopted a positivist approach to data analysis, often using content analysis and/or survey as the method of investigation (Deegan & Gordon, 1996; Gibson & Guthrie, 1995; Goodwin & Goodwin, 1996; Niskala & Pretes, 1995; Tilt, 1994). Whilst providing useful descriptive information, these methods provided neither:

> the power to deconstruct the implicit current practice nor the orientation to open up new agendas for social change – that requires a deeper questioning, analysis and theorisation. (Bebbington, Gray & Owen, 1999, p. 48)

More recent studies, such as those undertaken by Adams (2002) and O'Dwyer (2002), have responded to this challenge by adopting more insightful research techniques (i.e. interview) that allow for a greater contextualisation of findings. These studies have revealed new ideas and understandings relating to the disclosure of social and environmental information and have provided encouragement for this line of enquiry to continue.

Consistent with the desire to explore environmental disclosure in more detail, this study carried out a thorough investigation of the process operating within a single organisation. Using qualitative research techniques of participant observation and interview, the actions, outcomes and motivations (manifest and latent) employed by an organisation for the disclosure of environmental information were explored. The outcome of the investigation was to generate rich explanatory data pertinent to the revelation of new understanding and meaning.

The organisation selected for investigation had a core business of conservation. It underwent significant change throughout the period of investigation, including listing on the ASX. Investigation of the mechanics of environmental disclosure production from within an unusual and dynamic organisation using techniques of an interpretative, field-based case study directly addressed any shortcomings of previous research methods.

1.2 Defining the environmental disclosures made by a conservation organisation

The main focus of the study was the investigation of the environmental disclosures made by a conservation organisation. In order to assist in the interpretation of the findings of this study and eliminate potential confusion or misunderstanding, the terms 'conservation organisation' and 'environmental disclosure' were defined.

The organisation studied in this thesis was a conservation organisation. It was defined for the purposes of the study as one whose primary objective was the conservation and preservation of native fauna and flora.

Environmental disclosure has been referred to in the research as a subset of the wider term 'corporate social disclosure' (Adams, 2002; Freedman & Jaggi, 1982; Gray, Owen & Maunders, 1987; Ingram & Frazier, 1980; Wiseman, 1982). Corporate social disclosure is defined as:

> the process of communicating the social and environmental effects of organisations' economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organisations (particularly companies) beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders. (Gray, Owen & Maunders, 1987, p. ix)

'Social' disclosures are typically classified into such categories as environment, energy, human resources, products, and community involvement (Gray, Kouhy & Lavers, 1995b; ASCPA, 1995). Environmental disclosures typically include the effect of the operations of an organisation on the surrounding land, water and air quality and any steps taken to minimise harm or diminish the negative impact on the natural elements. In general, environmental disclosures refer to information concerning the natural environment that is affected by or affects the reporting organisation.

The opportunity to investigate environmental disclosures made by an organisation whose core business was conservation led to a reconsideration of the definition of environmental disclosure. The following section identifies changes to the commonly used definition of environmental disclosure needed to accommodate the investigation of disclosures of a conservation organisation.

In Australia, in accordance with the Statement of Accounting Concepts 2: Objective of General Purpose Financial Reporting (SAC 2) (AARF, 1990), a primary objective for the disclosure of information to external stakeholders is to provide information that is considered to be 'useful'[9] to users and to discharge accountability (SAC 2, paras 43 and 44). It is argued that the information most useful to external users is information that reports on the achievement of the organisation's objectives. The primary objectives of traditional (non-environmental) industry organisations are generally financial in nature (i.e. the maximisation of profits and increasing shareholder value). It is not surprising, therefore, to find the most prominent disclosures made by these organisations (both mandatory and voluntary) to be those providing information on the economic actions related to the achievement of those objectives, such as financial growth and increased economic performance.

In contrast, environmental disclosures appear to be of secondary importance and less prominent than financial disclosures. Environmental disclosures provide information about the organisation's impact on the natural environment but have no connection to the achievement of its *economic* objectives. They have not been used to provide a measure of success or failure of the organisation as a whole and would generally be included as a separate group of non-financial voluntary disclosures.

The primary objective of a conservation organisation is, by definition, intrinsically linked to the natural environment, such as the protection and preservation of flora or fauna, and extends to other 'environmentally friendly' objectives, such as waste minimisation or the production of 'clean' energy. The actions undertaken by a conservation organisation in the achievement of those objectives are, therefore, likely

[9]In this context, information is considered to be useful if it is relevant to making decisions necessary for the allocation of scarce resources (SAC 2).

to be environmental in nature. It would not be surprising to find a significant proportion of the overall disclosures made by such organisations to be environmental in nature, and the purpose of those disclosures to communicate the impact of the organisation on the natural environment whilst pursuing *both* its economic *and* environmental objectives. In contrast to the environmental disclosures made by an organisation operating in a traditional (non-environmental) industry, therefore, environmental disclosures made by a conservation organisation are more likely to communicate aspects of core organisational performance to external stakeholders. As such, it is anticipated that they would be accorded much greater prominence in the disclosure documents.

Consideration of the nature and purpose of environmental disclosures made by a conservation organisation led to the adoption of a broad definition of the term 'environmental disclosure' for this study. As such, it was defined as *the process of communicating the environmental objectives, actions and achievements of an organisation to external stakeholders*, and included such things as a statement of the organisation's environmental goals, environmental activities taken to achieve those goals, and the outcome or impact of implementing or undertaking those environmental activities. As a result of the alignment of the environmental and economic objectives of the organisation, it was anticipated that the information captured via this definition would convey indications of not only an organisation's environmental performance, but also its overall economic 'well-being'.

In summary, it is suggested that, for organisations operating in traditional industries, environmental disclosures appear to be a supplementary or minor group of disclosures, given lesser prominence and priority (in terms of disclosure status and resource allocation) than financial disclosures, whereas in a conservation organisation, environmental disclosures appear to be arguably more significant. They provide information related to the achievement of overall corporate objectives and are therefore likely to provide an important indicator of the viability and performance of the organisation in addition to its environmental impact.

1.3 Objectives

The study presented in this thesis involved an in-depth analysis of the entire process of external reporting from within a single organisation. The focus of the investigation was provided by three research objectives identified from a review of the existing literature on environmental disclosures (see chapter 2). These research objectives are stated below, together with the questions that were specifically investigated as a means of satisfying the overall research objectives.

The first research objective was to provide a rich description and a deep level understanding of influences and processes involved in the production of environmental information for external reporting in a conservation organisation. The combination of inconclusive prior research resulted in the establishment of this objective.

The increase in the quantity of corporate environmental disclosures both within Australia and overseas has been well documented in the literature (Gamble, Hsu, Kite & Radtke, 1995; Gray, Kouhy & Lavers, 1995a; Niskala & Pretes, 1995). The majority of prior studies used data analysis techniques of content analysis and survey with limited insight provided into the actions and rationales adopted within the organisation. Insufficient investigation had been undertaken into the *production* of environmental disclosures (i.e. what steps are involved) and possible *motivating factors* (Mathews, 1997; Adams, 2002).

This study provides information to assist in understanding the process of environmental disclosure in an organisation that was particularly sensitive to environmental issues. Identifying and describing all of the external environmental disclosures made by such an environmental organisation and the processes undertaken to prepare those disclosures, as well as the possible influences that may impact on those processes, was a means of offering insight into a relatively under-explored aspect of environmental disclosure research.

Several specific questions provided the means for identifying the data necessary to achieve this objective. These questions were as follows:

- What types of environmental disclosures were made by the organisation and where and in what form did they appear?
- What was the process of producing those environmental disclosures?
- Who were the actors involved in the process?
- How did they decide what information should be disclosed?
- How did they decide where and how it would be disclosed?
- What processes of information production (formal and informal) were employed?
- What were the underlying pressures/influences that appeared to influence the disclosure decisions that were made (e.g. financial, owners/managers, shareholders, legislators, media etc)?

The second objective of the study was to penetrate the nature of and rationales for particular environmental disclosures in this conservation organisation and to reveal previously unspecified conceptions of the process of environmental disclosure. Consideration of the priority and impact of environmental issues in relation to the organisation's key objectives and the identification and exploration of their influence on the disclosures made by the organisation were the means selected to achieve this objective.

The environmental disclosure literature revealed a propensity for the investigation of larger public companies operating in environmentally sensitive industries (e.g. often from mining and chemical industries) (Adams, 2002, 2004; Deegan, Rankin & Tobin, 2002; Milne & Patten, 2002; Unerman, 2000; Wilmshurst & Frost, 2000). Traditionally, the primary objective of such organisations had been the provision of maximum financial return for shareholders (O'Dwyer, 2003). Investigation of the environmental information produced by a conservation organisation, which was focussed on maximising environmental rather than financial return, may reveal new insights into the nature and rational of disclosures made and underlying decision-making process involved.

Further insight into the disclosure process was also sought via the exploration of the homogeneity of environmental issues in terms of disclosures produced. A distinctive feature of the organisation selected for investigation was its experimentation with financial environmental accounting methods and disclosures (see Chapter 4). It was hoped that investigation as to whether or not distinctions were made to award priority to such environmental issues at the expense of others would extend the existing knowledge and understanding of this topic.

The specific research questions that formed the basis of data collection in relation to the second objective were:

- What were the key objectives of the organisation?
- How important did environmental issues in general appear to be to the organisation?
- What were the specific environmental issues of concern to this organisation?
- What impact did these issues appear to have on the decision-making process for environmental disclosures?
- Did the organisation ignore environmental issues that were outside the scope of their main area of interest?

The third research objective of the study was to observe the development of environmental disclosure policy, media and content in the early stages of a conservation organisation's corporatisation. Consistent with the notions of organisational change offered by Laughlin (1991), Dawson (1994) and Burns (2000) (see chapter 2), it was hoped that studying the change process from within an organisation would provide a unique opportunity to reveal the motivations, actions and reactions influencing the disclosures made. It was also anticipated that the investigation of an organisation undergoing significant corporate change would result in research findings that would make a significant contribution to an area currently lacking in empirical data.

The organisation chosen for the investigation had, at the commencement of data collection, recently listed on the ASX. Access to the organisation was therefore timely. The public listing of an organisation is a major event in its life in terms of growth and change. Identifying and describing the process of change experienced by the organisation provided the opportunity to gain additional insight into the motivating factors influencing the production of environmental information.

The specific research questions investigated in relation to the third research objective were:

- How did the organisation change over the period of the investigation?
- What were the changes to:
  - organisational structures?
  - systems, including reporting systems?
  - human resource policies?
  - organisational culture?
- What were the possible reasons for these changes?
- How did these changes impact on or influence the environmental disclosures?

1.4 Methodology

The study involved exploring the process of environmental reporting from within a single organisation via the collection and interpretation of data from primary sources. The methodology adopted was that of an interpretive, in-depth, field-based case study.

The rationale for undertaking an *interpretive* study was based on the assumption that 'reality' is a construction in the mind of the individual and that research findings are a social creation of the inquiry process involving interaction between the researcher and those included in the study (Guba & Lincoln, 1998). The most appropriate research method for use in this study was one that would facilitate the understanding of the underlying tensions that impacted on the production of organisational artefacts. The analysis and interpretation of a wide range of evidence collected would best achieve this result.

The implementation of a *field-based* case study (Ferreira & Merchant, 1992) was justified by considering the nature of the research questions that formed the basis for the study. These questions were formulated after reviewing the literature in the area of environmental disclosures. Revealed was a distinct lack of research into the nature of, rationale for, and production of external environmental disclosures from *within* organisations. The primary research questions were therefore based on *describing*, *exploring* and *explaining* the process of environmental disclosures from within an organisation. Such questions required a field-based approach for adequate investigation. The aim of the data collection process was to access primary sources of evidence from observations, interviews and the analysis of managerial documents, to enable the formulation of plausible explanations for the processes involved in producing external disclosures from within an organisation.

The identification of a *single site* to be used as the source of data collection enabled an in-depth investigation to be conducted (Yin, 1994). It was considered important that a single site be investigated in as much detail as possible so that a thorough understanding of the case might be derived. To identify and understand the processes, relationships and behaviours that have been previously hidden from large-scale survey research approaches was a primary objective of the study.

The particular site to be investigated was selected for several reasons. First, it was a publicly listed organisation and was therefore required to disclose certain information to its external stakeholders under Australian Accounting Standards, Corporations Law and ASX rules. Second, it was a leading Australian conservation organisation directly focussed on the environment, and was likely to have strategies and formal processes for considering environmental issues for disclosure to its external stakeholders. Third, the period of investigation was early in the development of the public corporation, therefore providing an opportunity to observe unique events in its history. Fourth, the location of the organisation allowed a sufficient and appropriate amount of time to be spent engaged in the process of data collection in the head office.

1.5 Scope

The research described in this thesis focussed on describing, exploring and explaining the production of environmental disclosures by an organisation for its external stakeholders. As indicated earlier in this chapter, the most effective method for achieving this objective was to thoroughly investigate the process of external disclosure from within one organisation. This involved the identification of the actors involved, the decision-making methods adopted and the related motivational factors for the production of environmental disclosures by the organisation.

Collection of reliable evidence that would enable the determination of an adequate explanation of the processes involved required data to be gathered from the site for a full financial cycle. Access to the case site was granted from March 2000 until February 2002. Throughout that time, the majority of decision-making meetings that related to external disclosures were observed, including monthly board, management and subcommittee meetings and various staff training sessions. In addition, six employees were interviewed, numerous informal discussions held on site and a variety of documentation and archival records reviewed. The majority of data collected was qualitative in nature and from primary sources. In addition, a wide range of data generated by the media (i.e. newspapers, television) was also examined. These systematic and thorough methods of data collection produced sufficient evidence to enable a plausible and defendable explanation of the process of environmental disclosures by a single organisation to be constructed.

1.6 Outline of thesis

The structure of the thesis is as follows. Chapters 1 to 4 provide the background and context for the study. Chapter 1 serves as an introduction and provides an overview to the reader as to the nature and scope of the study. It provides an explanation as to why and how this study was undertaken and includes the specific objectives that formed the focus of the study. Chapter 2 presents a review of the relevant literature in the area of environmental disclosures, and consequently identifies gaps in the literature, which created the justification for undertaking this study. The third chapter describes and explains the research methodology adopted in the study in general terms and outlines the particular design of this study, including the research questions adopted, the site to be investigated, and the methods of data collection and analysis used. Chapter 4 describes the organisation under investigation, including its history and development, unique features and achievements.

In chapters 5 to 8 the data that was collected is presented and analysed. In chapter 5, the key features of the voluntary environmental disclosures made by the particular organisation are identified and the results of the quantitative and qualitative analysis undertaken are revealed. In chapter 6 the specific group of environmental disclosures that were considered to be of particular significance to the organisation are identified and described. In chapter 7, the process of change through which the organisation journeyed over the period of the investigation is documented, and the influence and impact of that dynamic on the process of disclosing environmental information is revealed. In chapter 8 the two key managerial groups that emerged as a result of the corporatisation of the organisation are identified and the tensions between them are considered. In this chapter the impact of their rivalry on the process and procedure of disclosing environmental information is also explored.

In the final chapter, chapter 9, evidence is presented to satisfy the research objectives of the study. Theoretical rationales and explanations for the process of environmental disclosure are also considered.

Environmental research and theory

The environmental accounting literature has been vast and varied over the past 30 years (Mathews, 1997; Gray, 2002; Parker, 2005). In the studies undertaken, the practices and processes associated with social and environmental accounting have been viewed through a variety of theoretical lenses. Despite the nature and extent of research carried out, however, there remains a lack of contextual theorisation of data within the field.

A staple component of social and environmental accounting research has been the exploration of the manner in which companies choose (or not) to communicate environmental information to their external stakeholders. As a result, a degree of understanding has been established as to *what* corporate environmental information is disclosed and, to a limited extent, *where* it may be found. However, many questions remain unanswered as to *how* and *why* the information is both gathered and revealed to stakeholders external to the organisation.

Aspects of the disclosure process that could be expanded are the potential range of media and methods of investigation. In the past the annual report has provided a popular and convenient source of empirical evidence. The techniques used for investigation in much of this research (i.e. content analysis and survey questionnaire) and limited data sources (only the annual report) have allowed only basic linkages between possible motivations and outcomes. Aspects of the disclosure process that have remained absent from much of the prior research have been the influence of organisational change and the involvement of key actors within the organisation. More recent studies have utilised techniques (such as interviews) that have allowed a more 'in-depth' analysis to be undertaken (Adams, 2002; O'Dwyer, 2002, 2003), but have still failed to reveal the all of the complexities associated with the process of disclosure. As a result, opportunities exist to gain greater insight and understanding as to *why* and *how* companies choose to communicate environmental information to their external stakeholders. The following provides an overview of the literature that informed this study and assisted in determining the key research questions.

2.1 An overview of research into environmental disclosures

Corporate social reporting is becoming a vital component of companies' core business and a determinant of future competitiveness (Commission of the European Communities, 2002). Of the broader terms, such as 'social', 'ethical' or 'sustainability' reporting (ACCA, 2004; Adams, 2002, 2004), environmental reporting is the most commonly reported subset. Research into the social reporting practices undertaken by companies both in Australia and overseas over the past two decades indicated an overall increase in the quantity of environmental reporting (ACCA, 2004; Deegan & Gordon, 1996; Freedman & Jaggi, 1982; Gamble et al., 1995; Gibson & Guthrie, 1995; Gray, Kouhy & Lavers, 1995a; Gray, Walters, Bebbington & Thomson, 1995; Guthrie & Parker, 1989, 1990; Niskala & Pretes, 1995; Patten, 1992, 1995; Tilt, 1994; Tinker, Lehman & Neimark, 1991; Vyakarnam, 1992; Wiseman, 1982).

Over the years there has been an abundance of research into the nature and content of environmental reporting (Adams, 2002, 2004; Al-Tuwaijri, Christensen & Hughes, 2004; Campbell, Craven & Shrives, 2003; Deegan, Rankin & Tobin, 2002; Freedman & Stagliano, 2002; Hammond & Miles, 2004; Holland & Foo, 2003; Kuasirikun & Sherer, 2004; Milne & Patten, 2002; O'Donovan, 2002; Patten, 2002; Soloman & Darby, 2005). In a number of studies the increase of environmental disclosure is evidenced (Deegan & Gordon, 1996; Gamble et al., 1995; Gray, Kouhy & Lavers, 1995a; Niskala & Pretes, 1995). Gray, Kouhy & Lavers (1995a) undertook a content analysis of the top 100 UK companies' annual reports from 1979 to 1991 and found a pattern of increasing voluntary disclosure of environmental information, particularly since the mid 1980s. Gamble et al. (1995) undertook a content analysis of environmental disclosures in 10K statements and annual reports for 234 US companies in 12 industries from 1986 to 1991. They found an increase in total annual report disclosures since 1989. Niskala and Pretes (1995) analysed changes in corporate environmental reporting practices among large Finnish firms between 1987 and 1992 in the most environmentally sensitive industries and found there was a marked increase in environmental reporting. Deegan and Gordon (1996) looked at a random sample of 25 Australian firms across 16 industries during the period 1988 to

1991 and found that, whilst the amount of environmental disclosures were typically low, there was nevertheless a significant increase in the quantity of disclosures made over the period.

The majority of studies investigating environmental disclosures have focussed on the annual report as the source of their data (Deegan & Gordon, 1996; Freedman & Jaggi, 1982; Gamble et al., 1995; Gibson & Guthrie, 1995; Gray, Kouhy & Lavers, 1995a; Guthrie & Parker, 1989, 1990; Niskala & Pretes, 1995; Patten, 1992, 1995; Tilt 1994; Tinker, Lehman & Neimark, 1991; Vyakarnam, 1992; Wiseman, 1982). The rationale for the frequent use of the annual report is supported by claims that it is a common source of environmental information and is the most actively sought source of information by Australian environmental groups (Tilt, 1994). In addition, it is a major source of information for decision-making purposes by various user groups (Deegan & Rankin, 1997). Interestingly, Epstein and Freedman (1994) conducted a survey to test shareholders' attitudes to the usefulness of annual reports and found that they are interested in having companies disclose environmental information. However, they did not explore whether the annual report is the best or only place from which shareholders could receive this information.

A few studies have investigated the disclosure of environmental information in media other than the annual report. The rationale for this line of investigation stems from the notion that an exclusive focus on annual reports:

> may result in a somewhat incomplete picture of disclosure practices.
> (Roberts, 1991, p. 63, reproduced in Unerman, 2000, p. 670)

For example, Zeghal and Ahmed (1990) investigated social information disclosure via company staff newspapers, press releases, newspapers, television and radio advertising and company brochures. The reasons for using media other than the annual report to disclose social information included the ability to reach an audience wider than shareholders (typical of annual report recipients), the timeliness of the information (annual reports are produced annually), and the costliness of producing the annual report (other forms of disclosure may be less expensive than the annual report). Zeghal and Ahmed (1990) also found that brochures were a more popular source of disclosing environmental information in Canadian petroleum companies than the annual report.

Unerman (2000) examined a wide range of corporate reports from Shell using content analysis, and found that focussing solely on the annual report may result in a less than thorough understanding of the range and content of the social responsibility practices undertaken by the organisation. He found greater social responsibility disclosures in sources other than the annual report and that the quality of reporting was not consistent between the documents. This study provided justification for the widening of sources of input for future studies of content analysis beyond corporate reports.

Research shows that environmental disclosures do not necessarily correlate with environmental performance, and where a relationship has been found between the two, they appear to be inversely related. There have been several studies that have reported no significant relationship between actual performance and levels of disclosure in relation to environmental issues. Ullmann (1985) reported on several studies that compared pollution performance rankings made by the Council on Economic Priorities (CEP) and disclosures in annual reports (Freedman & Jaggi, 1982; Ingram & Frazier, 1980; Wiseman, 1982) and 10K reports (Freedman & Jaggi, 1982) and found no correlation. Freedman and Wasley (1990) also investigated the relationship between actual firm environmental performance (using CEP rankings) and environmental disclosures in the annual report and the 10K report for firms from four highly polluting industries (steel, oil, electric utilities, and paper and pulp), and found that the only significant correlations with annual report disclosures were in the oil industry and with 10K disclosures in the steel and electric utility industries. More recent investigation of the relationship between environmental performance and disclosures undertaken by Patten (2002) has found a negative relationship, such as higher levels of toxic release (adjusted for firm size) being associated with higher levels of environmental disclosure (measured using content analysis and financial report line count).

Currently in Australia, there are few regulations in terms of environmental disclosures.[10] The majority of external disclosures are therefore voluntary. Where

[10] Section 299 of the Corporations Law requires the disclosure of the impact on environmental regulations in the directors report. The Minerals Code requires all signatories to disclose certain environmental information.

information has been disclosed voluntarily, there appear to be similarities in the type of information disclosed. Most of the environmental information disclosed by organisations in Australia and internationally is qualitative rather than quantitative (Deegan & Gordon, 1996; Gibson & Guthrie, 1995; Guthrie & Parker, 1990; Kirkmam & Hope, 1992; KPMG 1992; Niskala & Pretes, 1995). Guthrie and Parker (1990) found that in the UK and US there was a mixture of financial and non-financial disclosures, but that in Australia there were more non-financial disclosures. Gibson and Guthrie (1995) found that, in Australia, voluntary environmental reporting was mainly qualitative, with little reporting of quantified environmental performance. Deegan and Gordon (1996) also found the environmental disclosures in their sample of 197 Australian firms to be largely qualitative in nature. Niskala and Pretes (1995) studied disclosures in large Finnish firms between 1987 and 1992 and found from the content analysis of the annual returns that most of the disclosures were qualitative.

Where environmental disclosures are voluntary, corporations tend to disclose only good news. Guthrie and Parker (1990) and Deegan and Gordon (1996) both found this to be true for Australian companies. Guthrie and Parker (1990), in their international analysis of corporate social disclosure practices in large listed companies in 1983, found that a significant proportion of 'bad news' was the result of governmental or professional requirements. Australian companies (for whom environmental disclosures are voluntary) were found to only disclose 'good news' in relation to the environment. Deegan and Gordon (1996) supported this finding in their analysis of disclosure practices of Australian corporate entities. They found that in a sample of annual reports for the 1991 financial year, environmental disclosure practices were self-laudatory, with companies promoting positive aspects of their environmental performance, but failing to disclose negative aspects:

> it would appear that corporate managements consider that the benefits from appearing to be objective are more than offset by potential negative effects that may result from the disclosure of negative information.
> (Deegan & Gordon, 1996, p. 190)

If the purpose of disclosing of environmental information is not to convey accurate information about environmental performance, there must be other motivating factors. These factors, presumably, would also determine the quantity and location of environmental disclosures.

It is clear from the above evidence that corporations are disclosing more environmental information. What is not clear is the selection of environmental information disclosed and why only certain disclosures have been made. The following will explore rationales for making environmental disclosures.

2.2 Exploring the reasons for environmental disclosures

Not all organisations disclose environmental information and, for those that do, the nature and content of the disclosures vary (Gray et al., 1995). Why organisations become sensitive to environmental issues and respond with the disclosure of information is a question that has been explored without a consensus being reached.

Several possible reasons for the disclosure of social responsibility information have been suggested (Trotman & Bradley, 1981). Research has found evidence for the demand for social responsibility information (Freedman, 1993) and that such information is valued by investors for decision-making (Epstein & Freedman, 1994; Guthrie & Parker, 1990; Patten, 1990; Deegan & Rankin, 1997). Other research has found that management is self-interested and undertakes voluntary disclosure of social responsibility information to increase share prices and decrease government intervention (Watts & Zimmerman, 1978). Studies have found that the incentive of winning an award (e.g. Australian Institute of Management), and therefore maximising the value of the firm due to favourable publicity (Deegan, Geddes & Staunton, 1996), is a motivating factor in the disclosure of social responsibility information.

Other motivations explored in the research include organisational characteristics such as organisation size and industry type. A positive relationship has been found between each characteristic and the quantity of environmental disclosures (Cowan, Ferreri & Parker, 1987; Deegan & Gordon, 1996; Trotman & Bradley, 1981). Trotman and Bradley (1981) studied 207 Australian companies and found a positive relationship between the size of the companies (measured in total assets and sales volume) and the amount of social responsibility information disclosed. Cowan, Ferreri and Parker (1987), in a study of US companies, also found that the larger the corporation, the greater the quantity of environmental disclosure made. The relationship between firm size and voluntary environmental disclosures in Australian companies was tested again by Deegan and Gordon (1996), who found that for companies operating in environmentally sensitive industries, there is a relationship between the size of the firm and the level of environmental disclosures.

Studies looking at correlations between industry type and environmental disclosures have found that companies operating in environmentally sensitive industries are more likely to include a greater quantity of environmental disclosures in the annual report. Patten (1992) found that following the *Exxon Valdez* disaster of 1989, the other oil companies in the US Fortune 500 significantly increased the level of environmental disclosures in their annual accounts. Deegan and Gordon (1996) argued that:

> the more environmentally sensitive a firms' industry (that is the greater attention an industry is receiving from environmental lobby groups), the greater the incentive for the firm to disclose some form of positive environmental information. (p. 194)

Gamble et al. (1995), in their content analysis of annual reports for 234 US companies, found that environmental disclosures in certain industries were significantly greater than others. Those higher disclosure industries were all environmentally sensitive (petroleum refining, hazardous waste management and steel works and blast furnaces).

Not all organisations choose to disclose environmental information. Gray et al. (1995) conducted a series of semi-formal interviews in the UK and New Zealand and a survey of 181 financial directors of UK companies in *The Times* 1,000 companies, and found a general resistance to environmental disclosure. Their dominant reasons for non-disclosure were:

- the absence of any demand for the information
- the absence of a legal requirement
- perceptions that the costs outweigh the benefits
- their organisation had never considered it.

More recently, O'Dwyer (2002) interviewed 29 senior executives in Irish public limited companies in relation to their motivations for undertaking corporate social disclosure and found that many companies avoid the disclosure of social information due to scepticism on the part of management as to its effectiveness as a communication tool.

Despite the existence of a significant quantity of environmental disclosures in corporate documents and the plethora of research undertaken, environmental disclosures remain of inferior quality and the reasons for disclosure are poorly understood. The results of these studies appear to indicate that there is a relationship between the characteristics of the organisation and levels of social disclosure. Trends and associations have been found to exist, but they do not provide any theoretical explanation or underpinning of the relationship, and it is still not clear what the influencing factors are.

2.3 Theoretical offerings

There have been several descriptive theories proposed in the literature attempting to explain corporate social responsibility (CSR) disclosure practice (Gray, Owen, & Adams, 1996). Those most widely employed in the current literature are political economy theory, legitimacy theory and stakeholder theory. Gray, Owen, and Adams (1996) suggest that rather than being separate, these theories are in fact closely linked, with many common aspects. Underlying each of these theories are the assumptions that:

- the primary focus of management is the control of their organisation and that social and environmental disclosures will only be used to aid this control
- management will only respond to social and environmental disturbances when significant outside pressure is exerted on the organisation
- management is not interested in promoting transparency and accountability (Gray, Owen & Adams, 1996, p. 49).

These theories are still in the process of development, with no single theory as yet dominating the literature. What follows is a brief summary of these theories and some of the research findings surrounding them.

2.3.1 Political economy theory

Political economy theory analyses social responsibility disclosures in the context of the social, political and economic framework within which the corporation is operating (Gray, Owen & Adams, 1996). It assumes that levels of disclosure are affected by the societal relationships that influence the corporation and the relative concentrations of power within the community (Cooper & Sherer, 1984).

There are two variants on political economy theory, 'classical' (Marxian political economy) and 'bourgeois' (Gray, Owen & Adams, 1996, p. 47). A classical political economy makes 'sectional (class) interests, structural inequity, conflict and the role of the State' (Gray, Owen & Adams, 1996, p. 47) integral to its analysis. Bourgeois political economy, on the other hand, takes these things for granted and does not include them in the analysis. Bourgeois political economy perceives the world as essentially pluralistic, with private property, competition and the utilitarian concept of groups of individuals maximising their common interests central to its analysis (Held, 1987, p. 188). It is the political system that operates in the western world. The discussion here will focus on a bourgeois political economy as it is assumed it is the economy within which the corporation would be operating for the purpose of this study.

This view of bourgeois political economy is consistent with the view of the dominant social paradigm (DSP) in industrial societies explained by Keene (1998). It is described by Keene (1998) as the technocratic-industrial DSP, and:

> the beliefs and values of this DSP include the desirability of unlimited economic growth, the legitimacy of exploiting nature, a faith in science and technology, an emphasis on individualism, competition, efficiency, private property rights and a market economy, as well as a mechanistic, reductionistic and dualistic conception of the universe. (1998, p. 3)

Corporations operating within a bourgeois political economy would disclose environmental information so as to appear to be responding to environmental pressure groups, while their real motivation would be to avoid interference whilst continuing to pursue the goal of maximising profits. It is assumed that companies use social and environmental disclosures as a means of justifying their actions, minimising intervention and maintaining control within the community. Bourgeois political economy is the framework within which legitimacy theory and stakeholder theory are said to operate.

It appears from the literature that political economy theory should be further investigated in relation to social and environmental disclosure practices (Arnold, 1990). Gray, Kouhy and Lavers (1995a) also provide scope for further investigation of political economy theory. Their findings indicate that the theory is too under-specified to provide confident predictions of changes in voluntary reporting practices.

2.3.2 Legitimacy theory

Legitimacy theory has been described as one of most commonly utilised 'augmentation theories' (Parker, 2005, p. 846) of environmental accounting that have been used to explain the disclosure of corporate social and environmental information. As stated in Gray, Kouhy and Lavers (1995a), legitimacy is a condition that exists when the values of the corporation correspond with the values of the social environment within which the corporation operates. This notion is underpinned by the idea that corporations are dependent on the society in which they operate for survival. Without the support of societal stakeholders, an organisation will be deprived of the resources necessary for its ongoing operation. The relationship between a corporation and the society in which it operates is referred to as a 'social contract' (Mathews, 1993, p. 26), a notional arrangement which must remain intact for an organisation to continue to operate.

When there is a gap between society's expectations for corporate behaviour and society's perceptions of corporate activities, there is a threat to the corporation's legitimacy, and it will act to decrease the gap (Gray, Kouhy & Lavers, 1995a). Reasons for the gap could be a change in societal expectations (e.g. evidence of the harmful effects of asbestos) or the emergence of new information concerning the corporation's activities (e.g. evidence that a well respected company is polluting the environment).

One of the most frequently cited explanations of legitimacy is that of Lindblom (1994), who argued that when an organisation is facing a threat to its legitimacy, it may employ one of four strategies (depending on the reason for the gap) in order to eliminate the threat. These strategies are summarised as follows:

- attempt to change the organisation's behaviour so that it is more in line with performance and activities that are considered to be 'legitimate'
- attempt to change public perceptions of the organisation's behaviour so that a gap in legitimacy is no longer identified
- distract attention away from the legitimacy gap, so that it is no longer the focus of public attention
- attempt to change public perceptions of what are considered to comprise 'legitimate' performance and activities.

An alternative and arguably more complex rendition of the process of legitimacy is found in Suchman's (1995) article on managing organisational legitimacy. He identifies two main categories of legitimacy: 'strategic' (i.e. looking at the ways in which management within specific organisations evoke societal support via techniques of manipulation) and 'institutional' [i.e. investigating 'the ways in which sector-wide structuration dynamics generate cultural pressures that transcend any single organisation's purposive control' (Suchman, 1995, p. 572)]. It is argued that these categories can further be divided into three subcategories: 'pragmatic', based on what actually happens in practice; 'moral', based on a subjective 'assessment of what should happen'; and 'cognitive', based on what is understood and expected to happen within an organisation (Suchman, 1995, p. 577). Further to this, it is claimed that managerial activities can affect the ways in which the activities undertaken by an organisation are perceived as desirable, proper, and appropriate within any specific context and that strategies for 'gaining, maintaining and repairing legitimacy' may be identified (Suchman, 1995, pp 587-599).

Strategies identified for gaining, maintaining and repairing the legitimacy of an organisation under Suchman's (1995) classification include the following strategies for gaining legitimacy:

- conforming to societal expectations
- selecting an audience that is accepting of the actions and processes of the organisation
- manipulating the opinions held by the audience so that they conform to the actions and processes of the organisation (Suchman, 1985, pp. 587-593).

Strategies for maintaining legitimacy include the following:

- anticipating audience reactions to future changes
- reinforcing the 'legitimacy' already associated with the actions and processes of the organisation (Suchman, 1985, pp. 594-596).

Strategies for repairing legitimacy include:

- providing an account of the concerning action or process to prevent misunderstanding
- restructuring the organisation to eliminate 'illegitimate' actions or processes
- remaining sensitive to response of the audience but avoiding 'overreacting' (Suchman, 1985, pp. 597-599).

Common to all strategies undertaken by organisations to 'legitimise' themselves is the communication of information between the organisation and its societal audience. The manner and means that organisations adopt in the disclosure of environmental information as a legitimisation 'tool' has formed the basis of many studies.

Studies conducted over many years have found evidence supporting legitimacy theory as a rationale for corporate social and environmental disclosures (Guthrie & Parker, 1990; Deegan & Gordon, 1996; Deegan, Rankin & Tobin, 2002; O'Donovan, 2002; Patten, 1995). Guthrie and Parker's (1990) study of BHP's social disclosure practices in the company's annual report (of which environmental disclosure was a component) during the period 1885-1985 found support for legitimacy theory as justification for environmental disclosures (but not for other social disclosures). In addition, they found that Australian companies only disclosed good news about the environment in an attempt to demonstrate that they were responding to 'social pressure and [attempting to] avoid further regulation'. As a result, they were able to 'pacify' demands from the wider community for improved environmental performance 'whilst attempting to win or maintain support from particular targeted constituencies' (Guthrie & Parker, 1990, p. 65). This type of activity appears to be consistent with a legitimisation action on the part of the organisation.

Further support for legitimacy theory was found by Deegan and Gordon (1996), who used legitimacy theory to explain the increase in corporate environmental disclosures in Australia between 1988 and 1991. They found that the period of increased disclosures corresponded to the period representing the largest change in lobby groups' membership. They suggest that there may have been a change in what society perceived as 'legitimate', leading to a greater emphasis on environmental management. Patten (1995) also found a relationship between public pressure on business and social disclosures, which is consistent with legitimacy theory arguments for social disclosure. He found that the more pressure there is from the public about social issues, the more information a company will disclose.

A study undertaken by Deegan, Rankin and Tobin (2002) updates the work of Guthrie and Parker (1989). In the Deegan, Rankin and Tobin (2002) study, the corporate social and environmental reporting of BHP Ltd was examined over a period of 15 years from 1983 to 1997. The relationship between the social and environmental disclosures made in the annual report and the extent of media attention attracted by BHP Ltd was examined. It was found that there was a significant positive correlation between media reports and environmental reports. In addition, it was found that positive environmental information was released by management in response to unfavourable attention by the media.

The notions of gaining, maintaining and repairing legitimacy documented in Suchman (1995) are explored in O'Donovan (2002). In this study, semi-structured interviews were conducted with senior personnel from three large Australian public companies in a 'quasi-experimental method' (p. 344) to investigate the extent to which annual report disclosures were interrelated with specific legitimisation strategies. It was found that legitimacy theory could be used to explain the disclosure of environmental information.

Studies that have found less convincing evidence for the use of legitimacy theory as a rationale for corporate environmental disclosures include those of Milne and Patten (2002) and O'Dwyer (2002). In these studies, the complex nature of the notion of an organisation being able to legitimise itself is considered. As a result, questions have been raised regarding the action and interaction that occurs between the disclosures undertaken by an organisation and their intended audience.

Within the context of the chemical industry in the USA, Milne and Patten (2002) found inconclusive evidence for the legitimisation of an organisation to investors via the implementation of 'particular impression management or disclosure strategies' (p. 393). O'Dwyer (2002), in his study of managerial perceptions of corporate social disclosure in the Ireland, concluded that a state of organisational legitimacy is 'rarely attained' (p. 426). He found that it was not possible to claim that corporate social disclosures played a significant role in engaging public acceptance of an organisation. He also noted that, due to the scepticism with which corporate social disclosures may be viewed, some companies have refrained from the practice.

The theoretical perspectives of political economy theory and legitimacy theory provide a useful framework for studying the process of environmental disclosure, but they have not been developed sufficiently to provide a thorough understanding of that process (Gray, Owen & Adams 1996). Next, the interrelationships between the perspectives of legitimacy theory and stakeholder theory will be clarified to better understand of the process of environmental disclosure.

2.4 A question of expectations

Legitimacy and stakeholder theories are similar in that they are both looking at the relationships between relevant users and the corporation. However, they each view this relationship from different perspectives. Stakeholder theory looks at the power and influence of various specific pressure groups on the corporation, whereas legitimacy theory looks at the differences between society's expectations and perceptions of the corporation. Both incorporate the concept of the social responsibility an organisation has to its stakeholders as an explanation for corporate social actions or behaviour.

Three levels of corporate social responsibility (CSR) are identified by Wood (1991) in her model of corporate social performance. They can be used to identify and explain possible motivations for actions taken by an organisation in response to social issues. The levels of CSR identified by Wood (1991) are:

- the institutional level, which refers to the 'expectations placed on all businesses because of their roles as economic institutions'

- the organisational level, which refers to the 'expectations placed on particular firms because of what they are and what they do'
- the individual level, which refers to the 'expectations placed on managers (and others) as moral actors within the firm' (pp. 695-697).

At the institutional level, an organisation is concerned with maintaining its legitimacy within the community:

> Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it. (Davis, 1973, p. 314)

At the organisational level, businesses are responsible for solving the problems they have caused, and they are responsible for helping to solve problems and social issues related to their business operations and interests:

> Businesses are responsible for outcomes related to their primary and secondary areas of involvement with society. (Wood, 1991, p. 697)

At the individual level, the managers are the ones that make the decisions and therefore respond to social issues (unless they are governed by rules and regulation):

> Managers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as is available to them, toward socially responsible outcomes. (Wood, 1991, p. 698)

These principles are interrelated in that each may be influenced by the others. When trying to identify motivations for changes in the quality or quantity of environmental disclosure, all may be contributing factors.

Exploring the notion of corporate social responsibility operating within an organisation may be useful in making sense of the corporate social actions undertaken by it, including the disclosure of environmental information to external stakeholders. Identifying how the levels of corporate social responsibility are established within an organisation and how they are affected by internal and external changes occurring over a period of time also appears relevant to the exploration of corporate environmental disclosures.

2.5 Pressures from outside

Drawing from the experiences in the organisational change literature, investigations into the nature and rationale for environmental disclosures may benefit from exploration of the process of change from within organisations. As stated in Larringa-Gonzalez and Bebbington (2001):

> there is a paucity of research that investigates the dynamics of how particular organizations, in particular countries, industries and at particular times, react to the demands for change to their operations which the environmental agenda creates. (p. 270)

Investigation of the internal factors influencing organisational change requires exploration of the interrelationships between the 'content, context and process of the change' (Pettigrew, 1987, p. 650, cited in Dawson, 1994, p. 12). The exploration of these features is best undertaken using a 'processual' or 'contextualist' approach which involves exploring the:

> temporal dimensions of change, unfolding over time, through reference to the past, the present and the future. (Burns, 2000, p. 568)

Identified within a processual approach (Dawson, 1994; Dawson & Huang, 2003) of investigation of the change are three phases:

- the initial abstraction of the need for change
- the transition process itself
- the implementation of new practices and procedures associated with the new way.

The ability to monitor and observe these phases as they occur allows for greater understanding of the process of change. Following Dawson's (1994) interpretation, there appear to be several key determinants of change. These determinants include the substance (that is the nature and extent) of the change; the setting and context (both internal and external) within which the change occurs, which provide both opportunities and constraints; and the politics of managing the change process (that is the complex interrelationship between the various individuals and groups who have a vested interest in the change process and how they exert power).

One of the assumptions underlying the theories of political economy, legitimacy and stakeholders is that management will only respond to social and environmental issues when significant pressure is exerted from outside the organisation (Gray, Owen & Adams, 1996, p. 49). The consideration of the external disclosures throughout a period of change requires an understanding of the actions and reactions that take place within an organisation and the resultant impact (i.e. any) they may have on decision-making processes. These assumptions are explored by Gray et al. (1995) in their study investigating the (non-)role of accountants and accounting in the changing environmental agenda. In this study Gray et al. (1995) adopts Laughlin's (1991) model of organisational change. This is based on Habermas':

> model of societal development at a micro-organisational level [which sees] development and change in the wider societal context [as] achieved through developing and increasing discursive skills. (Gray et al., 1995, p. 217)

The basic principles of Laughlin's model are that organisations are by nature resistant to change, but are subject to influences which disturb or 'jolt' the organisation. These 'jolts' may lead to change within the organisation. The change can be described as either 'morphostatic' (first-order change) or 'morphogenetic' (second-order change) (Laughlin, 1991, p. 214). Laughlin used the work of Smith (1982) to describe these changes as follows:

> morphostatic change involves 'making things to look different while remaining basically as they have always been'. (Smith, 1982, p. 318, cited in Laughlin, 1991, p. 214)
>
> [Morphogenetic change] '...penetrates so deeply into the "genetic code" that all future generations acquire and reflect these changes'. (Smith, 1982, p. 318, cited in Laughlin, 1991, p. 214)

Morphostatic changes are those that are not made willingly by the organisation and represent changes to the appearance but not the fundamental core of the organisation. The levels of morphostatic change are described by Laughlin (1991) as either 'rebuttal' (p. 216) or 'reorientation' (p. 217). Rebuttal is where only a temporary change is made in the organisation, while reorientation is where a permanent change is made but is not accepted by the heart of the organisation.

Morphogenetic changes, in contrast, are those that affect the fundamental core of the organisation. The levels of morphogenetic change are described by Laughlin as 'colonisation' (p. 219) or 'evolution' (p. 221). Colonisation is forced on the organisation, whereas evolution is adopted by the organisation willingly. Evolution is seen as the most desirable form of change for any organisation (Gray et al., 1995) as it focuses on the importance of language in societal evolution. The categories of organisational change therefore range from no change ('inertia') to a fundamental shift resulting in the voluntary adoption of new processes and objectives by the organisation ('evolution') (Gray et al., 1995, pp. 215-217).

For the purpose of this study, Laughlin's (1991) model of organisational change was summarised as outlined below:

- Environmental issues create disturbances that 'jolt' organisations.
- Organisations are fundamentally opposed to change and will only do so if they cannot avoid it ('inertia').
- When organisations do change in response to a 'jolt', they will do so in a way that does not alter the fundamental principles of the organisation. Initially, they will try to deflect the issue ('rebuttal'), then they will incorporate the change but only in a way that addresses it superficially ('reorientation'). The organisation's fundamental principals will remain unaltered.
- Change may be forced on the organisation ('colonisation'), altering the heart of the organisation, but not willingly.
- The final level of change ('evolution') is where change is chosen by the organisation and represents a fundamental shift in the ideas of the organisation (Laughlin, 1991).

Laughlin's model has been criticised for assuming too rigid a concept of the organisation (Gray et al., 1995). Organisations do not remain static but are constantly responding to pressures from both within and external to the organisation. Change in an organisation 'is a complex and dynamic process' (Dawson, 1994, p. 3), and consequently a framework is required that can 'conceptualise "organisation" and be rich and dynamic enough to help articulate a complex process' (Gray et al., 1995, p. 9).

Gray et al.'s (1995) study explores organisational change in response to environmental issues using Laughlin's (1991) model of organisational change overlaid with Llewellyn's (1994):

> 'post modern' interpretation of 'organisation' which sees organisations as essentially fluid, increasingly transparent and with shifting boundaries.
> (Gray et al., 1995, p. 217)

Llewellyn's (1994) interpretation sees the shifting boundaries of an organisation as being constantly stretched and the definition of what is inside and what is outside the organisation being constantly challenged. The incorporation of Llewellyn's concept of the organisation over Laughlin's (1991) model of change in Gray et al.'s (1995) study provides a rich and complex conception of the interactions between the environment external to an organisation and the role of accounting within. In the study it is suggested that the environmental disturbances that affect organisations in the first world are 'second hand' and relate to such things as institutional framework, changes in organisational participants, external social pressures and long-term forecasting, rather than the direct first hand experiences of acid rain and natural resource depletion, and result in only minor reorientation by organisations. Investigation of such 'second hand' disturbances therefore appears justified and further illumination of the process of change from within an organisation is also required to complete the picture.

The idea that an organisation is a unit separate from its surroundings containing unified and cohesive activities operating within it is inconsistent with reality (Llewellyn, 1994). Effective maintenance of the boundaries of an organisation is essential for the establishment and maintenance of organisational identity 'in both physical and conceptual terms' (Llewellyn, 1994, p. 10) and the maintenance of stability within the organisation (Llewellyn, 1994, p. 9). The management of boundaries between the organisation and external parties [i.e. 'establishing thresholds' (Llewellyn, 1994, p. 4] and managing the activities within the organisation in the 'reproduction of binding structures' (Llewellyn, 1994, p. 4) are key to reducing uncertainty and essential for the long-term survival of an organisation. Understanding these features of organisational uncertainty appears key to understanding the decision processes operating within that may influence the disclosure of environmental information.

Key features relating to boundary maintenance theory that assist in the interpretation of actions undertaken within an organisation have been identified by Llewellyn (1994), who argues that boundary maintenance allows for:

- the identification of the organisation as something that is created rather than simply exists
- consideration of the relationship between the external environment and the organisation
- the development of the ideal state for an organisation, that is, a state of cohesion and clarity
- reduction of uncertainty within organisations (i.e. increased cohesion and clarity) when it occurs within and between organisations.

He notes that processes of change within organisations affect boundary maintenance activities.

Analysing the impact and management of change and the associated activities of boundary maintenance that have taken place within a particular organisation may reveal previously undocumented rationales and influences on the process of environmental disclosures that are worthy of further investigation.

2.6 Individuals within

Integral to the implementation of change within an organisation are the issues of power and politics. The interrelationship between the 'capacity of individuals to exert their will over others' (Buchanan & Badham, 1999, p. 11) – i.e 'power' – and the 'activities taken within organizations to acquire, develop and use power' (Pfeffer, 1981, p. 7, cited in Burns, 2000, p. 569) – i.e. politics – in the process of accounting change has been identified in the management literature as an area of research interest (e.g. Buchanan & Badham, 1999; Dawson, 1994, 1996).

Adopting the framework of power mobilisation developed by Hardy (1996), Burns (2000) studied the dynamics of accounting change in the product development department of a small UK chemicals manufacturer. The four dimensions of power referred to in the study are power over resources, power over decision-making, power over meanings and the entrenched existing institutional context. Power over resources, decision-making and meanings were identified in Burns' study as 'key facilitators' of accounting change, whereas the existing institutional context or status quo of the institution can act as a barrier to change.

Power over resources refers to the means by which individuals influence the behaviour of those surrounding them by manipulating (i.e. improving or hindering access to) pivotal resources such as information and money (Burns, 2000, p. 570). Such actions may be achieved by the authority commanded by a position of employment coupled with other personal features such as strong personality and charisma.

Power over decision-making is achieved through controlling the involvement of individuals (i.e. by their omission or inclusion) in the processes from which significant decisions emerge (Burns, 2000, p. 570). This may be demonstrated by the dominance of one individual in decision-making processes and the minimisation or prevention of access of others to the process.

Power over meaning refers to the infiltration of satisfaction or dissatisfaction into the perceptions of individuals over the current status of operations within the organisation (Burns, 2000, p. 570). This is epitomised by supporting or rejecting ideas raised by colleagues in management meetings, especially at the board of directors level, with the potential of influencing the outcome of the decision-making process to suit a particular goal.

Key to successful organisational change is the establishment of new routines, traditions, values and beliefs which reflect the revised objectives of the organisation in both action and intent.

Investigating the utilisation of resources, decision-making processes and shared meanings within an organisation in a dynamic corporate environment provides potential to witness the creation of a new institutional context. Examination of the mobilisation of power and politics in a dynamic corporate environment provides a means of understanding *how* and *why* change occurs within an organisation (Burns, 2000). Investigation of the processes of environmental disclosure may reveal similar facilitators and barriers that influence the nature and extent of disclosures.

2.7 A focus on management

In order to thoroughly investigate environmental disclosures, it is important to identify who in the organisation is responsible for generating the environmental performance information and how the process of disclosing environmental information is managed. It seems logical that accountants would be involved in the disclosure process as they have the capabilities to generate, present and audit environmental information. They typically undertake functions involving the measuring, compiling, and generating financial data in their employment (Freedman, 1993) and, therefore, would be capable of generating and reporting environmental data in a meaningful form. Despite their capability, however, accountants are generally not responsible for environmental disclosures (Bebbington, Gray, Thomson & Walters, 1993; Deegan, Geddes & Staunton, 1996).

In identifying who is responsible for disclosing environmental information it is necessary to observe the processes in place for managing environmental information. The establishment of who within the organisation (either an accountant or non-accountant) is responsible for making the environmental disclosures will assist in the identification of the influencing factors on the disclosures made. As the window into the organisation is through the individuals (Gray et al., 1995), the views of those individuals may be very important. There is evidence to support the fact that accountants' attitudes toward the environment may be changing (Keene, 1998). If members of corporate management (rather than accountants) are found to be responsible, then new insights into disclosure motivation may be forthcoming.

2.8 Summary and conclusions

Review of prior research has revealed opportunities for further investigation of environmental disclosures. Implementation of field based data collection techniques facilitating the exploration of motivators for environmental disclosures are potential research issues that will be addressed in this study. Consideration of the resultant research findings in the context of theoretical frameworks discussed in this chapter provides a basis for further interpretation of the results thus adding to the existing knowledge base for environmental disclosures.

Evidence presented in this chapter has shown support for legitimacy theory as a possible explanation for the form and content of corporate environmental disclosures. In prior studies, the existence of a 'gap' has been observed as a result of conflicting societal concerns and corporate actions in environmental legitimacy. Corporate perceptions of the 'gap' and the desire to close or minimise it have provided reasonable justification for particular corporate environmental disclosure actions to be undertaken. The exploration of disclosures made by a conservation organisation has the potential to revisit such motivations.

Removing the possibility of a gap in environmental legitimacy as a result of the alignment of corporate and societal environmental objectives in a conservation organisation may focus attention on other disparities between societal expectation and corporate actions that could influence changes in corporate environmental disclosures. The observation of corporate disclosures by a conservation organisation and the contemplation of their use as a means or gaining, maintaining or strengthening legitimacy arising from non-environmental source(s) is a research opportunity that is addressed in this study.

The theoretical frameworks discussed in this chapter provide a further basis for interpretation of the research data. Documentation and investigation of the impact of organisational change on corporate communications afford an opportunity to reconsider the findings of Laughlin (1991), Llewellyn (1994), and Burns (2000). The impact of internal and external pressures on the disclosure actions and reactions undertaken by the company under investigation (Laughlin, 1991); the consideration of boundary strengthening mechanisms reflected in the movement of information between the organisation and an external audience (Llewellyn, 1994); and the mobilisation of power and politics by groups and individuals operating within the management team (Burns, 2000) provide sound framework for subsequent interpretation of the data collected.

CHAPTER 3

Methodology and research methods

The task of selecting the most appropriate research design for use in this study included identification of accepted beliefs, consideration of the study's focal research objectives and an investigation of alternative research methodologies and methods. After contemplating each of these aspects of the selection process, the decision was made to undertake an in-depth interpretative field-based case study. This chapter outlines the nature of this research strategy, its relevance to the investigation undertaken and the rationale for selecting it for use in this study.

3.1 Selection of research methodology

The primary objective of this study was to explore the changing nature, content, shape and scope of external environmental reporting in a recently publicly listed conservation organisation. The extensive literature review (discussed in chapter 2) revealed that the underlying *process* of environmental disclosures has not yet been explored in depth and that there was an opportunity for further inquiry in this area.

Many prior studies have adopted the traditional positivist paradigm of quantitative studies largely involving content analysis of annual reports (Al-Tuwaijria, Christensen & Hughes 2004; Buhr & Freedman, 2001; Campbell, Craven & Shrives, 2003; Cormir & Gordon, 2001; Deegan & Gordon, 1996; Deegan & Rankin, 1996; Deegan, Rankin & Tobin, 2002; Freedman & Jaggi, 1982; Freedman & Wasley, 1990; Gamble et al., 1995; Gibson & Guthrie, 1995; Gray, Kouhy & Lavers, 1995a, 1995b; Guthrie & Parker, 1989, 1990; Hackston & Milne, 1996; Holland & Foo, 2003; Kuasirikun & Sherer, 2004; Milne & Adler, 1999; Neu, Warsame & Pedwell, 1998; Niskala & Pretes, 1995; Patten, 1992, 2002; Tilt 1994; Tinker, Lehman & Neimark, 1991; Vyakarnam, 1992; Wiseman, 1982). A few have attempted to gather information from within the organisation, using surveys, questionnaires and interviews (Adams, 2002, 2004; Buhr, 2002; Goodwin & Goodwin, 1996; Gray et al., 1995; O'Donovan 2002). None have attempted to develop a deeper understanding of the processes and people involved in the disclosure of environmental information by undertaking an in-depth mixed-method analysis of a single case in order.

From a processual perspective (Dawson, 1994), it was intended that this study would make an important contribution to the literature. The following section outlines the reasons for making the decision to undertake an in-depth, interpretive, field-based case study.

3.1.1 Interpretive research

> Qualitative researchers stress the socially constructed nature of reality, the intimate relationship between the researcher and what is being studied, and the situational constraints that shape inquiry. Such researchers emphasize the value-laden nature of inquiry. They seek to answer questions that stress how social experience is created and given meaning. (Denzin & Lincoln, 1998a, p. 8)

It is argued that all aspects of research design, including the selection and analysis of the data and the interpretation of the findings, are influenced by the paradigm of accepted beliefs and concepts that represent the 'worldview' of the researcher (Guba & Lincoln, 1998; Denzin & Lincoln, 1998a). This worldview defines the way in which the researcher understands the world that he/she is researching. It is created by the researcher's inherent *ontology* (the way in which the researcher views reality), *epistemology* (the relationship between the inquirer and the known), and the *methodology* (the way in which the researcher gains knowledge about the world) (Denzin & Lincoln, 1998a, p. 23).

Historically, the hegemony of the positivist paradigm has been evident in much accounting research.[11] Researchers adopting the positivist paradigm assume the existence of an objective external reality, which can be 'discovered' via the deductive research techniques of an independent investigator[12] (Denzin & Lincoln, 1998b, pp. 8-9). This view of reality is challenged by an alternative view that sees 'reality' in accounting processes as a construction in the mind of individuals and groups[13].

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[11] Evidence is provided in the chapter 2 of the prevalence of positivist research in the area of environmental disclosures.

[12] A discussion of alternative research paradigms can be found in Guba and Lincoln (1998).

[13] It is also accepted that there may be multiple constructions of reality, and these varying constructions are interpreted using conventional hermeneutical techniques and compared and contrasted through dialectical interchange. These views are consistent with the ontology of relativism, transactional epistemology and a hermeneutical/dialectical methodology. See Guba and Lincoln (1998) for further discussion of these issues. These beliefs are summarised in the constructive paradigm, which underlies the research method adopted in this study.

Even the research findings are a social creation of the inquiry process, involving interaction between the researcher and those included in the study. Accordingly, it is arguable that:

> accounting processes and environmental concerns are not a natural phenomena [they are] socially constructed [and are both a] condition and a consequence of social action. (Scapens, 1990, pp. 267-268; Humphrey & Scapens, 1996, p. 94)

In order to make sense of or to understand these processes, therefore, the researcher must interpret field-derived data into rich and meaningful descriptions and explanations[14]:

> The inquirer must elucidate the process of meaning construction and clarify what and how meanings are embodied in the language and actions of social actors. (Schwandt, 1998, p. 222)

The most appropriate research method for use in this study, therefore, was an interpretive approach that allowed for an emergent understanding via interpretation of the evidence collected of the underlying tensions that resulted in organisational artefacts such as reports.

The collection of the evidence that informed and supported this interpretivist approach relied heavily on the method of data collection employed. The next section provides justification for field-based research.

3.1.2 Field-based approach

The emergence of meaningful interpretation is heavily dependent on the quality of input data. A variety of data collection methods may be adopted in an interpretive inquiry (for example, participant observation and informant interviewing). Whilst more than one method may be used, the common feature of data collection for interpretive research is that the researcher has the opportunity to use all of her/his senses – watch, listen, ask, record, reason and analyse (Schwandt, 1998).

The observation of rich primary data from as close to the source as possible was considered an important aspect of the research design of this study to enable the emergence of findings that would produce deep level understandings of previously

[14] This is supported by the longstanding recognition of an increasing need to study accounting within its organisational and social context in the literature (Hopwood, 1983; Flamholtz, 1983).

non-transparent processes. Accordingly, it was decided that field-based research would be conducted. The approach adopted to data collection is described as 'holistic' (Parker, 1994; Scapens, 1990), in which the whole process of environmental disclosures is explored and investigated, including the actions and attitude of actors involved. The motivations and rationales employed by those involved in the study (both manifest and latent) and also the wider social and political framework within which they operated (Kaplan, 1984) has been studied.

The distinctive characteristics of field research identified by Ferreira and Merchant (1992) and adopted by this study are outlined as follows:

- The researcher has *direct, in-depth contact* with organisational participants, particularly in interviews and direct observations of activities, and these contacts provide a primary source of research data. This is only possible if sufficient time is allocated to the task.
- The study focuses on *real tasks and processes*, not situations artificially created by the researcher.
- The research design is *not totally structured*. It evolves along with the field observations.
- The presentation of data includes relatively *rich (detailed) descriptions* of company contexts and practices.

Field-based research enabled the collection of convincing evidence from primary sources and facilitated dialogue and interaction with the subjects of the research, all of which were necessary for the discovery of logical and well-accepted explanations of the phenomenon under investigation.

3.1.3 Single case study

Field research identifies the process of collecting data from the field. However, it does not identify the boundaries within which that data will be collected and outside of which data will be ignored. Having considered the objective of the study and the research questions being investigated, it was considered appropriate for the study to focus on a single organisation. The object to be studied is referred to as the 'case'.

The concept of a 'case study' remains subject to debate (Stake, 1998). There have been several descriptions of the term 'case study' in the literature. Eisenhardt (1989) refers to the case study as:

> a research strategy which focuses on understanding the dynamics present within single settings. (p. 534)

Stake (1998) refers to case study as:

> not a methodological choice, but a choice of object to be studied. (p. 86)

Yin (1994) defines the case study as having two parts. Firstly, a case study is:

> an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident. (p. 13)

Secondly, the case study inquiry:

> copes with the technically distinctive situation in which there will be many more variables of interest than data points…it relies on multiple sources of evidence, with data needing to converge in a triangulation fashion …[and]… benefits from the prior development of theoretical propositions to guide data collection and analysis. (Yin, 1994, p. 13)

In this study, the term case study referred to the identification of the site to be investigated, rather than the methods of investigation to be employed.

Case studies can involve the collection of both qualitative and quantitative data (Stake, 1998) and need not necessarily be conducted 'in the field'[15] (Smith, Whipp & Willmott, 1988). The reasons for concentrating on a particular method of data collection will depend on the reasons for conducting the research (Yin, 1994). The purpose of this study was to develop a deep understanding of certain accounting and environmental tensions from within an organisation. It therefore relied on the interpretation of predominantly qualitative data which had been collected in the field from a 'specific, unique, bounded system' (Stake, 1998, p. 88), referred to as a case. The case in this study comprised a publicly listed parent company and nine subsidiary companies. This group of companies is collectively referred to throughout the thesis as 'the organisation'.

[15]Data may be collected in the form of a questionnaire.

The selection of a case study as the most appropriate research site for this study was confirmed by consideration of the following selection criteria, established by Yin (1994):

- the research questions under investigation (identified in chapter 1) were *how* or *why* questions
- the investigator had little or no control over the behavioural events being studied
- the events being studied were contemporary.

There have been several types of case study described in the literature. Table 3-1 provides a comparison of those identified by Yin (1994) and Stake (1998). Yin (1994) describes case studies as descriptive, exploratory or explanatory. This study incorporated elements of most of these categories. The case studied was of particular interest due to the particular features of the organisation being studied and the individuals within it (*intrinsic*). However, the study also provided insight into the issue of environmental disclosures (*instrumental*). In addition, the study provided a rich description of the practice and underlying procedures of environmental disclosures (*descriptive*); identified the important relationships and concepts present in the process of environmental disclosures (*exploratory*); and developed explanations of causal links identified in the study (*explanatory*).

Table 3-1 Types of case studies

Stake (1998)	Yin (1994)
Intrinsic – Provides a better understanding of a specific case. The case being studied is of particular interest to the researcher.	***Descriptive*** – Provides rich description of the practice and underlying procedures.
Instrumental – Provides insight into an issue or refines a theory. May be selected on the basis of the opportunity to learn most from the study.	***Exploratory*** – Identifies the important relationships and concepts present.
Collective – Provides insight into larger collection of cases or theory.	***Explanatory*** – Develops explanations of causal links to build or test theory.

The aim of the study was to provide a thorough understanding of a specific case in relation to the particular issue of environmental reporting. The study undertaken incorporated the examination of all of the complexities within and impacting on the organisation (Stake, 1998). The nature of the specific case investigated placed a greater emphasis on the specifics of the site rather than the ability to generalise the findings to other organisations.

3.2 Qualitative evidence

Qualitative research has been criticised by researchers from the positivist realm because of its lack of attention to the research criteria of validity and reliability[16] and the limited ability to generalise the findings (Adler & Adler, 1998; Altheide & Johnson, 1998; McKinnon, 1988; Yin, 1994). Underpinning these specific criticisms appears to be the general criticism of lack of rigor and confusion as to the use of the method evident in many field-based studies (Huberman & Miles, 1998). The next section considers these problems and discusses the methods that were implemented to address them.

3.2.1 Reliability and validity

McKinnon (1988) noted that the problems of validity and reliability do not appear to have been adequately addressed in qualitative research. One possible reason for this is that there are no traditions established for the explicit determination of these factors, leading to lack of explanation and documentation regarding analysis of the data (Neuman, 1997):

> We have the unappealing double blind whereby qualitative studies can't be verified because researchers don't report on their methodology, and they don't report on their methodology because there are no established canons or conventions for doing so. (Miles & Huberman, 1994, p. 244)
>
> Failure to report on how they were attended to prejudices the dissemination and communication of the research, restricting the audience who will read or accept the results. (McKinnon, 1988, p. 35)

However, there is a desire in qualitative research to ensure that the:

> researcher is studying the variable, phenomenon or process he or she purports to be studying and that the data obtained are reliable. (McKinnon, 1988, p. 36)

In order to ensure that any research undertaken is of high quality, criteria for assessment must be established and incorporated into the design and implementation of the research. What determines 'good' research is a matter of judgment and can be based on such factors as truth, reliability, validity, dependability, credibility and usefulness (Miles & Huberman, 1994). One of the problems with using these

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[16]Whether the researcher is studying the phenomenon she purports to be studying and whether the researcher is obtaining data on which she can rely.

assessment criteria is that they relate primarily to quantitative research involving 'scientific methods' of investigation based on the desire for the uncovering an objective reality[17] (Glaser & Strauss, 1967). They are, therefore, not appropriate criteria for assessing qualitative research.[18] In fact, many interpretivist researchers do not believe it is possible to specify criteria for good qualitative work – and that the effort to do so is somehow:

> expert-centred and exclusionary, not responsive to the contingent, contextual, personally interpretive nature of any qualitative study. (Miles & Huberman, 1994, p. 277)

Despite the lack of consensus on evaluative criteria for qualitative research (Huberman & Miles, 1998) an attempt was made to produce research that was convincing to any reader and to actors involved in the study, and therefore incorporated several strategies in an attempt to maximise the trustworthiness and authenticity of the study.[19] These strategies were modelled on those suggested by McKinnon (1988) in her discussion of reliability and validity in field research.

Potential threats to the quality of interpretive research arise from four main causes:

- the possible detrimental impact of the presence of the researcher in the site ('observer-caused effects') (McCall & Simmons, 1969, cited in McKinnon, 1988, p. 37)
- the potential for misinterpretation by the researcher ('observer bias') (Simon & Burnstein, 1985, cited in McKinnon, 1988, p. 38)
- the inability of the researcher to access all of the necessary data ('data access limitation') (Zelditch, 1962, cited in McKinnon, 1988, p. 38)
- the potential for the researcher to be mislead ('complexities and limitations of the human mind') (McKinnon, 1988, p. 38).

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[17]The terms validity and reliability refer to traditional positivist methods of assessing the quality of research. They refer to whether the researcher is studying the phenomenon she purports to be studying and whether the researcher is obtaining data on which she can rely (Altheide & Johnson, 1998).

[18]See Altheide and Johnson (1998) for a discussion of this issue.

[19]The terms 'trustworthiness' and 'authenticity' appear to be more appropriate criteria for quality assessment in interpretivist research (Altheide & Johnson, 1998; Miles & Huberman, 1994, p. 277; Guba & Lincoln, 1998). The criterion of trustworthiness refers to the credibility (paralleling internal validity) i.e. the credibility of portrayals of constructed realities (Kincheloe & McLaren, 1998); transferability (paralleling external validity); dependability (paralleling reliability); and confirmability (paralleling objectivity) of the study.

Strategies that have been identified as improving the quality of data collected for use in field-based studies include the length of time spent in the field, the behaviour of the researcher whilst in the field and the use of multiple methods and observations (McKinnon, 1988). Such factors were considered in designing the research strategy, incorporating them and others into in the study.

The data collection phase of the study was conducted over a period of 22 months. The length of time and the variety of observation techniques were considered sufficient to allow for the normal behaviour of the respondents to be observed, thus minimising the potential for observer bias and observer-caused effects. It also allowed for a range of data from different sources to be collected using a variety of different observation methods. In the initial stages of the data collection in the field, time was spent watching, listening and 'getting to know' many of the respondents, to enable the establishment of trust and confidence. Interaction with the respondents in a formal and informal manner was also possible, allowing the threat of observer-caused effects to be reduced (Janesick, 1998; McKinnon, 1994). The ability to ask questions and refer to a wide data set in order to clarify any ambiguous information and fill in any gaps in understanding reduced the risk of events and activities being misinterpreted as they were observed.

Data was collected from a wide variety of sources including attendance at most board, management and subcommittee meetings, formal and informal discussions with staff and individual interviews. Access was also gained to a wide variety of documents produced by the organisation including annual reports, prospectuses, newsletters, investment brochures, guides' manuals, meeting agendas, minutes and other meeting documentation and website information. Data produced by third parties that related to the organisation was also examined, including newspaper articles, advertisements, videotapes, and radio and television programs. A summary of the data collected for examination is included in appendix B.

Multiple sources of evidence enabled converging lines of inquiry referred to as triangulation (McKinnon, 1998; Yin, 1994) to be developed. This strategy added to the trustworthiness of the data and reduced the likelihood of misinterpretation of findings by using several different sources of information to confirm the findings.

The ability to observe the individuals in the case site over a period of time rather than rely solely on interview evidence also added to the credibility of data. People's perceptions of their own behaviours are often not substantiated by an independent observation of those behaviours ["“what people say” is often very different from “what people do”" (Hodder, 1998, p. 113)]. In this study, the opportunity to observe the behaviour of participants over an extended period of time enabled comments made by them about their behaviour to be substantiated. When the social interactions are important to the meaning of a situation (as in this study), this method of data collection is superior to interview alone.

The overall quality of the research findings depended not only on the quality of data input but also on the quality of the analytical phase of the research. Accordingly, strategies designed to improve the quality of the data analysis phase were incorporated into the research design. These strategies were the adoption of clear and comprehensive methods of analysis (Huberman & Miles, 1998) and reflective validation of the research findings.

3.2.2 Data management

One of the difficulties with interpretive research is the management and analysis of the data. This often involves the collection and coding of the data in large volumes. The lack of explanation regarding analysis of the data has been cited as a criticism of qualitative research (Neuman, 1997). It is important to clearly specify the method of data analysis used in the study. This study drew from the methods of grounded theory as a means of managing the data through the analysis phase.

Grounded theory is a methodology for generating theory originally developed by Barney Glaser and Anslem Strauss in the 1960s. More recently, differences between the two have led them to develop their own individual interpretation of grounded theory.

Strauss and Corbin (1990) define grounded theory as:

> a qualitative research method that uses a systematic set of procedures to develop and inductively derive grounded theory about a phenomenon. (p. 24)

The definition provided by Glaser (1992) is that grounded theory is a:

> general methodology for analysis linked with data collection that uses a systematically applied set of methods to generate an inductive theory about a substantive area. (p. 16)

In general, grounded theory research aims to *organise* 'many ideas which have emerged from analysis of the data' (Glaser, 1978, cited in Strauss, 1987, p. 23) through systematic analysis of documents, interview notes or field notes by continually coding and comparing data to produce a 'well constructed theory' (Strauss, 1987).

Two key features of grounded theory that were incorporated into this research are constant comparative analysis and systematic coding of the data collected (Strauss & Corbin, 1998). Grounded theory involves constant comparison of the data with emergent concepts. The application of grounded theory data management techniques therefore involved immersion in the data and systematically reading and rereading transcriptions and other artefacts throughout the data collection phase of the research. From there, recurrent themes were identified and the data was coded according to those themes. There was a continually interactive process adopted to ensure that no themes were overlooked.

Throughout the phases of data collection and analysis, an endeavour was made to establish a systematic, coherent process of data collection, storage and retrieval (Huberman & Miles, 1998). The maintenance of a clear chain of evidence is important in enhancing the trustworthiness of the research by allowing an external observer to follow the development of and derivation of the conclusions of the study (Huberman & Miles, 1998; Yin, 1994).

3.2.3 Generalisation

The other common problem attributed to case studies is the inability to generalise the findings of the study to the wider population (Stake, 1998). This complaint comes from proponents of the 'scientific method' of research, where statistical predictability is seen as a valuable and desirable outcome of research. In contrast to this position, where research is intended to bring meaning to previously misunderstood process or actions, generalisability of the research outcomes do not provide a measure of success (Janesick, 1998). In this study, the case under investigation was not a 'sample' of the population, and it was not the objective of the research to make a statistical generalisation (Yin, 1994). The desired outcome of this research inquiry was to make sense of, and to understand, the process of disclosure of environmental information in a specific setting.

3.3 Research design

The next section outlines how the study was developed and organised, including the background to the study, the research questions that were the focus of data collection, and the unit of analysis and research methods adopted.

3.3.1 Research focus

The first objective of the study was to provide a rich description and a deep-level understanding of influences and processes involved in the production of environmental information for external reporting in a conservation organisation. The literature review revealed that many prior studies collected data from outside the organisation, using content analysis of the annual reports. Some used questionnaires or surveys to collect data and a few used techniques of direct observation. There do not appear to be any other studies of environmental disclosures that have collected data from within an organisation using multiple methods of investigation over an extended period of time.

The second objective of the study was to penetrate the nature of and rationales for particular environmental disclosures in this conservation organisation. The values and beliefs of the managers and employees in this organisation were of particular significance in the process of disclosing environmental information due to the nature of the core business activities of the organisation. Wood's (1991) principles of corporate social performance provided a framework to inform the collection of data in relation to this objective.

The third objective of the study was to observe the development of environmental disclosure policy, media and content in the early stages of a conservation organisation's corporatisation. The organisation that was investigated in this study experienced a number of changes as a result of listing on the stock exchange which may have impacted on the level of environmental disclosure. Laughlin's (1991) model of organisational change, Llewellyn's (1994) framework of boundary maintenance and Burns' (2000) framework of power mobilisation were used to inform the observations and data collection in relation to this objective.

The theories of Laughlin (1991), Llewellyn (1994), Burns (2000) and Wood (1991), therefore, were used as the basis of observation and data collection in the study. They were not adopted as an explanation for environmental disclosures, but rather used to inform the collection and analysis of data. The following section outlines the research methods adopted in the study, including the unit of analysis, data collection and analysis.

3.3.2 The unit of analysis

The research method selected was to look at a particular case to provide insight and understanding of the disclosures of environmental information made by a conservation organisation. The organisation selected is a recently listed Australian corporation that is actively involved in implementing environmental strategies and making environmental disclosures. The selection of a suitable organisation was influenced by two necessary characteristics. First, the organisation was required to prepare general purpose financial reports in accordance with the Australian Accounting Standards in order for there to be suitable external disclosures to observe, and second, the location of the organisation enabled access to the head office over an extended period of time.

After consideration of several possible alternatives, the subject organisation was selected to form the case for investigation. Influential in the choice were several unique features of the organisation, including its outstanding conservation achievements and the atypical actors and methods involved in their realisation. The organisation was considered to be a market leader in experimentation with environmental accounting techniques and was experiencing a period of rapid growth and expansion. In short, it was selected not because of its similarities to other organisations, but because of its differences.

The rationale underlying the selection of the particular site for investigation was to provide an opportunity to develop an understanding of the process of environmental disclosure in a specialised context, namely a conservation-driven organisation whose strategic focus was environmental responsibility. It was not the objective of this study to form generalisations pertaining to a population of cases, but rather it has been undertaken as a study designed to develop a rich description and understanding of the particular case, its key variables and their relationships (Stake, 1998).

3.3.3 Collection of data

As discussed previously in this chapter, the emergence of meaningful interpretation from the research depended largely on the quality of input data, and care was therefore taken to ensure that data was systematically collected and recorded. Data was collected from a variety of sources including direct observation, participant observation, interviews, documentation and archival records. The following section describes the collection and recording techniques implemented for each type of data.

The first line of inquiry for the study was direct and participant observation (Yin, 1994). Direct observation is the term used to describe both formal and informal observations made by the researcher when visiting the site. In this study, the permission was granted to attend meetings and seminars, and individuals and organisational settings were also observed (Yin, 1994). Meetings attended included annual general, board, management committee, staff and subcommittee meetings. Staff training seminars and strategic planning sessions were also attended throughout the period under investigation. A summary of the number and duration of the site visits is shown in table 3-2.

Table 3-2 Site visits made during the research

Description	Frequency held	Number attended	Duration per visit (approx)
Annual general meetings	Annually	2	3 hours
Board meetings	Monthly	14	3 hours
Management committee meetings	Monthly	22	5 hours
Sanctuary managers' meetings	Monthly from Feb 2001	8	2 hours
Education committee meetings	Monthly from Nov 2000	7	2 hours
Audit and compliance committee meetings	As required	8	2 hours
Marketing meetings	As required	3	1 hour
Staff training seminars	As required	2	16 hours
Strategic planning session	As required	1	3 hours
Staff meetings	As required	4	1hour
Consultant presentations	As required	5	1hour
Special functions	As required	2	3 hours
Guided tours	As required	5	1 hour
Informal discussions	As required	36	½ hour
Total		119	

Extensive verbatim notes were made when observing meetings and general reflection notes were prepared immediately after observation sessions (Parker and Roffey, 1997). Reflective notes included interview/observation contexts, apparent relationships between different interviews and contexts and particular impressions of events, people and reactions to questions. In total, approximately 1,156 A4 pages of notes were made over the period of the investigation (see table 3-3 for a summary of the notes made during the research and appendix B for details).

Table 3-3 Summary of documents examined

Category of documents examined (see appendix B for details)		Equivalent number of A4 pages (approx)
1.	Notes made during research	1,157
2.	Meeting minutes, agendas and other attachments	3,233
3.	Documents prepared by organisation	1,043

A systematic note-taking schema was adopted in order to manage the data collected and to separate the stages of data collection and data analysis. Notes that dealt with the recording of the facts were referred to as observational notes; theoretical notes recorded developing ideas about the data in the observational notes; and methodological notes described the research strategies applied and the steps to be taken next (Schatzman & Strauss, 1973). Adherence to this scheme forced confrontation of biases.

A further source of data for the study came from participant observation, which allowed for some interaction with the respondents in the form of casual conversations (Yin, 1994). Due to the length of time spent in the field, there were frequent opportunities to interact with the respondents, providing invaluable insight into the 'reality' of those being observed. This type of participant observation also enabled questions of clarification to be asked to minimise any gaps in the understanding of the phenomenon under investigation (McKinnon, 1988). One problem with participant observation is the potential bias introduced through close proximity to the phenomenon under investigation or becoming aligned to one particular viewpoint (Yin, 1994). With this in mind, care was taken not to spend too much time with any individual respondent, and interaction with individuals was used as a clarification tool rather than a primary data source.

Interviews were conducted with six key employees during and subsequent to the period of investigation. The rationale for the timing of the interviews was that they were not considered to be first line of inquiry. They were used for clarification and penetration of information that had been collected through direct and participant observation. The advantage of this sequence of data collection was that it enabled the conversations, actions and behaviour of participants to be directly observed, rather than relying solely on the participants' interpretation of events. The interviews then provided information on how *the participants* perceived what they were observed to say and do, and therefore strengthened the data collected.

Respondents were selected for interviews based on the length of time they had been involved with the setting, their involvement with environmental strategies within the organisation, and their ability and willingness to communicate. Information obtained from the interviews allowed the 'historical and spatial context of the events observed while in the setting' (McKinnon, 1988, p. 50).

The ability to interview several key personnel within the organisation enabled the establishment and confirmation of a comprehensive picture of the phenomenon under examination and provided a variety of perspectives on that phenomenon, thus enhancing the trustworthiness of the research. A list of the participants interviewed is provided in table 3-4.

Table 3-4 Participants interviewed

Title held
Company secretary
Manager sanctuary 1
Manager sanctuary 2
Manager sanctuary 3
Employee 1: project manager
Employee 2: responsible for website maintenance

The respondents were interviewed for short periods of time (between one and two hours). All interviews were tape recorded and then transcribed. The questions asked were open-ended. The respondents were asked to provide specific information and opinions about themselves, their functions, experiences, and their interactions with others in the organisation, with respect to the disclosure of environmental information (McKinnon, 1988). An interview guide was designed (included in appendix C) to ensure that each of the research questions was addressed. Some modification of the interview schedule occurred as the result of the interactive process of data collection and analysis and, where necessary, initial interviewees were asked follow up questions to enable consistency between interviews.

Three types of questions were asked in the interviews: descriptive, structural, and contrast questions (Neuman, 1997). A few descriptive questions were asked at the beginning of each interview to confirm the setting and provide background information and details of individuals and procedures involved in the process of environmental disclosures (including meeting schedules, hierarchies of responsibility etc) (McKinnon, 1988). The majority of questions were structural questions, which were used to verify the initial analysis and confirm the classification of the data that had been undertaken. Contrast questions that built on the analysis that had been verified by structural questions (Neuman, 1997) were also incorporated into the interviews. They focussed on the similarities or differences between the categories identified in the analysis and asked members to confirm these observations.

The use of probing questions (such as *why?* and *what happened?*) allowed:

> the researcher to separate the factual (i.e. what the respondent has experienced or observed first hand) from the presumed (i.e. what the respondent assumed happened based on hearsay and previous experiences of similar instances). (McKinnon, 1988, p. 55)

Probing questions also minimised the risk of researcher bias impacting on the data (McKinnon, 1988).

Documentary evidence was collected from many current and archival sources, including agendas and minutes of meetings, written reports (such as managers' reports), prospectuses, annual reports, investment brochures, company newsletters, letters, guides' manuals, website information, organisational records, maps and charts, survey data and service records, and consultants' and analysts' reports. Information was also gathered through participation in guided walks[20] for visitors. In total, over 800 different types of document produced by the organisation were examined and over 4,000 A4 pages of information analysed. A summary of the nature and quantity of documents analysed was included in table 3-3 (categories 2 and 3), and full details are included in appendix B.

More than 200 secondary source documents relating to the organisation (such as newspaper clippings, advertisements and research articles) were also examined as well as several radio and television documentaries and promotional videotapes. Many of these items were prepared for specific audiences and were subject to significant editing of the facts. They provided important supplementary evidence for analysis and incorporation into the study, and were used to corroborate and augment evidence from other sources (Yin, 1994).

3.4 Data analysis

The task of arranging a large amount of qualitative data into a useful form can be difficult and complex. In this study, several means of analysing the data were adopted, including content analysis, qualitative analysis of the features of the written documents produced by the organisation, and coding of both written material produced by the organisation and observation notes taken during the research. This section identifies the various categories of data analysed and describes each of the techniques adopted to analyse them.

[20] The company conducted guided walks of the sanctuaries it managed as a means of raising revenue.

3.4.1 Data sources

The data was grouped into three different categories, organised in relation to the nature of the data and the technique used to analyse the data.

OBSERVATIONS AND INTERVIEWS

- observations documented in the form of notes taken whilst meetings/presentations /seminars were being observed
- interviews which were tape recorded and transcribed verbatim
- informal discussions, notes of which were made immediately afterwards.

DOCUMENTS TO ACCOMPANY MANAGEMENT AND STAFF MEETINGS

- minutes of meetings and other attachments prepared by the organisation
- third party written documents prepared by independent consultants advising the organisation on future strategies or projects

DOCUMENTS PRODUCED BY THE ORGANISATION TO BE ACCESSED BY EXTERNAL STAKEHOLDERS

- prospectuses
- annual reports
- investment brochures
- newsletters
- website
- guides' manuals
- press releases produced by the organisation
- third party written documents such as newspaper and journal articles and investment analysts' reports written about the organisation or its employees
- other media, such as radio interviews and television programs.

The techniques of analysis adopted to analyse each of these categories were:

- Documents produced by the organisation were analysed using techniques of content analysis and qualitative analysis.
- Observations and interview transcripts were analysed using coding techniques.
- Other data was used predominantly to verify and provide supporting evidence to other observed interpretations and the techniques used to analyse this information was a combination of close reading and coding.

The next section provides more detailed information relating to the techniques of analysis used to interpret the data collected from the research site during the period of investigation.

3.4.2 Analysing the documents

The documents produced by the organisation, namely prospectuses, annual reports, investment brochures, newsletters and website, together with the information conveyed to stakeholders in guided walks, comprised key elements of the investigation, as it was within these documents that the environmental disclosures were made. Close examination of these documents was undertaken with the purpose of establishing *how* and *where* environmental information was disclosed by the organisation to external stakeholders. The investigation of disclosures made in all of these media was undertaken in order to seek more meaningful results than would have been produced if the analysis had been confined to the annual report (Unerman, 2000). A rich description of the disclosures under investigation was considered to be the first step in the exploration of the motivating factors underlying those disclosures.

The techniques of analysis adopted included content analysis and techniques of qualitative analysis. Content analysis enabled the determination of the quantity and broad nature of environmental disclosures made. Qualitative techniques were used to ascertain the specific character and form of the environmental disclosures made throughout the period of investigation. When collecting information, distinctions were made between financial and non-financial information and mandatory and voluntary disclosures. In chapter 5 the analysis of non-financial/voluntary information is discussed, and in chapter 6 the financial disclosures (both voluntary and mandatory) are discussed.

Content analysis

Content analysis of environmental disclosures has been undertaken in several prior studies (Patten, 2002; Blacconiere & Patten, 1994; Deegan & Gordon, 1996; Freedman & Wasley, 1990; Wiseman, 1982). There is a commonly held assumption that the greater the quantity of environmental disclosures, the more significant those disclosures are to the organisation (Deegan & Rankin, 1996; Gray, Kouhy & Lavers, 1995b; Krippendorff, 1980; Neu, Warsame & Pedwell, 1998, as cited in Unerman, 2000, p. 675). The measurement of the overall quantity of environmental disclosures as a proportion of total disclosures was used in this study as a means of identifying the relative importance placed on those disclosures. Content analysis was undertaken on the non-financial, non-mandatory information disclosed by the organisation to stakeholders via prospectuses, annual reports and investment brochures as a means of quantifying the environmental disclosures made by the organisation.

Essential to the process of content analysis is the establishment of clear definitions of the information that is being measured (including where it is located) and how it is to be measured (Unerman, 2000). According to Gray, Kouhy and Lavers (1995b), the definition of the issue or item being researched must be 'precise and unique' (p. 81).

As discussed in chapter 1, the 'environmental disclosure' to be studied was defined as 'the process of communicating the environmental objectives, actions and achievements of an organisation to external stakeholders'. Whilst in the broader sense, all activities undertaken by the company were either directly or indirectly linked to the conservation of indigenous species, for the purposes of content analysis, a stricter interpretation of the term 'environmental' was adopted to allow for a more specific identification of words and phrases that specifically identified environmental words and images. Such disclosures were identified as any disclosures that include words that referred to the natural environment and methods of conservation employed by the company to preserve and protect indigenous species and their habitat.

For example in the message from the managing director in the 1998 Prospectus, the following sentence was identified as an 'environmental' disclosure:

> It is now fourteen years since we opened business dedicated to saving Australian wildlife.

Non-environmental disclosures were identified as all disclosures other than those classified as 'environmental'. References to resourcing and employee management are examples of the issues classified as non-environmental. Whilst indirectly linked to the conservation objectives of the organisation, there was no specific mention of natural environment, therefore they were excluded from the quantification of environmental disclosures.

An example of non-environmental disclosure is included from the managing directors message in the 1998 Prospectus as follows:

> Stage 2 of 3,700 hectares will be completed shortly.

The location of environmental disclosures was extended beyond the annual report and a wider range of documents (including prospectuses and investment brochures) was also examined using techniques of content analysis. The following discussion identifies the measurement techniques applied in the analysis of these documents.

Each of the documents examined contained A4 page sizes. Only those pages containing 'voluntary' disclosures were considered for content analysis. Voluntary disclosures are those disclosures not required in accordance with any statutory or legal regulation (such as Australian Accounting Standards, Corporations Law or ASX listing rules[21]). The voluntary disclosures were then divided into the relative proportion of narrative and non-narrative disclosures. Each of these categories were then further divided into environmental and non-environmental disclosures. In total, the proportion of environmental narrative and environmental non-narrative information disclosed voluntarily by the organisation per A4 page was determined.

The proportion of narrative to non-narrative disclosures appearing on each A4 page was measured by placing a grid over the page and counting the area covered by each type of disclosure (Gray, Kouhy & Lavers, 1995b; Unerman, 2000). Narrative disclosures included text, headings and captions, while non-narrative disclosure included images (i.e. photographs or illustrations) or other graphics (such as graphs or tables). A significant proportion of the environmental disclosures made by the organisation comprised photographs and images in addition to text, and it was therefore considered important to capture them in the analysis. This opinion was supported by previous researchers who had identified non-narrative disclosures as

> potentially powerful and highly effective means of communication.
> (Unerman, 2000, p. 675)

[21]Information relating to corporate governance was been omitted from the definition 'voluntary disclosures' as they are required in accordance with ASX listing rules. While some of the pages that were classified as mandatory disclosures did include some environmental images, they were not included in the content analysis. Where significant, they were included elsewhere.

The significance of non-narrative disclosures was supported by Beattie and Jones (1992, 1994) and Preston, Wright and Young [1996, cited in Unerman (2000)]. The technique applied for the analysis of the documents therefore measured both narrative and non-narrative disclosures and was an adaptation of the methods suggested by Unerman (2000), Milne (1999) and Gray, Kouhy and Lavers (1995b).

Any blank space left on the page was not included in the measurement as it was not considered to convey meaning to the reader. The measurement or inclusion of blank space on a page in content analysis is an area of contention (Gray, Kouhy & Lavers, 1995b, see footnote 16 on p. 90). In this study it was felt that the reader would extract information either by comprehending the words, images or other information on the page, not gain information from the amount of blank space left on the page, and therefore only the used space on the page was measured.

The narrative disclosures identified on each page were then further classified into categories of either environmental or non-environmental, using sentences as the unit of analysis. Sentences provide context and meaning and are considered more reliable as a basis of identifying meaning than individual words (Milne & Adler, 1998). The proportion of *environmental* narrative disclosures was determined by comparing the number of sentences including environmental information to the total number of sentences on each A4 page. The overall proportion of narrative environmental disclosures appearing on each page was then determined by multiplying the proportion of narrative disclosures that were environmental in nature per page by the proportion of the page that contained narrative disclosures.[22]

Headings were classified as if they were sentences. No distinction was made between the sizes of print used in headings, as this differentiation was not considered significant in relation to the meaning conveyed. In some pages words were used in an 'administrative capacity' (i.e. page numbers, dear/yours sincerely in a letter and information about replacement prospectuses). These were not included in the text count.

[22] For example, if 60 percent of the disclosures on a page were narrative (i.e. text) and 20 percent of those (narrative) disclosures related to environmental information, the narrative environmental disclosures on that page would be 12 percent.

The non-narrative disclosures appearing on each page were also classified into categories of either environmental or non-environmental by considering the meaning conveyed by the image or other disclosure. The proportion of *environmental* non-narrative information per page was determined by multiplying the percentage of the disclosure that was considered environmental in nature by the proportion of the page that the non-narrative disclosures took up.

The total quantity of environmental disclosures made in each of the documents analysed was therefore determined as the proportion of both narrative and non-narrative information relating to the environment appearing on each A4 page compared to the total narrative and non-narrative information on each page.

QUALITATIVE ANALYSIS OF THE DOCUMENTS

A change in the quantity of environmental disclosures as revealed by the process of content analysis was considered relevant, but in isolation provided little insight into the underlying motivations and rationales for the disclosures made. Investigation and documentation of changes in the qualitative nature of the disclosures allowed a more in-depth exploration of the less obvious factors and influences affecting those disclosures.

Techniques for analysing the qualitative content were applied to all of the documents prepared by the organisation containing external disclosures, including prospectuses, annual reports, investment brochures, company newsletters, websites and guides' manuals. Investigation techniques included close reading, reflection and comparison of the:

- language – i.e. tone (emotive, descriptive, optimistic), use of acronyms, level of formality (formal, informal, colloquial, slang, jargon)
- graphics – i.e. drawings, photographs, use of colour or shade, incorporation of tables, graphs or diagrams, use of symbols or logos
- layout – i.e. angles of text, headings and sub-headings, font (type, size)
- nature of information – i.e. type and relative proportion of environmental/social information disclosed

- location of information – i.e. where the information was placed within the document
- technical content – i.e. whether the information was vague or provided enough information for the reader to gain specific knowledge and understanding.

Observation of changes in the nature, style, tone and overall appearance of the graphics, language and technical content of the disclosures provided rich data necessary for the detection of specific themes and issues and the satisfaction of research question 1.1 (see chapter 1). In-depth qualitative analysis of the documents also facilitated greater understanding of the disclosures made in preparation for the consideration and reflection of underlying motivators and influencing factors necessary for fulfilment of research question 1.3 (see chapter 1).

LANGUAGE

The term 'language' refers to the words (including their underlying meanings) used to express what is said (loosely based on the definition provided in the *Collins English Gem Dictionary*, 1967). Examining the language used in a document therefore involves an investigation of the words used, the meaning of those words and how they are used to convey their meaning. Investigation of the language used in the documents prepared by the organisation was therefore one way to reveal the underlying meaning of those documents.

In the investigation of the language used in the documents prepared, sections of the documents that were considered pivotal in conveying meaning were selected and scrutinised in detail. This included statements or reports prepared by senior management, i.e. the chairman, managing director or chief executive officer, that appeared to establish personal communication with the reader. In the prospectuses and annual reports, the messages from senior management were used as the representative piece of text.

Specific features of the language used were identified and compared to similar documents over the period of investigation. Identification of the similarities and differences were noted and reflective analytical techniques were employed to detect significant themes emerging. The features of language that were considered in order to draw meaning from the disclosures were the style of writing, the level of formality and the tone conveyed in the piece.

The style of writing generally refers to the manner in which it is presented, such as simple or complex, wordy or concise, and flowing or erratic, for example. The level of formality can range from a high, formal register (such as that used by an academic in a journal article), to formal (such as used in an essay), to simple (i.e. easy to follow and understand), to informal (i.e. with the use of colloquialisms). The tone conveyed reflects the writer's attitude to the subject of the writing and may range from humorous or ironic to emotional or angry. The investigation of these characteristics revealed information about the meaning of the information contained within the documents and aided understanding of the environmental disclosures made during the period of the investigation.

APPEARANCE

In addition to investigation of the language used, the images and overall layout of information incorporated into each of the documents was anticipated to be an important means of communicating messages to the reader. The non-narrative disclosures were considered in terms of their size, colour, placement and frequency, together with the images they were intended to represent. Comparisons were made between the different uses of graphics in the documents prepared throughout the period of the investigation, and any emerging themes were identified and incorporated into the process of reflection in terms of understanding the nature and content of environmental disclosures made throughout the period.

CONTENT

As stated earlier in this chapter, the categories of narrative and non-narrative information appearing in the documents were identified using content analysis. In addition, qualitative analysis of documents was used to determine any changes in the nature, location or technical make-up of information included within similar documents over time. In particular, the impact of any significant changes on the communication, efficiency and effectiveness of the information was noted.

3.4.3 Coding

The large quantity of data collected for analysis in this study was managed by organising it into categories on the basis of themes, concepts or similar features (Neuman, 1997). This process is referred to as 'coding'. It enables the retrieval of segments relating to particular themes and allows material to be grouped together in such a way as to permit analysis of the data as a meaningful whole, thereby allowing conclusions to be drawn:

> Codes are tags or labels for assigning units of meaning to the descriptive or inferential information compiled during a study. Codes usually are attached to 'chunks' of varying sizes – words, phrases, sentences or whole paragraphs, connected or unconnected to a specific stetting. (Miles & Huberman, 1994, p. 56)

Codes can be categorised into different types: Miles and Huberman (1994) describe them as descriptive, interpretive and pattern codes. Strauss and Corbin (1998) describe them as open, axial and selective (see table 3-5). The terminology of Strauss and Corbin (1998) was adopted in this study as the basis for developing codes. The method steps of grounded theory were chosen as an appropriate means of seeking emergent concepts from the analysis of the qualitative data collected (Strauss & Corbin, 1990, 1998). They provided a practical and structured approach to the analysis of qualitative data (Parker & Roffey, 1997).

Table 3-5 Comparison of coding categories

Miles and Huberman (1994)	Strauss and Corbin (1998)
Descriptive – Does not involve any interpretation and is used in the early phases of the analysis.	**Open** – Discovers, names and categorises phenomena and its dimensions.
Interpretive – Used after the researcher has developed some understanding of the processes and relationships involved.	**Axial** – Reforms data into new categories, centred around the 'axis' of a single category. Looks at how categories cross-cut and link.
Pattern – More inferential and explanatory. Develops as patterns and motives begin to emerge in the data.	**Selective** – Identifies a central 'phenomenon' around which all the categories are integrated.

In the initial stages of reviewing the data, the process of open coding the data was begun by identifying and defining individual categories in the data in terms of their properties and dimensions. In this way, large amounts of data were deconstructed into more manageable pieces, and then linked together via common themes (Strauss & Corbin, 1998). Having been reviewed line by line and broken it down into categories or concepts, the data was reformed via the process of axial coding. This involved systematically developing categories and relating them to each other, centred on a single category or 'axis'. In this way the categories were linked to subcategories in terms of their properties and dimensions (Strauss & Corbin, 1998). The goal of axial coding is to identify a smaller number of major categories that:

eventually account for a substantial portion of the variance in the research phenomena. (Parker & Roffey, 1997, p. 228)

The phase of axial coding overlapped with the phase of open coding as familiarity with the data was achieved. The third phase of coding that is referred to in grounded theory, selective coding, was employed to identify key relationships between concepts.

Using the 'grounded' approach originally advocated by Glaser and Strauss (1967), a list of potential codes was not identified prior to commenting data collection. In this way, the coding process was more open-minded and context sensitive (Miles & Huberman, 1994, p. 58). The generation of categories or codes came from reviewing the collected data line by line. This technique is referred to as an 'inductive' coding technique, where the codes emerge from the data (Strauss, 1987). Codes were revised throughout the process of analysis. Codes were added and discarded as the data was repeatedly reviewed. Some codes initially identified were too broad and needed to be sub-classified to avoid too much information being allocated (Miles & Huberman, 1994). In addition, more abstract codes were developed by linking together several subsidiary codes.

The process of coding was finalised when, after repeated review of the data, nothing new emerged. This point was reached when all of the incidents had been readily classified, categories were saturated, and sufficient numbers of regularities had emerged (Lincoln & Guba, 1985; Miles & Huberman, 1994; Strauss, 1987). In accordance with Strauss and Corbin (1990), importance was placed on continually assessing the data as it was collected and considering it in theoretical terms throughout the process, rather than leaving the analysis until the end of the project. The process of analysis was an interactive process and was performed with a 'curious' and open-minded approach throughout the study, with continual reference to the focus of the study in conducting the analysis (Parker & Roffey, 1997). The theoretical sensitivity of the study was also enhanced by questioning and challenging prior understandings and assumptions.

3.5 Summary and conclusions

This chapter has identified and explained the research methodology adopted in the study in general terms. It has also outlined the particular design of this study, including the research questions adopted, the site to be investigated and the methods of data collection and analysis used. The following chapter provides some background to the research site and identifies some of the key features of the organisation.

CHAPTER 4

Background of the organisation

In order to understand the process of environmental disclosure within a conservation organisation, it was necessary to develop a clear understanding of the origins and significant factors influencing its development. The organisation that formed the basis of this investigation had been described as the first publicly listed company with a core business of conservation (Foskey, 1998). It was a pioneer of revolutionary conservation techniques and had achieved remarkable success in this area. It was also a prominent supporter of controversial accounting policies aimed at capturing environmental information using financial terms. The unusual characteristics of this organisation made it a site worthy of investigation.

In this chapter, a detailed description of the organisation is provided, including documentation of its history, key features and achievements. Also included is an outline of the founder, the central character responsible for the organisation's development. This background information will assist in providing an important contextual basis to the interpretation of the findings presented later in the study.

4.1 Description of the organisation

The primary objectives of the organisation under investigation were to:

> conserve Australia's unique biodiversity in a commercial environment whilst maximising the returns to shareholders. (Annual Report, 2000, inside front cover)

The business model it followed was to acquire land and develop wildlife sanctuaries which would generate income as 'ecotourist' centres (i.e. tourist centres offering an environmentally friendly tourist experience). Profit centres listed in the organisation's 2000 annual report included ecotourism; food and beverage sales; overnight accommodation; gift shop sales; native plant nursery sales; weddings and functions; conferences; education programs; filming and photography; consulting services; contract services; contract management; captive animal sales; wildlife sales; and donations.

In order to maximise the achievement of both conservation and profit objectives, the organisation planned to eventually operate two kinds of sanctuaries:

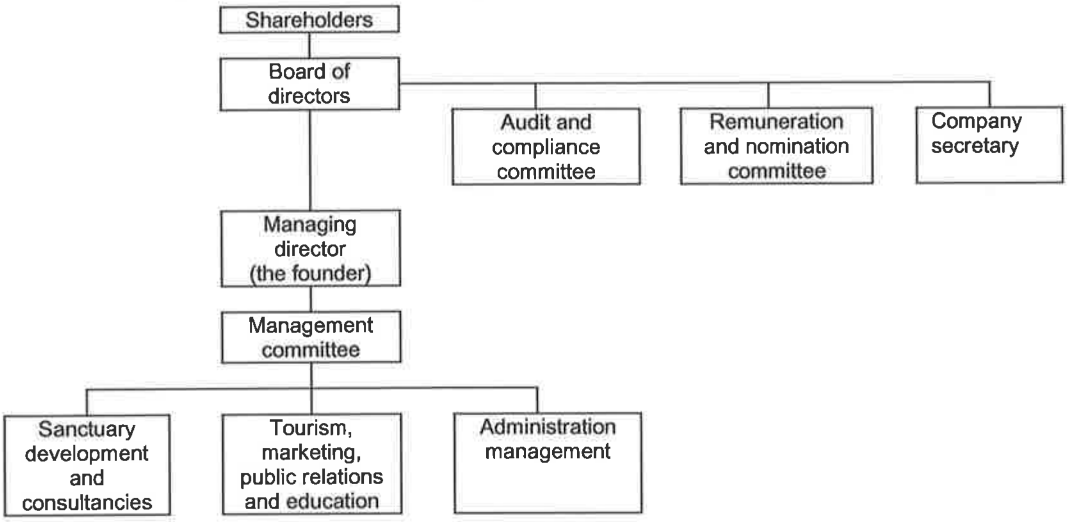
> Remote ones where raising animal populations will be the primary purpose and more accessible ones that generate cash from tourism. (Taggart, 2000b)

Throughout the period of investigation, the organisation owned and operated three sanctuaries, covering approximately 65,000 hectares, and managed a fourth. It also owned land in five other strategic locations that were earmarked for future sanctuary development, one of which was a high priority for the organisation and formed the major focus of the expansion undertaken during the period of investigation.

The organisation listed on the ASX on 8 May 2000 with an entry share price of $2.50 (Annual Report, 2000). At 30 June 2000, the net assets for the organisation were $34.86 million. This figure included capitalised sanctuary development costs of $10.1 million and wildlife assets of $5.9 million. Operating profit for the entity after income tax for the year ended 30 June 2000 was $2 million, including an increase in the net market value of wildlife of $2 million and amortisation of capitalised sanctuary development costs of $0.4 million. The organisation comprised six directors (two executive and four non-executive) and two alternate directors (one executive and one non-executive). It employed 40 full-time equivalent employees, 23 casual employees and additional hourly paid staff for guided walks as required.

A chart showing the management structure of the organisation immediately prior to listing on the ASX is shown in table 4-1. Noted on the chart is the direct involvement of the founder as managing director of the organisation. In addition, is the chart shows that all of the activities of the organisation are controlled through the management committee.

Table 4-1 Organisational chart as at May 2000



4.2 Achievements

The organisation achieved remarkable conservation and fundraising success throughout the 15 years prior to listing on the ASX in 2000. Throughout the period 1985 to 2000 there had been improvements in each of the three indicators used by management to track its success (Annual Report, 1999):

1. number of sanctuaries operated
2. number of animals controlled by the organisation
3. amount of capital raised.

The number of sanctuaries and area of land owned and managed by the organisation had increased from one sanctuary of 14 hectares in 1985 to four operating sanctuaries and six areas of land (including two under contract), covering a total of approximately 90,000 hectares by 2000 (Prospectus, 2000). The acquisition and breeding success of threatened species within the sanctuaries had increased the animal numbers from zero in 1985 to 2,404 in 2000 (see table 4-2). There had been a continued increase in the amount of capital raised to a total of approximately $16 million by 1999 (Annual Report, 1999, p. 6).

Table 4-2 Wildlife report 1996-2000

Species*	1996	1997	1998	1999	2000
Wombat	50	100	100	100	869
Rufous bettong	63	61	86	97	154
Long-nosed potoroo	52	44	85	90	97
Bandicoot	40	20	70	85	98
Tammar wallaby	30	34	36	42	49
Eastern quoll	0	0	18	36	70
Plains rat	0	0	12	46	139
Pademelon	30	30	35	45	52
Yellow-footed rock wallaby	120	120	120	120	180
Brush-tailed bettong	149	146	297	341	377
Numbat	30	50	61	130	156
Bilby	3	7	18	38	54
Stick-nest rat	10	2	0	33	43
Bridled nailtail wallaby	0	0	0	20	40
Burrowing bettong	30	7	7	12	26
TOTAL	607	621	933	1,189	2,404

*see Appendix D for a description of each of the animal species

The organisation had also been the recipient of several major eco-tourism and conservation awards, as shown in table 4-3 (Chulov, 1994; Foskey, 1998; Jemison, 1993; Roberts, 1997), and had been unanimously applauded for its conservation efforts, as indicated in the following:

> [The company] has reintroduced more species of rare and endangered wildlife back into the wild than all the national parks and wildlife services and zoos of Australia combined. (AAP News, 1999)

Table 4-3 Awards won by the organisation as a group 1988-2000

Year	Award	Category	
1988	Adelaide Hills Regional Tourist Association Regional Tourism Awards	Heritage/environment/ culture	Winning entry
1988	South Australian Tourism Award	Heritage and cultural tourism	Judges commendation
1988	Tree Care Award		High commendation
1988/89	Harry Dowling Award		For tourism excellence
1989	Adelaide Hills Regional Tourist Association Regional Tourism Awards	Contribution to environment and heritage	Special recognition
1989	South Australian Tourism Awards	Tourist attractions	Judges commendation
1989	Australian Small Business Awards	Smaller business	Winner
1989	Civic Trust Awards	Landscape and streetscape	Winner
1990	Adelaide Hills Regional Tourist Association Regional Tourism Awards	Tourism marketing	Judges commendation
1990	South Australian Tourism Awards	Local attractions	Winner
1991	South Australian Tourism Awards	Local attractions	Winner
1992	South Australian Tourism Awards	Environmental tourism	Winner
1993	South Australian Tourism Awards	New development	Distinction
1994	Banksia Environmental Awards	Business management	Finalist
1995	South Australian Tourism Awards	Tourism development	Winner
1996	South Australian Tourism Awards	Environmental tourism	Winner
1996	Banksia Foundation Environment Awards	Ecotourism	Winner
1996	Banksia Environmental Awards	Conservation	Finalist
1996	Banksia Environmental Awards	Innovation	Finalist
1997	Conde Nast Travellers Choice Awards (USA)	Ecotourism	World runner up
1998	Travel Holiday 1998 Insider Award (USA)	The best kept 50 secrets of the year	Only Australian mentioned
2000	Prime Minister's Environment Awards	Australian Small Business Award for Environmental Best Practice	Highly commended

4.3 History of the organisation

The rationale for the organisation's creation and the complexities underlying the conservation methods and operating techniques adopted by it were significant factors in understanding the dynamic that influenced its internal decision-making activities. In this section, a brief history of the organisation is presented to provide the appropriate context for the subsequent analysis of data collected.

The early inspiration for the establishment of the organisation came from the founder's concern for the loss of native Australian wildlife, which began in his childhood. In 1946, when he was seven, his father bought 166 acres of virgin bushland at Niagara Park on the central coast of NSW. Some of the land was cleared to plant a citrus orchard, but the remainder was left untouched. When the founder was ten, his family moved on to the land and he spent a lot of time in the forest, watching the animals. He described the area as a paradise, with huge trees, the hollow branches of which were inhabited by animals that he had never seen before. When he was 12 he noticed the arrival of foxes and cats in the area, and the native animals began to disappear. By the time he was 14 he could no longer walk through the forest because of the undergrowth. Then, by the time he was 16, bushfires destroyed the forest and all of the wildlife disappeared.

As an adult the founder decided to create a wildlife sanctuary in which the dreams of his childhood could be recreated. In the 1960s he began the search for the ideal site. In 1969 he purchased a 35-acre (14-hectare) dairy farm in a semi rural location 30 minutes from the central business district of the home state of the organisation and, over the following 16 years, transformed the property into a wildlife sanctuary (referred to in the study as sanctuary 1).

The founder had initially created the sanctuary for his own personal pleasure and enjoyment. In 1985, after encouragement from friends, sanctuary 1 was opened to the public. Despite no formal publicity, visitor numbers to the sanctuary steadily increased. Public interest grew by word of mouth from enthusiastic customers. A letter to the editor of the major newspaper in the home state of sanctuary 1 revealed the 'secret of the sanctuary's uniqueness' (Jeanes, 1986) and provided incentive for the organisation to increase tours of the sanctuary from once a week to every evening.

In 1988, the founder incorporated a private company (referred to as the Company Pty Ltd) to facilitate the management of sanctuary 1. Land was acquired in 1989 to enable the establishment of a second sanctuary (sanctuary 2). This sanctuary was opened to the public in the following year. In 1992, the consulting and contracting side of sanctuary 1 was transferred to the Company Pty Ltd and in 1993, 65,000 hectares were acquired in western New South Wales to be developed as sanctuary 3. Also in that year, the Company Pty Ltd became an unlisted public company (the Company Ltd) in order to facilitate the raising of funds via share issue. sanctuary 3 was opened to the public in 1994.

Early success in the conservation methods implemented in sanctuary 1 led to the establishment of a 40-year plan for wildlife management in 1985, referred to as the founder's 'vision'. It involved the establishment of a series of wildlife sanctuaries throughout each of Australia's 80 habitat regions, equal to one percent (10 million hectares) of the Australian landmass (Miller, 1994) by 2025 (Annual Report, 1998, 1999, 2000, 2001; Prospectus, 1996, 1997, 1999; Stewart, 1996; Woodford, 1996b). In the period leading up to listing on the ASX the vision had been well documented and clearly communicated to those both internal and external to the organisation. It provided a framework and rationale for all management decisions undertaken during that time.

As context for the growth of the organisation, tables 4.4, 4.5 and 4.6 identify key events in the history of the organisation, provide a list of prospectuses issued by the organisation over the period of the investigation, and identify key financial statistics.

Table 4-4 Timeline of significant events

Date	Description of event
1969	Founder purchased 35 acres (14 ha) in home state of organisation for $26,000 – to become sanctuary 1
1974	Founder publicly identified the problem of introduced plant species
1978	Founder publicly identified the problem of introduced animals species – especially foxes and cats
1982	Sanctuary 1 erected the first effective feral proof fence in Australia
1985	Sanctuary 1 opened to the public
1988	The Company Pty Ltd incorporated
1990	1600 hectares of non-sanctuary land purchased Sanctuary 2 opened to the public (1,200 ha)
1991	Cat hat worn to SA Tourism Awards by founder – put feral cats on the agenda
1992	Consulting and contracting side of sanctuary 1 transferred to the Company Pty Ltd
1993	The Company Pty Ltd converted to a non-listed public company, the Company Ltd Prospectus [1] issued Development begun at sanctuary 3
1994	1800 hectares of non-sanctuary land purchased Sanctuary 3 opened to the public (65,000 ha – 125 km of fences) Prospectus [2] issued
1995	Prospectus [3] issued
1996	Prospectus [4] issued Replacement prospectus [4] issued Environmental annual financial statements released by the Company
1997	8% shareholding in the company acquired by first institutional investor, Two non executive directors appointed Prospectus [5] issued
1998	Prospectus [6] issued Plans revealed for $5m ecotourism resort in home state of the company Out of court settlement agreed to with local scientist for alleged defamation Prospectus [7] issued
1999	SGARA accounting standard adopted to incorporate a value for wildlife into financial statements Company secretary appointed Chairman appointed Prospectus [8] issued Non-sanctuary land purchased
2000	Prospectus [9] issued The Company listed on the Australian Stock Exchange CEO, CFO and CWO appointed
2001	Case study on the Company presented to an OECD/World Bank conference in Paris by Commonwealth Government's Productivity Commission as a model for private sector conservation for the new millennium Poor financial position publicly announced Decision to sell non-sanctuary land taken $757,325 raised in options Auditors replaced Founder stepped down as managing director Directors approved proposed issue of share purchase plan
2002	ASX advised that board and senior management have decided to restructure (sell off the assets) and return capital to those shareholders who request it Founder resigned from BOD

Table 4-5 Prospectuses issued

Year	Details of Prospectus
1993	Prospectus [1] issued for $6m (6m 25c shares at a premium of 75c). Prospectus closed 31 May 1994. Prospectus only raised $670,000.
1994	Prospectus [2] issued for $1m.
1995	Prospectus [3] issued.
1996	Prospectus [4] originally issued for $5.5m (5m shares at $1.10 each). Replacement prospectus issued 26 August 1996.
1996	Replacement prospectus [4] issued. Expires 31 March 1997. Prospectus is for 5 m ordinary shares at $1.30 each (25c par and $1.05 premium). Issue represents 25% of the Company's total issued shareholding. It is not underwritten.
1997	Prospectus [5] issued for 5m ordinary shares at $1.50 each (25c par and $1.25 premium) payable in full on application. Issue represents 23% of the Company's total issued shareholding. It is not underwritten. Prospectus expires 30 November 1997.
1998	Prospectus [6] for lots of 500 shares for $750. Prospectus closes 31 May 1998. Issue of 5m shares at $1.50 closed on 30 November 1998 only one-third subscribed (raised $2.2m). Prospectus [7] issued for 10m ordinary shares at $2.00 each, payable in full on application. Prospectus expires 31 May 1999. Generated $2.7m.
1999	Prospectus [8] issued for 10m ordinary shares at $2.25 each. Prospectus expires 30 September 1999.
2000	Prospectus [9] issued for 6m shares at $2.50 each ($15m) for listing on the ASX. Each two shares offered carry options for two further shares. The offer is not underwritten. The prospectus expires 14 April 2000. Raised $12.2m. Previously issued 7,999,847 shares and raised $11,741,906 via prospectuses.
2001	SPP details. Special offer to existing shareholders to purchase fully paid ordinary shares from company at 50c each. Minimum investment $500, maximum $3,000. Offer open until 7 Dec 2001.

Table 4-5 Key financial statistics

	30 June 1996 $(000)	30 June 1997 $(000)	30 June 1998 $(000)	30 June 1999 $(000)	30 June 2000 $(000)	30 June 2001 $(000)
SGARA initial recognition	-	-	-	2,700	-	-
Change in value of Australian fauna	-	-	-	845	2,060	(493)
Amortisation of sanctuary development	-	-	-	-	(442)	(468)
Operating profit after tax	161	97	162	1,171	2,077	(13,670)
Cash flow from operating activities	128	302	569	64	917	(1,334)
Share capital raised	1,414	774	1,895	4,887	13,161	723
No. of shareholders	1,000	1,500	2,300	4,000	6,800	7,000

4.4 Belief in capitalism

Crucial to the success of the founder's vision for saving endangered species was the privatisation of wildlife management throughout Australia. This was a controversial notion at the time. Disillusioned with the failure of government-run conservation projects, the founder believed that a better system could be managed by private enterprise.

Claims were made by the founder that Australia had the worst record in the world for the management of native wildlife (AGM, 1999, 2000). During the 20th century there has been a devastating loss of native species and destruction and fragmentation of natural habitat in Australia. Over the past 200 years, 60 species of animal have become extinct, 23 of which are mammal species from Australia (Roberts, 1994). There are currently 88 species of mammal in Australia facing extinction (Department of Environment and Heritage, 2006).

It was the founder's belief that efforts undertaken by the government to manage wildlife in Australia were 'seriously flawed' (Founder, cited in Arblaster, 1994, p. 5) and that '[n]ational parks…have failed' (Founder, cited in Roberts, 1994, p. 2). In the founder's opinion, if conservation was left up to government or charities, species would continue to be lost. Except for the Western Australian Department of Conservation and Land Management, there had been no effective conservation plan by an Australian government department or conservation group that had been able to halt the devastating loss of wildlife in Australia.

The solution proposed by the founder was to base the management of endangered species on the 'framework of the free enterprise system' (Annual Report, 1998, p. 20; Painter, 1998). It was considered by the founder that:

> salvation for the country's endangered species lies in the involvement of the private sector, not in red tape and bureaucrats with their little books. (Cooke, 1999)

Conservation and investment had traditionally been considered an unlikely combination, as evidenced by the following:

> Once there may have been little common ground between wildlife conservation and share investment. Conservation was for greenies and shares were for capitalists, it may have seemed – with the twain never likely to meet, except acrimoniously during anti-uranium marches or old-growth forest blockades. (Foskey, 1998)

In the founder's opinion, the only mechanism available to access the quantity of resources required to protect endangered species was the stock market. He was of the opinion that:

> any business structure could be used for a conservation business. However from an investors' point of view probably the public company with the company's shares openly and easily traded is the best. (Founder, 1998, p.18)

Given the size of the project, the founder's goal became the establishment of a publicly listed company with the core business of conservation. This was the first time in the world that the goals of conservation and commercial enterprise had been combined (Cullen, 1995; Jemison, 1993; Taggart, 2000a).

As a public company, the organisation had a responsibility to its shareholders to protect their investment. However, as a conservation organisation, it had a responsibility to protect the native Australian wildlife. The complexities of combining the objectives of both conservation and financial viability was a challenge for the organisation:

> Whereas normal businesses are motivated by profit, [a Company sanctuary] is motivated by the need to ensure the survival of all the species that make up the ecosystem. However, it was recognised that if the business did not earn a profit it would quickly cease operation. (Prospectus, 2000, p. 13)

The obvious barrier to the success of the founder's plan was the lack of connection between financial gain and conservation improvement. It was a commonly held view that capturing the value of the animals being managed was considered vital for their survival:

> These days, you won't be able to save anything unless you do it in a proper commercial environment, with proper dollar values on things. (Taggart, 2000a)

A possible solution to this dilemma was the incorporation of living assets into the organisation's financial statements. In an attempt to achieve this, the organisation developed an experimental set of accounting statements, referred to as 'economic accounts', which included the natural assets of the organisation (i.e. fauna and surrounding habitat) in the balance sheet and income statement. These statements formed part of the 1996-1998 annual reports as an accompaniment to the traditional financial statements (see chapter 6 for further discussion).

In 1999 the economic accounts were replaced by the organisation's early adoption of Australian Accounting Standards Board's AASB 1037: Self Generating and Regenerating Assets (SGARA), which allowed recognition of living assets in the traditional financial statements[23] (see chapter 6). The SGARA standard was viewed by the organisation as providing an important means of linking conservation success with financial gain, and therefore allowing important communication between conservation and business sectors.

The founder was also an ardent campaigner for the sale of endangered species. It was argued by the founder that the sale of wildlife would be good for the organisation as it would allow for the objective valuation of environmental assets and would also provide an important source of cash inflow (Founder, 1998).

The business model introduced by the organisation was hailed by many external observers as being a good solution to the dilemma of combining conservation goals with those of capitalism and business success. In 1996 the organisation was honoured by an award from the Banksia Environmental Foundation for Eco Tourism, where it was:

> lauded… for not viewing the environment purely in terms of commercial gain. (*The Australian*, 1996)

In January 2001 the Commonwealth Government's Productivity Commission presented a case study on the organisation to the Working Group on Economic Aspects of Biodiversity at an Organisation for Economic Cooperation and Development[24] (OECD) and World Bank workshop in Paris as a model for private sector conservation for the new millennium (letter to shareholders 12/2/01; ASX company announcements; company newsletter no. 39, February 2001; Cooke, 2001).

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[23]In 1999 the organisation was one of only three listed companies to adopt AASB 1037 two years before the officially required adoption date of 30 June 2001. The other two companies to adopt the standard in 1999 were Normans Wines Ltd and Auspine Ltd.

[24]The OECD is an influential organisation which provides governments with a setting to discuss, develop and perfect economic and social policy. It includes representatives from Europe, North America, Japan, Australia, New Zealand, Finland, Mexico, the Czech Republic, Hungary, Poland and Korea.

Due to the particular model of operations adopted, the organisation knew that it faced challenges in terms of understanding and acceptance by the business community, as noted in the following:

> There is no doubt that we have had problems fitting into the business world. (Prospectus, 1996, p. 3)

Despite a primary focus on conservation, the organisation was aware that viable commercial activities and investor support were essential for its future survival.

4.5 Funding the organisation

The success of the organisation's business model was dependent on continued expansion through the acquisition and development of more sanctuaries across Australia. Prior to listing on the ASX, the organisation's major source of funding had been from share issues. After a slow start, with its first share issue in 1993 being under-subscribed, the organisation undertook a series of successful share issues between 1994 and 2000. During this process a strong bond was established between the organisation and an expanding number of loyal investors who supported it with a total of over $29 million in share issues throughout its growth.

Shortly after conversion from a private company to an unlisted public company the organisation launched a $6 million public offer to help fund its planned expansion. The issue closed under-subscribed, having raised only $0.7 million. One reason suggested for the disappointing result was the announcement of delays in listing on the ASX. In addition, it was suspected that, due to the unusual nature of the business, potential investors were having difficulty estimating the organisation's future cash flows and asset values (Freeman, 1994).

The organisation registered a new prospectus with the Australian Securities Commission in 1994 to raise $5 million, which saw the first of a series of eight further share issues. These issues were undertaken between 1994 and 1999 and resulted in approximately $12 million being raised to fund the purchase and development of further wildlife sanctuaries (Foskey, 1998).

The majority of the organisation's shareholders were individual investors, each with a relatively small holding. They were described by the founder as 'the mums and dads of Australia' (Founder, cited in Woodford, 1996b, p. 1) and appeared to be more interested in saving native species than financial return (Foskey, 1998; Taggart, 2000b). They did not appear concerned with the low financial return on their investment, with most sending their 'minuscule' dividends[25] back to the organisation (Potts, 1998, p. 63). Many saw their investment as an alternative to becoming a member of a not-for-profit environmental organisation such as the Australian Conservation Foundation or Greenpeace (Woodford, 1996b).

As a group, green investors are generally cautious. Whilst they do not mind receiving a lower return on their investment they are wary about taking risks with new ventures (Taggart, 2000b). The organisation's policy of minimum borrowings (Foskey, 1998) was consistent with this desire for risk minimisation.

There existed a very close relationship between the shareholders and the organisation. Several had acquired shares as a result of a personal recommendation (Cullen, 1995). This relationship was maintained and encouraged by initiatives to engage them in the organisation's conservation activities. Shareholders were invited to attend exclusive open days and weekends and receive entitlements to stay at any of the sanctuaries for four weekends a year, with significant discounts offered on entry fees, accommodation, meals and gift shop purchases at other times (Woodford, 1996b).

The sole institutional investor purchased shares in the organisation worth $1.5 million in 1997, which represented a (significant) eight percent stake in the organisation (Black, 1997; Lane, 1999). This investment lifted the number of shares in the organisation to over 16 million. Such an investment encouraged the desire for expansion, which became the primary reason for the public listing on the ASX. As noted by the chairman in 1999:

> the company had reached a stage where it needed institutional backing.
> (AGM, 1999)

As the organisation prepared to list on the ASX, it was confident of its ability to raise further funds. Estimations from the founder were that it could gradually increase the

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[25]Only small dividends have been paid to shareholders – 0.4 cents per share in 1996-97 (Foskey, 1998) and 0.5 cents per share in 1997-98 (Booth, 1998b).

funds raised from about '$A4 million per year to $A10 million a year' (Milne, 1999, p. 29). Support and encouragement for the listing came from many sources, including the recommendation as a good investment by independent stockbrokers and a high rating as an ethical investment by the Australian Consumers Association publication *Choice* (Foskey, 1998).

In the period preceding ASX listing it appeared that the business model pioneered and promoted by the founder was working. It also appeared that the organisation was enjoying unprecedented conservation success via the adoption of unique measures, also pioneered by the founder. The following section identifies and explains the key features associated with those conservation methods.

4.6 Unique conservation methods

The founder based the conservation success of the organisation on the implementation of pioneering conservation methods he had developed. These methods, referred to by some as 'well-meaning eco-extremism' (Roberts, 1997), were considered controversial at the time of their introduction. The founder's childhood observations of environmental destruction had convinced him that that the primary threat to native Australian flora and fauna came from 'feral' (i.e. non-indigenous) animals and plants. The solution he devised was to create a physical barrier between the feral predators (predominantly foxes and cats) and their prey. This was achieved by the erection of feral-proof fences around each sanctuary, and was followed by the eradication of all non-indigenous plants and animals from within the fence, then the reintroduction of native wildlife species. The native species were then able to re-establish their population as it had been 200 years ago, prior to colonisation.

Many experts in the field of conservation management initially rejected this method of wildlife preservation (Miller, 1994). By the 1960s conservation had been fully nationalised and, due to the influence of zoos on wildlife management, the erection of feral proof fences was illegal in most Australian states[26]:

[26] n 1969, when the founder was searching for an appropriate location for a wildlife sanctuary, the home state of the organisation was the only state in which it was legally possible to erect a feral-proof fence (Kennedy, 1993).

> In New South Wales, for example, once an area of land had been fenced to stop the entrance of foxes and cats, all the wildlife inside the area was deemed 'captive' and therefore had to be kept in cages as set out by the Zoological Society. (Carneal, 2000)

Concerns were also expressed by National Parks and Wildlife, green groups and environmentalists that the erection of animal-proof fences would prevent the 'normal' free movement patterns of native animals and create a series of open-range zoos with problems of inbreeding and threats to other wildlife (Taggart, 2000b; Woodford, 1996b).

The elimination of non-native plants from within and outside the sanctuaries and the movement of animals from one sanctuary to another also attracted opposition from activists and bureaucrats. In 1976 the founder, who was an active member of the Get Rid of All Pines (GROAP) society, was arrested for unlawfully and maliciously cutting down a pine tree on one of the roads adjacent his property. In addition, concerns were raised about the organisation's plans to reintroduce species into states from which they did not originate, such as bringing bilbies from the Northern Territory for reintroduction in South Australia (Woodford, 1996b).

Criticisms were also raised by environmentalists who were not comfortable with the profit-making orientation of the organisation on the grounds that it deflected the government's responsibility to direct conservation efforts (Miller, 1994). The founder was attacked for supporting a $10 entry fee to the national park in the Flinders Ranges, and animal welfare groups have thrown cats and foxes over the fences at sanctuary 2 in protest to the conservation methods used (Roberts, 1994).

Many of the criticisms raised were refuted by the organisation. In particular, those claims indicating similarities between the sanctuaries owned and managed by the organisation and a zoo were strongly denied. The founder was fundamentally and philosophically opposed to the concept of zoos (Jeanes, 1986) and took particular offence to any similarities drawn between the two. In zoos:

> there is a tendency for people to try to study animals as we would like them rather than as they would actually be. (Jeanes, 1986)

Unlike zoos, which erect fences to keep the protected animals in, the feral fences were designed to keep the feral animals out (Jeanes, 1986).

In general, the best reply to the many objections raised to the organisation's conservation methods were the success rates it had achieved. All of the species under the protection of the organisation had increased in number (see table 4-2).

The transformation of sanctuary 1 from a degraded dairy farm into habitat suitable for native wildlife had involved eradicating all of the non-native trees within and surrounding the property, and reintroducing more than 40,000 native trees and shrubs.[27] The emphasis had been to create a year-round nectar trail to attract native birds (*Courier*, 1985). In 1981 and 1982, the founder designed and erected Australia's first effective feral-proof fence and eradicated all of the foxes and cats from the property. Feral fences were also successfully erected in sanctuaries 2 and 3. Sanctuary 2 comprised 1,100 hectares of native habitat suitable for indigenous species of fauna (i.e. numbats, bilbies and woylies). Sanctuary 3 opened to the public in February 1994 as 'the world's biggest feral conservation project' (prospectus 2000, p. 19) consisting of 65,000 hectares in western New South Wales. It was therefore considered to be some of the best land (environmentally) in New South Wales, as only a small area had been used for grazing non-indigenous animals.

Despite attracting a great deal of criticism, the organisation's conservation methods also gathered significant support (Roberts, 1994). Since the effective implementation of feral-proof fences, biologists have agreed that feral cats pose the most serious threat to wildlife in Australia. The limited number of native carnivorous animals and the confinement of the majority of the human population to urban areas meant that neither could be held responsible for the devastation to native animal populations that had occurred over the past 200 years (Miller, 1994). The founder's claims about the destructive ability of feral cats were also supported in a 1997 study by the Australian Nature Conservation Agency (Drollette, 1997). The study found that the country's estimated three million pet cats and two million feral cats kill as many as four million native birds and small mammals a year. These claims were supported by the Commonwealth Scientific and Industrial Research Organisation (Drollette, 1997).

[27]The 250 species reintroduced included banksias, grevilleas, melaleucas and callistemons (*Courier*, 1985).

The organisation's conservation methods had also received endorsement from many internationally recognised experts in the field of conservation and environmental management, such as Professor David Bellamy[28] (internationally renowned conservationist); Dr Harry Butler[29] (Chairman, Northern Territory Conservation Commission); Professor Des Cooper[30,31] (Professor of Biology, Macquarie University); Professor Rob Gray[32] (then Mathew Professor of Accounting and Information Systems and Director of the Centre for Social and Environmental Accounting Research, University of Dundee, Scotland).

The conservation methods introduced by the organisation impacted on the way native animals are now managed in Australia. Some of the ideas have since been adopted by state-run national parks in Western Australian and South Australia. In Western Australia there has been widespread poisoning of feral animals in the south-west forests to protect the numbat, and in South Australia some offshore islands have eradicated feral animals to protect the native species (Roberts, 1994).

4.7 Determination of the founder

The individual primarily responsible for the organisation's incorporation and management in the period leading up to listing was the founder. An awareness and understanding of his personality and power was necessary to make sense of the actions and processes that influenced the organisation's disclosure of environmental information during the period of investigation

[28]'[The organisation] campaigns for the living earth with a new form of direct action. They cut the crap out of conservation and get on with the job of saving species' (Prof Bellamy, http://www.[company initials].com.au/experts.htm, accessed October 2000).

[29]'To all the people who want to "do something" about the loss of landscape and wildlife, I commend your investment in [the organisation]. Be part of the solution and bring back the wildlife' (Dr Butler, http://www.[company initials].com.au/experts.htm, accessed October 2000).

[30]'Philosophically, [the organisation] embraces the activist approach to conservation. This seeks to reverse recent deleterious human effects upon the environment through a variety of deliberate, very targeted actions' (Prof Cooper, http://www.[company initials].com.au/experts.htm, accessed October 2000).

[31]'Together with the Western Shield program for South-Western Australia, [the organisation] has the most effective and comprehensive program of conservation in Australia' (Prof Cooper, http://www.[company initials].com.au/experts.htm, accessed October 2000).

[32]Professor Rob Gray wrote a statement to accompany the 1998 economic accounts that were included in the annual return. The statement was applauding the efforts made by the Company to quantify the value of the environmental assets of the organisation (http://www.[company initials].com.au/gray.htm, accessed October 2000).

One of the most significant features of the founder's personality was his determination, despite criticism, to pursue his conservation vision. He was well known for undertaking unconventional and often controversial activities to draw attention to his campaign. This was evidenced when in:

- 1991 he wore a hat made from a feral cat skin to a public reception for the acceptance of a national tourism award (Painter, 1998; Stewart, 1996; Woodford, 1996a; 1996b)
- 1996 he recommended a recipe for 'pussy tail stew' as a means of eradicating feral cats (Agence France-Presse, 1996)
- 2001 he suggested farming and trading of endangered species to aid their survival.

His pointed attacks on government, NGOs and cat owners were also well documented. In his keynote speech at the 1997 annual tourism conference in the home state of the organisation, he claimed that his organisation had been discriminated against by the government (*The Advertiser*, 1997). He dubbed environmental activists 'dreamers opposed in principle to private enterprise and more interested in talk than action', accusing them of having a 'vested' interest in 'spreading doom' as a means of 'shoring up their careers and reputations' (Miller, 1994, p. 5). He described the green movement as a 'lifestyle' that was unrelated to saving animals (Farrer, 2000, p. 18). He also criticised cat owners, whom he 'condemns as selfish and short-sighted' (Miller, 1994, p. 5) and made claims that the:

> persistence of the cat problem reflects both a failure of will and lack of accountability on the part of government. (Miller, 1994, p. 5)

In summary, he has been described as having a:

> smoldering disrespect for governments, zoos and animal liberationists. (Woodford, 1996b, p. 1)

As a result of his outspoken and controversial nature, the founder made several enemies among both the scientific and political communities in Australia, resulting in legal and political confrontations[33] (ABIX 1998a, 1998b, 1998c; Hogarth, 1999a). Government wildlife officials had described him as a:

> noisy zealot whose overall contribution to Australia's fauna conservation has been slight. (Miller, 1994)

Underlying his non-conformist attitude was a strong passion for the cause of conservation, clearly evident in the following quotations:

> I decided it wasn't somebody else's job to save wildlife, it was my job and if we lost another species of mammal in Australia it wasn't somebody else's fault, it was my fault. (Founder, cited in Arblaster, 1994, p. 5)
>
> I would sell my soul to the devil to save a species of mammal from extinction. (Founder, cited in Woodford, 1996b, p. 5)

The founder appeared to be a larger than life character who attracted a combination of praise and criticism from a range of observers. His desire to merge conservation and capitalism had been a difficult task and one that had attracted several enemies:

> Conservationists hate me because I'm a developer and developers hate me because I'm a conservationist. (Founder, cited in Miller, 1994, p. 86)

He has also been praised for his pioneering business techniques:

> [The founder] will go down in history as the man who injected free enterprise into our thinking on the nature and purpose of conservation and national parks. (Roberts, 1994, p. 2)

[33] An example of this is provided in the legal confrontation between the founder and a prominent local scientist and president of the zoo of the home state of the organisation. Dubbed the 'wallaby war', it centred on allegations that zoo staff were found trapping endangered rock wallabies without permission on land owned by the organisation in 1990 (ABIX, 1998a). The president of the zoo believed that he had been defamed by the founder in a letter to shareholders in June 1996 and sued him. The founder responded with a counter-claim for damages associated with defamation. In August 1998, the organisation accepted an offer to settle out of court and pay $20,000 plus legal costs to the president of the zoo (ABIX, 1998b). On 7 September 1998 the founder dropped the counter-claim and so ended the wallaby war (ABIX, 1998c). Further evidence of the founder's determination to succeed was found with his attempts in 1999 to oust a particular political party from the state elections as a reaction to their opposition to the establishment of a sanctuary in that electorate. His $200,000 campaign consisted of letter drops, door knocking, public meetings and media attacks in an attempt to change the elected party in two marginal seats (Horgarth, 1999). While his attempt was unsuccessful, the actions fuelled the animosity that existed between the founder and particular politicians.

He received public acclaim for his conservation efforts via the Australian Geographic Conservation Award (Jemison, 1993) and had been described as both a man with a mission and the 'loosest cannon in the conservation movement' (Woodford, 1996b, p. 1). In the press he has been dubbed an 'iconoclast' (Taggart, 2000a), a 'maverick' (Miller, 2000, p. 5), a 'crackpot greenie' (Painter, 1998, p. 8), a 'champion of native wildlife' (Snell, 1997, p. 155) and an 'eccentric animal saviour' (Farrer, 2000, p. 18) with the:

> nous of an astute businessman, a single-minded devotion to saving endangered wildlife and St Francis of Assisi's love of animals.
> (Farrer, 2000, p. 18)

Internationally renowned documentary maker David Bradbury described him as being:

> in that tradition of the larrikin, (the) ratbag – that Australian tradition that goes all out and single-bloody-mindedly realises their vision.
> (cited in Farrer, 2000, p. 18)

The founder was the driving force behind the establishment of the organisation, and throughout the 15 years from incorporation to listing on the ASX in 2000, he was unchallenged in terms of leadership within the organisation.

4.8 Summary and conclusions

In this chapter the key features of the organisation were identified, providing important background information for the remainder of the study. Details of the organisation that provided the basis for the study, including its aims and objectives and key statistics, were necessary for the reader to understand the context within which the information gathered has been generated. In addition, it was essential for the reader to develop an appreciation of the unusual individual that founded the organisation and the influence his distinctive management style had on its creation and operation throughout the period of the investigation.

CHAPTER 5

Understanding the voluntary environmental disclosures made by a conservation organisation

As identified in chapter 2, there has been an increase in the quantity of corporate environmental disclosures both within Australia and overseas (Gamble et al., 1995; Gray, Kouhy & Lavers, 1995a; Niskala & Pretes, 1995). The evidence gathered to date as to *how* and *why* environmental information is disclosed is inconclusive. The three research questions that formed the basis of this thesis (see chapter 1) were designed to probe those unanswered questions and reveal information that would assist in understanding the disclosure process from within a single organisation. In this chapter, information is revealed that specifically addresses the first research question of the study, which is:

> To provide a rich description and a deep level understanding of influences and processes involved in the production of environmental information for external reporting in a conservation organisation.

As a first step in the satisfaction of this research question, all of the environmental disclosures made by a conservation organisation over a specific period of time were examined and the significant features that constituted *what* and *how* environmental information was disclosed to external stakeholders were identified.

In this chapter, the qualitative voluntary disclosures made by the organisation are examined. In chapter 6, the quantitative disclosures are considered in detail, providing information that will assist in the satisfaction of the second research objective of the study. In chapters 7 and 8 the explicit and implicit motivators for the environmental disclosures are explored and information is presented that assisted in the satisfaction of both the first and third research objectives of the study.

5.1 Presentation and content of voluntary environmental disclosures

The majority of voluntary disclosures made by the organisation were qualitative in nature (such as non-numerical text and images). They comprised narrative (i.e. ‘words’, including headings, captions and text) and non-narrative (i.e. ‘images’, such as photographs, illustrations, graphs and tables) disclosures. A significant number of these disclosures were environmental in nature. Environmental disclosure is defined for the purpose of this study as *the process of communicating the environmental objectives, actions and achievements of an organisation to external stakeholders* (see chapter 1). In this chapter, the qualitative environmental information disclosed voluntarily by the organisation during the period of investigation is identified and examined using quantitative and qualitative techniques of analysis. Quantitative environmental disclosures made by the organisation (both voluntary and mandatory) are discussed in chapter 6.

5.1.1 Documents examined

During and prior to the investigation, the organisation utilised a variety of methods to communicate information to external stakeholders, including prospectuses, annual reports, investment brochures, newsletters, the company website and guided walks. Each of these means of communication was examined in order to ascertain the nature and content of environmental information disclosed.

5.1.2 Method of investigation used

The documents produced by the organisation were analysed and closely examined using techniques of both content and qualitative analysis (as discussed in chapter 3). Investigation of the appearance, language used and type of information included in each of the documents in addition to the quantitative measurement of the disclosures made was instrumental in the identification of significant features, themes and trends in both the quality and quantity of the organisation's environmental disclosures. A comparison of the documents produced at different time periods and between documents produced at the same time for different purposes was also undertaken. Information used to support the analysis was drawn from field notes, observations, interviews and informal discussions conducted throughout the period of investigation. Examining the disclosures sourced from a range of media using a variety of different techniques revealed a deep understanding of the explicit meanings conveyed by their content and substance and provided some insight into the underlying intent.

Whilst all of the voluntary disclosures were considered, particular emphasis was placed on the environmental disclosures made and the relative importance attributed to them by the preparers of the external disclosures. The discussion of the disclosure process and apparent motivators is included in chapters 7 and 8.

5.2 Prospectuses

The primary purpose of a prospectus is to inform potential investors about an organisation with the aim of enticing them to purchase shares. Between 1993 and 2000 the organisation was an unlisted public company. During this time it had undertaken a series of successful share issues culminating with listing on the ASX in May 2000. Prospectuses examined in this study were those prepared by the organisation annually from 1996 to 2000.

All of the prospectuses examined were published prior to the period of field observation and therefore the motivations driving these disclosures were not directly observed. The information gathered from closely examining the documents, however, provided an important basis for comparison to later documents prepared during the period of field investigation. The results of the analysis revealed that there were significant environmental disclosures made in all of the prospectuses prepared by the organisation and that they were used primarily as an indicator of the success and well-being of the organisation.

The process of investigation involved consideration of the voluntary disclosures made in the prospectuses. The disclosure requirements for prospectuses in Australia were determined by Chapter 6D of the Corporations Law, sections 710, 711 and 713. The information required to be included in a prospectus was any information that would enable investors or professional advisers to make an informed decision about the acquisition of shares in the organisation. Specifically, the information that must be included in accordance with sections 710 and 711 was information that covered the rights and liabilities attaching to the securities the financial position, performance and prospects of the organisation and the interests of every director, proposed director, promoter, stockbroker and their professional advisers in any property acquired or proposed to be acquired with the funds received from the securities issue. It also required information on whether the securities issued were to be quoted on the stock market (Leo & Hoggett, 2001, p 29). For the purposes of this study, the environmental information analysed was considered to be useful to potential investors in relation to the acquisition of shares, but not essential in terms of the requirements of Chapter 6D.

In the next section, the investigation of both the quantitative and qualitative characteristics of the disclosures is presented. As a result of these investigations, key features, themes, patterns and trends that emerged from the data are identified.

5.2.1 Quantitative analysis of prospectuses

The quantity of voluntary environmental disclosures (VEDs) included in the prospectuses issued from 1996 to 2000 was measured using the technique of content analysis as detailed in chapter 3. In this process the relative proportion of voluntary environmental to non-environmental information and narrative to non-narrative disclosures were compared. The results of this analysis are included in tables 5-1, 5-2 and 5-3 below.

Table 5-1 Proportion of pages containing voluntary information in prospectus

Year of publication	1996	1997	1998	1999	2000
Number of pages in the prospectus	40	40	44	44	68
Pages containing voluntary information	21	21	31	28	33
Proportion of pages containing voluntary information to total number of pages	53%	53%	70%	64%	49%

In table 5-1, it is revealed that the size of the prospectuses grew considerably over the time leading up to listing on the ASX, increasing from 40 pages in length in 1996/97 to 68 pages in 2000, an increase of 70 percent. The quantity and relative proportion of voluntary disclosures also changed, initially increasing from 53 percent in 1996/97 to 70 percent in 1998, then decreasing significantly from 64 percent in 1999 to 49 percent in 2000.

Table 5-2 Proportion of voluntary environmental disclosures (VEDs) in prospectus

Year of publication	1996	1997	1998	1999	2000
Proportion of VEDs to total voluntary disclosures in prospectus	40%	45%	58%	57%	55%
Proportion of VEDs to total disclosures in prospectus	21%	24%	41%	36%	27%

The analysis of the proportion of VEDs to total voluntary disclosures and total overall disclosures is presented in table 5-2. These findings revealed that there was a significant proportion of VEDs made throughout all of the prospectuses issued by the organisation, with at least 40 percent of the total voluntary disclosures being environmental in all of the prospectuses examined from 1996 to 2000. The 1996 prospectus contained the lowest quantity of environmental disclosures (40 percent) and the 1998 prospectus the highest (58 percent).

In addition, it was noted that the proportion of VEDs to total disclosures made in the prospectus was also significant, with at least 21 percent or all disclosures in the 1996-2000 prospectuses being VEDs. The maximum proportion of 41 percent of VEDs to total disclosures was achieved in the 1998 prospectus, gradually decreasing to 27 percent in 2000.

From these results, it appeared that as the company approached listing on the ASX, there was a considerable increase in the overall size of the prospectus. There was also a marked increase in the proportion of voluntary disclosures that were considered environmental in nature (from 40 percent in 1996 to 55 percent in 2000) compared to total voluntary disclosures.

Table 5-3 Proportion of narrative to non-narrative voluntary environmental disclosures (VEDs) in the prospectuses

Year of publication	1996	1997	1998	1999	2000
Proportion of narrative VEDs to total VEDs in the prospectus	25%	22%	28%	32%	58%
Proportion of non-narrative VEDs to total VEDs in the prospectus	75%	78%	72%	68%	42%
Total VEDs in prospectus	100%	100%	100%	100%	100%

Table 5-3 shows the proportion of narrative to non-narrative VEDs included in the prospectuses issued by the organisation between 1996 and 2000. The results of this analysis revealed that in the prospectuses issued from 1996 to 1999, the majority of VEDs were non-narrative in nature, comprising photographs and other environmental graphics/images (75 percent in 1996 to 68 percent in 1999). In 2000, however, the majority of VEDs comprised narrative text (58 percent).

In summary, the organisation reported a very high proportion of voluntary disclosures in both 1998 (70 percent) and 1999 (64 percent) (table 5-1). Of those disclosures, there was a very high proportion of environmental information disclosed (1998, 58 percent, and 1999, 57 percent) (table 5-2). These results indicated that the voluntary communication of environmental information to potential investors during this period was significant. Immediately prior to listing on the ASX, the level of voluntary disclosures decreased to 49 percent, but the proportion of environmental disclosures remained relatively high at 55 percent (table 5-2). This indicated that despite an increase in the mandatory reporting requirements for the organisation as it prepared to list on the ASX, the disclosure of environmental information remained important.

It was also noted from the analysis that the form in which voluntary environmental information was communicated to stakeholders changed from predominantly non-narrative (from 1996 to 1999) to predominantly narrative in 2000 (see table 5-3). Narrative disclosures allow for the inclusion of a greater complexity of information than non-narrative disclosures. They require the reader to spend more time absorbing and understanding the information compared to information conveyed using images. It appeared that as the organisation prepared to list on the ASX, it chose to use a majority of words rather than images to convey environmental information to potential shareholders via the prospectus.

5.2.2 Qualitative analysis of prospectuses

In addition to the investigation of the quantity of voluntary disclosures using content analysis, qualitative analytical techniques were applied to the information disclosed in the prospectuses to allow both the implicit and explicit intended meanings communicated to the reader to be fully explored and exposed. This process involved the examination and comparison of the nature, configuration and placement of information included in the documents as well as consideration of the appearance and language used in order to identify any significant features and/or the emergence of any dominant patterns, themes or trends over the period of the investigation.

Close examination of the qualitative characteristics of the information included in the prospectuses revealed that they could be grouped into three distinct categories, 1996/97, 1998/99 and 2000. Within each of these categories the information presented was similar in both content and appearance, but there were significant differences between the categories.

Analysis of the appearance of each of the prospectuses from 1996 to 2000 revealed an emerging trend away from simple, monotone images and unsophisticated text layouts towards more contrasting, dynamic and intricate visuals incorporating the use of full colour. These trends were ascertained through examination and comparison of the visual characteristics of the narrative and non-narrative disclosures included in the prospectuses (e.g. size, colour, placement and frequency of non-narrative disclosures and typesetting, layouts, use of borders and headings for narrative disclosures). The nature of images portrayed in the non-narrative disclosures was also considered and any significant features and themes were identified.

The overall appearance of the 1996/97 pair of prospectuses was simple and unsophisticated. This impression was generated from the limited use of colour throughout the document, simple layout of text and images and casual appearance of personnel in the photographs. The colours used were 'earthy' tones of beige and brown and all photographs were presented in sepia. Each page included a narrow margin, single columns of text and square photographs. The images were all environmentally friendly, with the majority being of animals. Photographs of company personnel were informal, with staff appearing in casual dress (i.e. jeans and t-shirts) and often located outdoors. Overall, the document appeared to have been produced on a small budget to appeal to a non-commercial audience.

The 1998/99 prospectuses retained the feeling of informality while at the same time employing a substantially more sophisticated visual appearance than those prepared in 1996/97, predominantly due to the incorporation of more colour into the document. The formatting and placement of text and images on the pages were similar to the 1996/97 prospectuses, with the majority of pages comprising only one column of text with a narrow margin. All of the photographs, however, were printed in full colour. The document retained an environmentally friendly appearance, with each of the pages coloured beige with a matt finish and a full-page wildflower watermark in the background. The use of full colour and the adoption of a watermarked background on each of the pages provided the appearance of a higher quality document. The informality of the earlier documents was retained by the use of simple layout of information on the pages and the incorporation of many animal images and photographs throughout the booklet.

The 2000 prospectus was much more visually stimulating than the preceding prospectuses due to the incorporation of more complex typesetting and image placements and the use of colour on the borders and headings. The text comprised multiple columns of small print on high-quality white pages. The images included throughout the document were also more graphically sophisticated than those included in previous prospectuses. The majority of photographs were of animals. The images were cropped to their outline so that only the image of the animal itself was visible, with no background, creating an irregular shape on the page. Those pictures that included personnel were more 'corporate' in appearance, with senior management dressed in either suits or uniforms. Overall, the use of borders and banners, multiple coloured headings, wide margins and dynamic images on high-quality paper created the appearance of a more complex, sophisticated and professional-looking document which, combined with images of senior management dressed in suits or uniforms, created a much more 'business-oriented'[34] appearance to the document than had been created previously.

In addition to the overall visual appearance of the document, the use of language in the narrative disclosures appeared to be an important conveyor of meaning to the external users of the prospectuses. The features of language that were considered important to the inherent and underlying meaning of the information provided were the style of writing, level of formality and tone conveyed in each piece. Identification of the similarities and differences of these particular language characteristics were noted and techniques involving reflection and consideration of meaning were employed to detect significant emerging themes.

The specific narrative disclosures within each of the prospectuses that were considered in the analysis of language were the statements prepared by senior management (the chairman and/or the managing director) that appeared in the early sections of the prospectuses. These statements established personal communication with the potential shareholder and provided a significant indicator of the overall tone

[34]The term 'business-oriented' is used in this thesis to refer to being of a corporate or professional nature. It is achieved by a high level of authenticity, complexity, sophistication and superior quality conveyed by the document. Examples would include presenting a professional image of the organisation with the use of coordinated colour schemes, corporate logo, a competent and efficient management team and improved accountability overall.

of each of the prospectuses. The language included in these statements was therefore closely analysed to identify similarities and differences in the overall mood conveyed by the prospectus to the reader.

The results of the analysis of the language techniques employed for the 1996-2000 prospectuses revealed that, whilst the style of writing and level of formality remained reasonably consistent throughout the period of investigation, the tone of language ranged from critical, passionate and determined in 1996 to reassuring, optimistic, less emotive and more informative in 2000. Throughout all of the prospectuses, the majority of the discussion in the messages from senior management remained strongly focussed on the conservation goals and achievements of the organisation.

Most notable in the 1996 prospectus were management criticisms of the legal and bureaucratic obstacles it faced from inadequate accounting rules and poor performance of government-run conservation programs. Current accounting rules and regulations were described as ‘conflicting’, developed in an ‘atmosphere of exploitation’ and considered to be ‘nonsense’ by the organisation. In addition, conservation programs run by the public sector were referred to as ‘inefficient’. Some of the text was bold and underlined to stress the frustrations felt by management.

There was also evidence of the passionate concern for the conservation of wildlife felt by management, with words such as ‘exquisite’ and ‘Australia’s most valuable asset’ used to describe native fauna. The overall impression conveyed in the 1996 Prospectus was that the organisation knew it was facing significant challenges, but with passion, enthusiasm and determination (and the support of investors) these obstacles could be overcome. Statements such as ‘clearly change is in the air’ conveyed a message of hope for the future.

Despite performing well economically throughout this time, little focus was placed on the financial performance of the organisation. The only financial discussion was the frustration expressed by the managing director at the inability of traditional accounting techniques to value environmental assets and the justification of the capitalisation techniques applied by the organisation to sanctuary development in order to capture ‘conservation gains’ in the accounts.

The message from the managing director appearing in the 1997 Prospectus was reduced to approximately half the size of the 1996 message. Whilst retaining the passion and determination of the 1996 message, all of the criticisms had disappeared. Adjectives such as 'wonderful' and 'unique' were used to convey the passion felt by management for wildlife and bold text was used to emphasise the significance of the organisation's conservation vision. High hopes for the future of the organisation were conveyed via references to planned conservation achievements but no expectations were included concerning its future economic performance.

The managing director's statements in the 1998/99 prospectuses were grateful, emotive and optimistic for the future, with little emphasis on the financial viability of the organisation. Praise for shareholders' support 'in saving Australia's wildlife' was evident and punctuated with statements describing the sad plight of Australia's wildlife: 'As you are probably aware, over half the world's endangered mammal species are Australian'. Attention was focussed on the expectation of good conservation results:

> [sanctuary 3] has the potential to increase over one quarter of the world's endangered mammal species, on average over tenfold in number.
>
> There is no doubt in my mind that [the sanctuary] will be the most successful conservation project ever carried out in the world.

Despite the possibility of listing on the ASX, the organisation remained strongly centred on conservation rather than financial achievements. There was no mention of the past, present or future financial achievements of the organisation. It was clearly specified that any money contributed by investors would be used for the development of conservation projects.

The 2000 prospectus included a message from both the managing director and the chairman. The managing director's message remained, as it had done in previous years, positive, passionate and confident for the future. It incorporated phrases such as the 'veritable paradise' that had been 'destroyed' by people, and proclaimed the organisation capable of reversing the 'desertification and loss of biodiversity'. The organisation's work was hailed a 'conservation revolution' of which investors were invited to become a part.

Both the managing director's and the chairman's messages were reassuring to potential investors, referring to the 'proven record' of the organisation in protecting endangered species through the application of 'well established' processes that were 'continually tested for success'. The chairman also referred to the awards won by the organisation in recognition of its 'excellence in ecotourism' and the endorsements from 'wildlife experts' of the conservation methods adopted. The chairman's message also included more background and explanatory information about the organisation's conservation methods than had been included previously in messages from senior managers to shareholders.

Changes in the appearance and language were accompanied by changes in the content of the prospectuses over time. The most notable changes in the content of the 1998/99 prospectuses when compared to the previous ones was a dramatic increase in non-financial information relating to planned development projects and the removal of the forecasts of future economic performance and any associated verification report. Thus, in the 1998/99 prospectuses, there was less information offered to potential investors in the form of past financial performance or predicted future financial returns of the organisation as a basis for investment decisions than there had been in the 1996/97 prospectuses.

The move away from future financial forecasts and associated external verification that had occurred in the 1998/99 prospectuses was reversed in the 2000 prospectus. This included a significant amount of information relating to the past practices and future predictions of both the financial and environmental performance of the organisation. There were also several associated statements of endorsement incorporated into the document, including: a verification statement from a well-recognised firm of chartered accountants; an investigating accountant's report; a solicitor's report; and statements of endorsement from three nationally and internationally renowned conservation experts to support the accounting and conservation methods adopted by the organisation. There was also additional qualitative information included in the prospectus relating to the organisation's vision and the animals contained in each of the sanctuaries.

In each of the prospectuses analysed between 1996 and 2000, the vision established by the founder was clearly stated. In the 1996-1999 prospectuses it was referred to in the message from the managing director, and in the 2000 prospectus there was a separate section explaining it in more detail. In all of the documents it was clear that the vision was one of driving the organisation forward. The founder had also observed the lack of adequate management of natural habitats by existing conservation organisations and felt that an alternative solution could be possible.

5.2.3 Summarising prospectus disclosure

In summary, analysis of the prospectuses issued from 1996 to 2000 revealed that as the organisation approached listing on the ASX, a high proportion of the voluntary disclosures were environmental in nature and the focus throughout the document remained on its conservation achievements. The manner in which the environmental information was presented to external stakeholders changed from non-narrative to narrative. An increase in the narrative environmental disclosures could therefore be seen as an attempt for the disclosures to become more 'business-oriented' than before.

Overall, the 2000 prospectus appeared to be more informative and reassuring to new investors than the prospectuses produced earlier, and was also more focussed towards an audience with a greater appreciation of improved professionalism. The key indicators of this finding were the increased complexity of information placement; a greater reliance on words rather than images to convey meaning; passionate and confident messages from senior management that were less critical of the challenges facing the organisation; the inclusion of information relating to the verification and endorsement of both the financial and conservation practices of the organisation; and a greater use of colour in the document.

In conclusion, as the organisation approached listing on the ASX, the conservation aspects of the business remained very important as performance indicators of the overall well-being of the organisation. In addition, a more business-oriented look and feel to the documents was apparent.

5.3 Annual reports

A primary purpose of an annual report in Australia is to convey information to users that is useful in the decision-making process (AARF, 1990, SAC 2). They are aimed predominantly at shareholders and are considered to be an important means of communicating both the environmental and economic performance of an organisation (Neimark, 1992, cited in Unerman, 2000).

The annual reports examined were those prepared by the organisation for the years ended 30 June 1998 to 2001. Annual reports for 1998 and 1999 were analysed for comparative purposes as they were prepared prior to the period of investigation. The results of the analysis were similar to those found in the prospectuses. There were significant environmental disclosures throughout all of the reports prepared by the organisation, and they were used to convey information about the environmental well-being of the organisation. In this chapter the voluntary disclosures made in the organisation's annual report are examined. Other disclosures made by the organisation in the annual report are discussed in chapter 6. The methods used to analyse the annual reports were similar to those used to examine the prospectuses. Techniques of qualitative analysis were used to investigate the appearance and language used, and both qualitative and quantitative methods were used to investigate the content of the annual reports.

5.3.1 Quantitative analysis of annual reports

The technique of content analysis used to measure the quantity of VEDs was similar to that used to analyse the prospectuses. The relative proportions of voluntary and environmental disclosures are presented in tables 5-4 to 5-6.

Table 5-4 Proportion of voluntary disclosures to total disclosures in the annual report

Year of publication	AR 1998	AR 1999	AR 2000	AR 2001
No. of pages in the annual report	52	56	52	49
No. of pages containing voluntary information	24	33	18	18
Proportion of pages containing voluntary information to total number of pages in the annual report	46%	59%	35%	37%

Investigation of the number of pages of voluntary disclosure included in the annual report between 1998 and 2001 revealed an initial increase from 24 pages in 1998 to 33 pages in 1999, followed by a dramatic decrease to 18 pages in 2000/01 (see table 5-4). The increase in voluntary information between 1998 and 1999 was due to the expansion of various previously existing sections within the report rather than the incorporation of new sections.[35] The dramatic reduction in the number of pages with voluntary disclosures from 1999 to 2000 (33 pages in 1999 and 18 pages in 2000, as per table 5-4) was due to improved efficiency in the presentation of information, with the use of smaller fonts and less empty space per page, rather than the elimination of specific sections.[36] The number of pages of voluntary information remained at 18 pages in 2001, but the composition of the pages changed.[37] Existing sections were reduced in size and several new sections were incorporated, including sections on key profit centres such as consulting and merchandising activities; information on experiences offered to visitors; coming attractions; and a report praising the relationships formed between the organisation and external entities such as government-run conservation departments and tourism commissions.

Table 5-5 Proportion of environmental disclosures to total disclosures in the annual report

Year of publication	AR 1998	AR 1999	AR 2000	AR 2001
Proportion of VEDs to total voluntary disclosures in the annual report	34%	48%	44%	47%
Proportion of VEDs to total disclosures in the annual report	16%	28%	15%	17%

As the size of the annual report increased between 1998 and 1999, so the proportion of environmental disclosures also increased from 34 percent in 1998 to 48 percent in 1999 (as per table 5-5). The reduction of the size of the report in 2000/01, however,

[35] Most notably the managing director's report and the section relating to environmental policy and principles.

[36] The managing director's report was reduced from five pages in 1999 to one page in 2000; the highlights section was reduced from three pages in 1999 to one page in 2000; and the section on environmental policies and principles was reduced from four pages to two.

[37] The information on each of the sanctuaries was reduced from six to seven pages in 1998-2000 to one page in 2001 by the removal of background information on the underlying philosophies and beliefs of the organisation. Omissions from the 1999 report were a section on the organisation outlining the reasons why it was established and stating the company's four primary activities: to invest in wildlife sanctuaries; to develop those sanctuaries; to manage those sanctuaries; and to run the secondary business of tourism as a part of running the sanctuaries.

saw only a slight reduction in the proportion of environmental disclosures. Assuming that the quantity of environmental disclosures was related to the significance of those disclosures (Deegan & Rankin, 1996; Gray, Kouhy & Lavers, 1995b; Krippendorff, 1980; Neu, Warsame & Pedwell, 1998) it appeared that the significance of the environmental disclosures therefore increased from 1998 to 1999, and fluctuated only slightly between 1999, 2000 and 2001.

Table 5-6 Proportion of narrative and non-narrative environmental disclosures in the annual report

Year of publication	AR 1998	AR 1999	AR 2000	AR 2001
Proportion of narrative VEDs to total environmental disclosures in the annual report	35%	42%	55%	38%
Proportion of non-narrative VEDs to total environmental disclosures in the annual report	65%	58%	45%	62%
Total VEDs in the annual report	100%	100%	100%	100%

As revealed in table 5-6, the way in which the environmental information was delivered to readers also varied throughout the period of investigation from predominantly non-narrative in 1998 and 1999 (65 percent in 1998 and 58 percent in 1999) to predominantly narrative in 2000 (55 percent) and returning to predominantly non-narrative in 2001 (62 percent). It appears that the organisation relied much more heavily on narrative disclosures to convey environmental information to readers immediately after listing on the ASX in May 2000. In all other periods, the non-narrative disclosures were the most common media for disclosure. The reduction in quantity of voluntary disclosures and change in the form of the disclosures from non-narrative to narrative in 2000 provided a more business-oriented document immediately after listing on the ASX in May of that year.

By 2001 the organisation was facing financial difficulties. There was a return to a simpler, more visually appealing document with an increase (to 62 percent) in the proportion of non-narrative VEDs such as photographs of animals (table 5-6).

5.3.2 Qualitative analysis of annual reports

Qualitative analytical techniques were applied to the annual reports to disclosures made in those documents to be better understood. The techniques adopted were similar to those used to analyse the prospectus and involved considering and comparing the appearance of the narrative and non-narrative disclosures, the tone of language used and the nature and placement of information recorded in the reports.

Close consideration of the reports revealed that they could be divided into two distinct categories, 1998/99 and 2000/01. Within each of these categories, there were strong similarities. Between the categories, however, there were marked differences in both content and appearance.

Analysis of the appearance of the annual reports revealed a significant increase in the sophistication and complexity of the documents over time. Examination of the size, colour placement, typesetting layout and use of borders and headings revealed more intricate and business-oriented reports in 2000/01 than had been produced in 1998/99.

The reports prepared in 1998 and 1999 bore a strong resemblance to the 1998/99 prospectuses and appeared to be 'environmentally friendly', with full colour photos of animals on the cover, watermarked, beige-coloured backgrounds to each of the pages and simple layouts and formatting. They were also several full colour photographs of animals located throughout the report.

The overall look and feel of the 2000 and 2001 annual reports was dramatically different from their predecessors, but similar to the 2000 prospectus. The paper used throughout the 2000/01 reports was of lesser quality than that used in the 2000 prospectus and the formatting of banners, headings and other images was not as complex, but there were still many similarities in the colour scheme, overall layout of information and use of headings. The overall impression conveyed in the 2000 and 2001 annual reports was that they were much more dynamic and business-oriented than the reports prepared prior to listing on the ASX. The use of smaller font, coloured headings and banners and the presentation of all senior management in corporate uniforms in the 2000 and 2001 reports all contributed to the creation of this overall impression.

The most dramatic difference in the appearance between the annual reports prepared for 2000 and 2001 was the presentation of the latter report as two separate booklets, one containing the voluntary disclosures and the other containing the financial statements. The booklet containing the voluntary disclosures included numerous full colour photos and was printed on high quality paper, whereas the booklet containing the mandatory (financial) disclosures was printed on much thinner, poorer quality paper, using only two colours and no including no photographs or other images.

The language used in the annual reports was also considered to be an important method of conveying the meaning and intent of the disclosures to the reader. Within the annual reports, the messages from board and senior management were very influential in determining their overall character. As a result, these messages were carefully considered in the analysis of the tone of the language used.

The tone of the messages from senior management included in the 1998 and 1999 annual reports was positive, thankful, emotive and optimistic and maintained a strong focus on the conservation achievements of the organisation. The chairman's reports were congratulatory of both the conservation and financial achievements to date and were optimistic. The managing director's reports also referred positively to the conservation achievements of the organisation, with little or no mention of the financial achievements.

In the 1998 report, emotive adjectives and phrases such as 'astounding' and 'more conservative than we could have ever hoped' were used to refer to conservation results and forecasts. In 1999 the discussion became more urgent and pleading with the incorporation of phrases such as:

> Mankind had failed in its care of the earth. (Annual Report, 1999, p. 6)

and:

> This is not some trivial game of politics or power, but a deadly serious game of survival. Please help us, so that your grandchildren have a choice. (Annual Report, 1999, p. 10)

In both 1998 and 1999 there was substantial discussion of the future expansion of the organisation, most notably relating to conservation, with little mention of the financial goals. In 1999 the expansion of the report (mentioned in the quantitative analysis) was focussed predominantly on the incorporation of environmental indicators of success in the form of graphs. This reliance on environmental rather than financial measures of success reinforced the predominantly environmental focus of the organisation. None of the specified targets declared included the operational profit.

In 2000 the overall tone of the report was affected by the disclosure of the organisation's first piece of bad economic news, a significant fall in the share price from \$2.50 to approximately \$1.65. As a result, the report was more solemn in some parts than had been noted in previous reports. Despite this, it contained reassuring and optimistic elements. The bad news relating to a fall in the share price was offset by 'three major achievements' (Annual Report, 2000, p. 2): increase in animal numbers; increase in profits; and successful capital raising. The financial problems were referred to as temporary[38] and the forecasts for progress for the organisation were optimistic. The managing director's report focussed predominantly on the conservation successes, citing many endorsements from external experts as to the 'conservation credibility' (Annual Report, 2000, p. 3) of the organisation and its planned expansion. The language was much less emotive than 1999.

In 2001 the chairman's report contained further bad financial news with lower revenues, a slow-down in the expansion of the business and a further fall in the share price. As a result, the tone of this report was very solemn but remained thankful for the dedication and support of employees and shareholders. While the majority of the report was dedicated to explaining the reasons for the disappointing financial performance, there was also 'good' news, as the organisation continued to make substantial conservation achievements.

A CEO's report was included for the first time in the 2001 annual report. This report began with the conservation successes and blamed the difficult trading conditions on the introduction of GST,[39] increased fuel prices, the 2000 Sydney Olympics and economic slow-down. Also included for the first time was a founder's report which focussed on the 'remarkable' conservation successes that had been achieved by the organisation since inception. Apart from stating that the 'marketplace has not treated us as kindly as we would have wished', no mention was made of the organisation's financial problems.

The incorporation of several new sections in the 2001 report promoting the positive aspects of the organisation (such as experiences and coming events offered by the

[38]Explanations proffered for the disappointing share price were the fall in US share market and the inability of the Company to attract institutional investors (Annual Report, 2000, p. 2).

[39]A goods and services tax (GST) was introduced in Australia in July 2000 that added 10% to the price of most retail goods and services.

organisation) were significant in countering the disappointment contained elsewhere in the report. The introduction of new non-business related sections, and the reduction of the size of the existing sections relating to the key profit centres operated by the organisation (reduced from eight pages in 2000 to two pages in 2001), provided a significant contribution to changing the overall tone of the report by distracting the reader away from the poor financial performance of the past 12 months and focussing on the good conservation performance. The language included in the new sections was directive and passionate. For example:

> See endangered wildlife living freely in their natural habitat!
> Discover the wonders of nature…
> Connect with the natural rhythm of the Earth.
> …magnificent…
> …magical. (Annual Report, 2001, p. 1)

Further information incorporated in the 2001 report focussed on the good relationships that had been forged by the organisation with government and non-government organisations, which was in sharp contrast to the previously antagonistic and uncooperative reputation that the organisation claimed to have suffered in the past.

Changes to the content of the reports, including the nature and placement of information, provided additional insights into the messages that the organisation was attempting to convey to the readers. There were notable changes to the content between 1998/99 and 2000 that appeared to coincide with the organisation's listing on the ASX in May 2000. The introduction of dot points, informative headings and a greater commercial focus on each of the profit centres including more specific contact details appeared to create a more efficient and business-oriented approach to the presentation of information. It appeared that these changes in the content of the report were specifically focussed on improving the reader's knowledge and understanding of the sections of the business that were related to improving cash flow and profitability.

The impact of bad financial news evident in the 2001 annual report was softened by the preceding placement of the organisation's positive environmental achievements and experiences. Changes to the structure of the report in 2001 resulted in the placement of sections describing the positive experiences available by visiting the centres and environmental highlights before the information relating to the key profit centres the existence of formal management processes and procedures within the organisation (i.e. a flow chart of the management hierarchy within the organisation).

5.3.3 Environmental policies

Whilst the disclosure of environmental information occurred throughout the annual reports, there was in each report a specific section in which the entire focus was placed on the environmental aspects of the business. The nature and content of this environmental section varied significantly between the reports analysed.

The environmental section in the 1998 annual report included substantial background to the belief system that had led to the development of a corporate structure to save wildlife and the philosophy underlying the organisation's policies and principles. It also included a statement of the environmental policy and principles and a brief description of each.

In 1999 an independent consultant was engaged to develop and document the environmental policies and principles for the organisation. A letter advising shareholders of this was included in the 1999 annual report. The aim of the consultant's input was to:

> enhance the reporting and monitoring of the systems that will feature in the 2000 Annual Report. (Annual Report, 1999, p. 27)

As a result, only minor modifications were made to the specific environmental policies and principles (for example, the addition of an economic component to the 'sustainability' policy and the removal of the policy relating to recycling), but significant changes were made to the structure and layout of the information disclosed. The explanation of the policies and principles was expanded to include additional details relating to 'methods and management' and 'outcomes'. Removed from the disclosures was any background information and explanation of the underlying philosophy of the organisation.

In 2000, the structure and layout of information significantly changed once again. More photographs were included and the environmental polices and principles had an overall neater, more concise appearance. Information was summarised and organised in a more efficient manner, with each of the environmental principles specifically defined and examples provided as evidence of their achievement.

The environmental section of the 2001 report revealed a refocussing of the organisation towards a more structured approach to the achievement of its environmental objectives. Whilst the 1999 and 2000 environmental reports included information about the organisation's strategies for dealing with environmental issues (i.e. pollution prevention, reduction of waste, 'sustainability', 'holistic management systems' and the general improvement of animal and plant species under the control of the organisation), these strategies were relatively non-specific in nature. In contrast, in 2001 the environmental report was replaced with a conservation report, which was specifically focussed on the increase in animal numbers rather than on other environmental strategies. The emphasis of this report was on the significance of using mammal numbers as a 'measurable outcome of conservation success' (which was reinforced via a table demonstrating the changes in animal populations).

5.3.4 Summarising annual report disclosure

Close consideration of the appearance, language and contents of each of the annual reports prepared between 1998 and 2001 revealed several key features. The 1998 annual report appeared to be relatively simplistic in both appearance and content, with unsophisticated layouts and formatting and limited information. The 1999 report was much larger and included a greater proportion of positive information about the organisation's future. It also contained the largest proportion of environmental disclosures relative to the other annual reports examined. The 2000 and 2001 reports were similar to each other but dramatically different in appearance to those prepared previously. They contained more complex typesetting and visual images and incorporated of a more business-oriented presentation overall. Whilst the content was loosely based on the previous reports, the information included was considerably more succinct and commercial with a greater emphasis in the 2000 report on the performance of key profit centres. The challenge facing the organisation in 2001 was financial viability and the content of the report emerged as a mixture of bad financial news and good conservation news, with an increased focus on the positive experiences offered by visiting the organisation's facilities. The separation of the financial statements from the voluntary information appeared to segregate the good conservation news from the bad financial news.

Environmental information continued to be a significant indicator of overall performance throughout all of the reports, with the majority of information conveyed in a non-narrative form in all years other than 2000. In 2000 there was a predominance of narrative environmental information disclosed, and a slight drop in the overall quantity of environmental information. This finding appeared consistent with good financial performance and recent listing on the ASX in that year.

5.4 Investment brochures

Four brochures were prepared by the organisation during 2000 and 2001 for the purpose of increasing investment in the organisation. All of the brochures were prepared voluntarily by the organisation. The target audience for each brochure varied depending on the purpose for which it was issued. Brochure 1 was issued in the period immediately prior to listing on the ASX and was intended to entice new shareholders to purchase shares in the organisation. Brochure 2 was published soon after listing to encourage demand for shares via the stock exchange in order to maintain and/or boost the market share price. Brochures 3 and 4 were issued to encourage existing shareholders to take up options that had been issued when listing shares were purchased. They were posted to option holders in February and May 2001 respectively with an accompanying letter to shareholders.

All of the brochures were examined using both quantitative and qualitative analysis techniques to investigate the environmental disclosures contained within them. Analysis of the brochures revealed a decrease in the proportion of environmental disclosures and increase in the complexity and commercial focus of the information disclosed over time.

5.4.1 Quantitative analysis of investment brochures

The technique of quantitative analysis used to investigate the brochures was similar to that used for the prospectuses and annual reports, where the relative proportions of narrative to non-narrative environmental disclosures were measured by first determining the proportion of narrative to non-narrative disclosures per page using a grid, then determining the proportion of environmental disclosures within each category using sentences or nature of image as the unit of analysis. Blank space was omitted from the measurement as it was not considered to convey meaning to the reader. The results of content analysis are included in tables 5-7 and 5-8.

Table 5-7 Proportion of environmental disclosures to total disclosures in the investment brochures

Brochure	1	2	3	4
Date published	Early 2000	Sept 2000	Feb 2001	May 2001
No. of pages in length	4	4	5	6
Proportion of environmental disclosures to total disclosures in investment brochures	56%	65%	41%	40%

Over the period of investigation, the quantity of environmental information included in the investment brochures initially increased from 56 percent in brochure 1 to 65 percent in brochure 2, then significantly decreased to 41 percent and 40 percent in brochures 3 and 4 (see table 5-7). It appeared, therefore, that much less emphasis was placed on the conservation aspects of the organisation in the latter brochures than had been seen in the earlier ones.

The reduction of environmental disclosures was due largely to the proportionate decrease in environmental photographs in brochures 3 and 4. While all four of the brochures were aimed at increasing investment in the organisation, the methods selected to achieve this purpose differed significantly between them. Brochures 1 (61 percent), 2 (55 percent) and 4 (53 percent) (table 5-8) relied predominantly on non-narrative disclosures (i.e. images) to communicate environmental messages to the reader, whereas brochure 3 relied more on narrative disclosures (i.e. words) (61 percent of total disclosures), supported by relatively fewer images (table 5-8).

Table 5-8 Proportion of narrative and non-narrative disclosures in the investment brochures

Brochure	1	2	3	4
Date published	Early 2000	Sept 2000	Feb 2001	May 2001
Proportion of narrative environmental to total environmental disclosures in brochures	39%	45%	61%	47%
Proportion of non-narrative environmental disclosures to total environmental disclosures in brochures	61%	55%	39%	53%
Total environmental disclosures in the brochures	100%	100%	100%	100%

Overall, throughout all of the brochures there was a significant quantity of environmental information disclosed to readers, and in brochures 1, 2 and 4 the majority of the disclosures were in non-narrative form.

5.4.2 Qualitative analysis of investment brochures

The qualitative characteristics of the brochures were investigated in a manner similar to that used for the analysis of the prospectuses and annual reports, with the appearance, language used and nature and placement of information closely examined. The emergence of any significant features, including the key themes and patterns, were then considered in order to become as familiar as possible with the meanings conveyed to readers.

As identified in the quantitative analysis of the brochures, the means by which the meaning of the environmental information was conveyed to the reader was predominantly via the use of images in brochures 1, 2 and 4. Brochures 1 and 2 both appeared to rely heavily on environmental photographs to convey information to the reader about the significance of the conservation activities of the organisation. The cover of brochure 1 was very similar in appearance to the 2000 prospectus, using a familiar colour scheme and layout with a banner of environmental images in the left-hand margin. The most significant feature of the brochure was the inclusion of 29 small photographs, predominantly of animals. The text included in the document was used primarily as captions to the images or as quotations. There were no large expanses of text, making it very easy to skim and retrieve information from the document. Brochure 2 contained considerably more text than photographs, although the images were powerful and dominating, with full pages of dramatic geographic images such as rugged cliffs.

Brochure 3 differed from the previous brochures in that it was presented in landscape rather than portrait format. The front cover comprised a single full-page photograph on a black background. The emotive image depicted a signpost showing the way to financial and environmental sustainability, pointing in the direction of a beautiful sunset behind silhouetted Australian mallee scrub. The brochure was titled 'There is a way'. The tranquil cover image was a dramatic contrast to the large expanse of text inside. Each page comprised multiple columns of information and relatively few photographs. On the back page was a photograph of the board of directors seated in corporate dress (suits and ties) at a board table. The appearance of this brochure conveyed an emotive environmental image on the front cover but portrayed a much more business-oriented appearance overall than had been represented in previous brochures.

The cover of brochure 4 contained a smaller version of the same image that appeared in brochure 3. In brochure 4 the photograph was cropped to appear smaller, presented in a portrait format and displayed with a white background, resulting in a much less powerful and dramatic image than in brochure 3. Brochure 4 was titled 'A question of options' and, as per brochure 3, contained a large quantity of text, again indicating a well-organised and corporate approach to the conveying of information.

Analysis of the language incorporated in all of the brochures extracted greater meaning from the information presented. The tone of brochures 1 and 2 appeared to be very positive, 'light' and easy to read in both the subject matter and the manner in which information was presented. Evidence of this was provided by the use of simple terminology, captions and short sentences rather than large quantities of extended text. Both brochures 1 and 2 retained a strong focus on the environmental goals of the organisation and neither appeared to be aimed at potential investors who were experienced or professional. The focus of brochure 1 was assisting readers in understanding the 'commercial realities' of investing by translating business terminology into the conservation activities undertaken by the organisation. Brochure 2 explained the connection between owning shares and improving the biodiversity of Australia. The language used in these brochures was not technical and focussed on capturing the imagination and emotion of the reader rather than providing them with financial ratios and profit figures. Phrases used to entice investors included the following:

> We're leading a conservation revolution. (Brochure 1, p. 2)
> Why not become a conservation addict [and help to] recreate the biodiversity balance that is the natural order of life in Australia. (Brochure 2, p. 1)

The language used in brochure 3 conveyed the feeling of reassurance and hope for the future in both the financial and conservation activities of the organisation. The title 'There is a way', combined with the image on the cover of a signpost to a beautiful sunset, created a tranquil and optimistic image. Within the brochure, emphasis was placed on establishing the trustworthiness of the organisation to readers, with references made to 'recognised, professional and transparent processes' and 'building conservation credibility' (Brochure 3, p. 2).

The inclusion of extensive background information, thorough explanations, statistics, quotations and testimonials from conservation experts and government officials, details of awards won and the credentials and photographs of all members of the BOD and other senior management was used to support the conservation and business activities of the organisation. These were features that distinguished this document from those issued previously.

The theme of organisational credibility established in brochure 3 was reinforced in brochure 4 (titled 'A question of options'), with the focus on reassuring shareholders of the commercial intent of the organisation's operations and plans for overall success by frankly and thoroughly addressing questions that had been raised as a result of the issuing of brochure 3.

Several of the brochures included terminology that are commonly used in business to refer to environmental issues, such as 'triple bottom line' (Brochure 2, front cover) and 'sustainability'[40] (Brochures 3 and 4, front cover).

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[40] The concepts of 'sustainability' and 'sustainable development' were introduced in 1987 in the landmark Brutland Report (after the Norwegian Prime Minister at the time, Gro Harlem Brutland) published by the World Commission in Environment and Development (WCED) (created by the United Nations). The Brutland Report, also known as 'Our Common Future', was designed to produce a global agenda for change to reduce the pressure on the global environment. In the report, sustainable development is defined as 'development that meets the needs of the present world without compromising the ability of future generations to meet their own needs' (cited in Deegan, 2000, p. 300).

The use of these terms in the brochures, however, were inconsistent with their commonly accepted commercial definitions. The term 'triple bottom line' (defined by Elkington, 1997, cited in Deegan, 2000) is used in business to refer to the extension of the traditional 'economic' bottom line to include an environmental and social aspect. In brochure 2 this term was used to refer to three levels of share investment. The term 'sustainability' is commonly used in business to refer to development that enables future generations to be no worse off than those that have gone before (Brutland Report, 1987), and therefore translates to the maintenance of economic, environmental and social achievements. In brochures 3 and 4, 'sustainability' was related to financial and environmental, but not social, achievement.

Analysis of the nature and placement of information in the brochures was also undertaken. In examining the nature of information included, it was determined that none of the brochures focussed on the financial performance of the organisation. Most noticeable for their lack of financial information were brochures 1 and 2. Despite being intended to attract investors to the organisation, they did not include any significant technical information relating to the organisation's financial performance. Brochure 1 included minimal financial information, and only did so in order to explain what it meant in terms of conservation impacts so that it could be understood by the readers. Brochure 2 contained no financial information.

The primary focus of brochures 1 and 2 was on the organisation's conservation success in terms of numbers of species saved. Ecotourism was clearly the secondary focus of the organisation and was used only to support the core business of saving wildlife. This hierarchy was established quite explicitly in brochure 1 with statements such as:

> Our core activity is conservation. (p. 2)
> Our subsidiary activity is eco-tourism. (p. 2)

This message was also reinforced by the placement of information in the document. Information about the conservation success of the organisation was placed consistently ahead of information about the cash flow activities of the business. The lack of focus on financial aspects of the organisation was reinforced in brochure 2, which contained no financial information (i.e. no mention of profit forecasts or return on investment). Overall, there was a strong 'environmental' flavour to both of these early brochures and the dominant focus was on the environmental rather than financial successes of the organisation.

Brochures 3 and 4 included a higher proportion of financial information than the previous brochures, but this information was still relatively limited and referred only to future projections rather than past performance. Brochure 3 included some projections of the future revenue and cash flow expected to be generated from new projects. A graph of share prices since listing on the stock exchange was also included, but the financial information was not given prominence within the document. Brochure 4 included more financial information, with an extensive discussion of the share price, cash position of the organisation and future profit projections. None of the brochures made any promise of financial return to investors via dividends.

5.4.3 Summarising investment brochure disclosure

As the proportion of images to text decreased over time, the amount and complexity of information conveyed in the brochures increased. In the earlier brochures (1 and 2), images were used extensively to convey information to the reader about the past conservation successes[41] and future potential[42] of the organisation. The language used in these brochures appeared to be oriented towards individuals who were not familiar with investing. Neither of the earlier brochures provided background information to the reader about the organisation and the discussion contained therein was relatively limited. There was also a notable lack of financial information in brochures 1 and 2.

The latter brochures (3 and 4) provided lengthy explanations and extensive background information about the organisation. Also included were justifications of

[41]In brochure 1, the environmental images (67 percent of total images) were accompanied by captions which conveyed information about the positive outcomes that have been achieved to date by the organisation.

[42]In brochure 2, the images were used predominantly to indicate the future possibilities for the investor.

the organisation's past actions and predictions for its future financial performance. Overall, it appeared that over time, the organisation was moving away from the presentation of a more passionate and simplistic image toward one that was more complex and oriented towards a more sophisticated investor audience.

5.5 Website

The website was created for the purpose of providing information to current and potential shareholders to encourage them to purchase more shares in the organisation, and also to provide information to potential customers, to encourage them to visit the sanctuaries. The website was examined throughout the period of investigation and closely examined on two specific occasions: in October 2000, after listing on the ASX and prior to the change in company management, and again in February 2002, after plans for a restructure had been announced by the organisation.

The website was examined using techniques of qualitative analysis, comparing and contrasting the information presented in terms of appearance, language used and nature and placement of the information included. Due to the extensive size and complexity of the website (over 200 pages), and the inability to identify key dates for the publications of information, a quantitative analysis of the website was not undertaken. It was not considered that the information compared on two random dates could be confidently distilled to produce meaningful quantitative data.

During the period of investigation the website underwent significant changes in both content and format, with both the corporate site and those for the individual operating segments of the business significantly altered. The result was a much more corporate/shareholder-oriented appearance for the parent company site and a more commercial/customer-oriented appearance for the sites of the individual business segments.

When first observed in October 2000, the appearance of the corporate website was very unsophisticated and 'environmentally friendly', with the opening page having a brown background, incorporating simple layouts, and limited information. When examined again in February 2002, the opening page included much more complex graphics and formatting and accompanying sounds of nature which played when the page was opened. There were banners and margin strips at the top and right-hand margin of the page and the text was wrapped around two photos. The links to the other pages were included in a banner on the left-hand side of the page, and the image on the heading banner was the same image of a sunset across the mallee that was used for brochures 3 and 4.

Analysis of the appearance of the individual profit centre pages also initially revealed relatively simple layouts, with information presented in two columns, photographs on the left-hand side of the page and text on the right-hand side. The entire font was of similar size and colour and there were limited interactive capabilities, with only a few links to more detailed information. When the equivalent pages were re-examined in February 2002, there had been significant changes made to the pages, resulting in a more interactive and visually exciting format. Flashing images and scrolling photographs had been incorporated. Images had been placed irregularly on the page, and different-sized fonts used. There was also a substantial increase in the quantity of information, with numerous links to additional pages added with prices, menus, facilities etc. In addition, the facility to purchase shares online was included. There was also an increase in the quantity and quality of information on wildlife, including the addition of scientific names, and video clips.

The website was also used as a way of including information prepared by external entities that were in support of the organisation, such as investment analysts' reports promoting the purchase of shares and media releases providing positive information relating to the organisation's environmental and financial activities. In addition, all of the other documents produced by the organisation (annual reports, brochures and newsletters) were also posted to the website for access by interested parties.

In general, the website underwent significant change throughout the period of investigation and evolved from a low key and simple site, to a highly complex and technically up-to-date website. Overall, the first appearance provided to stakeholders when accessing the organisation's website was significantly altered to portray a much more professional organisation with an attractive and technically sophisticated image. The most significant additions to the site included the increased commercial features, such as the incorporation of the facility for investors to purchase shares online and improved access and information on each of the sites dedicated to specific business segments.

5.6 Newsletters

The newsletters prepared by the organisation appeared to be the primary means of regularly communicating with existing shareholders. They provided a regular update of the corporation's progress and contained a mixture of news, ideas and information. Ten newsletters, issued between October 1999 and February 2002, were examined during the period of investigation (see appendix B).

All of the newsletters included information focussed predominantly on conservation successes. Some contained information relating to shares, particularly in the May 2000 issue, which coincided with the listing of the organisation on the ASX. The newsletters also included promotional information to increase customer visitation to the business sectors of the organisation, a variety of articles and advertisements on activities taking place at the sanctuaries, information on the secondary market trading of shares, updates on projects undertaken by the organisation and letters from shareholders. They also contained information that was educational and informative on conservation related topics, such as the hazards of bushfires in Australia.

Much of the information in the early newsletters was highly emotive, particularly when aimed at attracting investment into the organisation. Evidence is provided of this in the following extract:

> The bush then underwent an incredible change. The parkland that allowed me to wander barefoot wherever I wished became a tangled mass of impenetrable undergrowth. At the age of 16, I witnessed the first bushfire I had ever seen. As I watched the wildfire destroy every old tree left, I sensed a feeling of despair for I realised the paradise was gone forever.
>
> Years later, I revisited my childhood paradise. I couldn't believe the difference. There was nothing left that even imitated my paradise. Except if I found a bend in the creek and if I sat down close to the ground so that I could not see very far. Then I could pretend that once again I could hear the sounds that, as a boy I had learned to love. I swore I would never return. (Company newsletter no. 34, January 2000)

There was a dramatic change in the appearance of the early newsletters examined from a relatively low quality document in October 1999, produced with a simple colour scheme and simple formatting and typesetting, to a full colour, higher quality document after March 2000. The newsletters issued in October and December 1999 were unsophisticated in appearance. They were printed in two colours only, green printing on a beige background. The masthead included several hand-drawn illustrations. All of the photographs were two-tone with poor quality images. The formatting was simple, with two columns of text on each page. They were also printed in a manner that allowed them to be sent out without an envelope, giving them a more economical appearance. The main focus of these newsletters was to inform shareholders of the environmental successes of the organisation and promote investment into the organisation.

The format of the newsletter changed in March 2000 to a higher quality, more professionally presented document. All of the photographs were printed in full colour and a new masthead was used with a full colour photo of an animal that was cut to the profile. This photo was changed in each subsequent issue. The text was printed in a multi column, newspaper-style format with a coloured font. The newsletter was posted to shareholders in an envelope, rather than folded and stamped (as had been done previously), reinforcing a greater business orientation.

The newsletters were generally very positive in both language and subject matter. However, in the February 2001 newsletter, the articles from the CEO and founder contained disappointing financial news relating to concerning 'management issues' and poor cash flow. The poor financial news was couched within positive environmental achievements, optimistic future economic projections and a stockbroker's endorsement of ethical investment in general and the organisation in particular. Included with this newsletter was a separate flyer to encourage the uptake of options.

The June 2001 newsletter included a mail-order catalogue for the purchase of merchandise. Bad news facing the organisation (i.e. a drop in the share price, lack of success with the fundraising campaign and sale of properties) was included in the

CEO's report, but the rest of the newsletter remained positive and had a similar tone to other newsletters, focussing on the conservation successes and promotion of sanctuaries to shareholders and customers.

Overall, the newsletters provided an apparently important means of communicating with shareholders of the organisation on a regular basis. Immediately prior to listing on the ASX, the appearance of the document became higher in quality. The introduction of a mail-order catalogue provided an increased focus on the commercial aspects of the organisation in 2001. In terms of the communication of environmental information, the newsletter continued to be a significant medium for disclosing environmental information to external shareholders. In all of the newsletters examined, the environmental information focused predominantly on the conservation achievements of the organisation, with some educational information not specifically linked to the objectives of the organisation. It did offer shareholders some insight into newsletter contributors'[43] broader environmental knowledge.

5.6 Guided walks

The guided walks were a further significant medium through which information was disclosed to external stakeholders. The purpose of the guided walks was to inform and educate customers (viewed as existing or potential shareholders) about the animals contained within the sanctuaries whilst accompanying them through a walking tour of those sanctuaries. They were a major source of revenue for the organisation. In addition, they were a means of enticing further financial support from customers by suggesting they invest in the organisation's shares or visit other organisation-operated sanctuaries.

A guides' manual was produced in 2000 and significantly updated in 2001. The primary purpose of the manual was to inform guides about the flora and fauna in the sanctuary so that they could pass this information on to customers on the walks. Analysis of the manuals was undertaken to further investigate the nature of information provided to guides. Qualitative analysis techniques similar to those employed in the analysis of voluntary disclosures included in the prospectuses, annual

[43]Predominantly employees of the organisation

reports, brochures and newsletters were applied to the narrative disclosures in the guides' manuals. As the manuals were internally used documents, the appearance and use of non-narrative disclosures was not considered to be as significant in conveying meaning to the users as it was for those documents prepared for external stakeholders. The analysis of the manuals focussed on the purpose, style and tone of the language used to inform the guides.

The 2000 manual was an A4, bound document, comprising 27 pages, all similar in composition. The style in which the information was presented was simple, concise and narrative, with clear headings to separate and structure the information. The tone of the writing was generally informative, neutral language. Nevertheless, there were several instances throughout the manual where the tone became critical and judgemental. For example, when discussing the native forest area that had been planted in the sanctuary, the writer was critical of the use of non-native species of forest in Australia, as indicated in the following:

> The Eucalypt is proving to be an economically viable crop worldwide. So why haven't our primary industries followed suit? (Guides' Manual, 2000,)

Of the 27 A4 pages of information included in the manual, only three pages (11 percent) were commercial/corporate in nature.

The purpose of the 2000 guides' manual was predominantly to inform employees about each of the different animal species contained in the sanctuaries, including their physical features and lifestyle and how the population was obtained by the sanctuary. The manual also included information about: the habitat required to support the different species; conservation techniques employed by the organisation; local indigenous people that previously lived where the sanctuary is now located; and information about other sanctuaries operated by the organisation and associated services. The information was largely anecdotal with some scientific information, such as scientific names. The manual contained minimal information for guides to inform customers about the potential for investment in the organisation. There was no 'corporate' information in terms of financial information or performance measures relating to conservation achievements in the manual. The corporate structure of the organisation was not mentioned.

A more comprehensive manual was prepared in June 2001 and distributed to all guides. It was contained in a loose-leaf binder to allow for regular updates of the information and comprised a conglomerate of documents such as marketing brochures for the advertisement of other sanctuaries, a copy of the organisation's newsletter and pages from the corporate website, as well as some purpose written pages for incorporation into the manual.

The purpose of the manual remained similar in essence to that of the 2000 manual (i.e. to provide guides with information to be passed on to customers), but the nature and style of the information presented was very different. The most notable difference was the prominence of corporate information in the 2001 manual. The manual included information on the founder's vision for the organisation, made reference to the fact that it was a 'publicly-listed conservation company' and included a statement of the corporate objectives as per the annual report. Also included in the front of the manual were facts and figures relating to the other sanctuaries owned and operated by the organisation, including location, facilities and value of wildlife. This was followed by information on how to invest in shares in the organisation, and an article about the role of small animals in soil building and water balance. In this section there were also details of the most recent wildlife counts and a copy of the shareholder newsletter. There was also a significant amount of information aimed at promoting the other profit centres, including customer brochures, background to each of the other sanctuaries and information on the proposed new sanctuary.

Training and assessment sheets for guides were also included, indicating increased focus on improving the quality of the experience offered by guides to visitors. The next section included information on educational packages available at the sanctuaries for school groups. This was followed by a section on the related not-for-profit organisation that had the role of supporting projects undertaken by the organisation through its fundraising efforts.

The 2001 manual was a much more comprehensive document than had previously been the case. This was particularly noticeable in terms of the quantity and quality of corporate information that had been included, with the addition of information relating to purchasing shares and the financial values of the organisation's environmental assets.

Also noted was the change in the tone of language used to one that was more impersonal than in the 2000 manual. The earlier manual had been written as single document and was designed specifically for the guides to read. The latter, however, was a conglomeration of documents, many of which were originally intended for other purposes (e.g. information about the animals contained in each of the sanctuaries had been copied from the organisation website).

Overall, the 2001 manual had a much greater orientation towards commercial improvement. The process of informing guides about the organisation had been dramatically improved. The issuing of all guides with a larger, more comprehensive document that addressed a wider range of issues including corporate information and guides' training allowed them to become aware of a wider range of information than they had previously had access to. As a result of these changes, the focus of the guided walks had the potential to be conducted in a more professional manner, with a higher commercial (or business) orientation than before.

5.7 Summary and conclusions

The organisation under investigation was believed to be the only publicly listed company in the world with the primary objective of conserving Australian native wildlife within a commercial environment. This objective was clearly and consistently communicated in the corporate documents examined, which included the prospectuses prepared from 1996 to 2000; annual reports prepared from 1998 to 2000; investment brochures prepared in 2000 and 2001; the company website from 2000 to 2002; company newsletters from 1999 to 2002; and guides' manuals prepared in 2000 and 2001. Consistent with the organisation's primary objective, it was anticipated that a significant amount of information provided to external stakeholders would be environmental in nature. Analysis of the disclosures made by the organisation prior to and during the period of the investigation confirmed this to be the case.

The common theme detected in the analysis of the organisation's various disclosure media was the emergence over time of a greater commercial emphasis and more business-oriented appearance. Evidence in support of this trend was provided through an increase in the proportion of narrative environmental disclosures detected in the content analysis of the prospectuses, annual reports and investment brochures. Results of the qualitative analysis of the appearance, language and content of the documents also revealed an increase in the complexity of the formatting, image placement and use of colour in the prospectuses and annual reports as well as the incorporation of a more reassuring tone in the language in those documents over time. In addition, it was noted that information included in the annual reports was presented in a more efficient manner with the use of smaller font and more compact typesetting. Greater use of interactive and user-friendly features in the company website, with information directed specifically towards attracting investors and customers and the introduction of the facility to acquire shares online, also added to the increased professionalism and commercial flavour of information presented by the organisation over time. The introduction and updating of a comprehensive guides' manual included extensive corporate information, which also assisted in standardising and improving the quality of information presented to external stakeholders.

Despite the increase in the commercial focus of the disclosures made by the organisation over time, the disclosure of environmental information remained an important component of the information communicated to external stakeholders, particularly as it faced increased financial pressure. Across the variety of media used by the organisation for external disclosure there remained a significant proportion of environmental information disclosing the environmental objectives, actions and achievements of the organisation to its stakeholders.

It appeared therefore that in this conservation organisation, the disclosure of qualitative environmental information was an important mechanism for the reporting of overall performance of the organisation. Two important but somewhat contradictory trends were observed in the quantity and quality and quantity of environmental information disclosed:

- In the reporting period surrounding listing on the ASX, there was a significant decrease in the proportion of the Prospectus (2000) and Annual Report (2000) reporting on voluntary environmental information.

- In later reporting periods (2001), there was an increased reliance on environmental information to offset poor financial performance.

The following chapter explores the environmental financial disclosures made by the organisation in the annual report to reveal the significance of these particular environmental disclosures in a conservation organisation.

Particular environmental disclosures

In chapter 5, the examination of the qualitative external disclosures made by the specific organisation under investigation through a variety of media revealed the existence of significant quantities of environmental information. These disclosures had been used predominantly as indicators of good operational performance. Examination of the quantitative external disclosures revealed that the organisation's financial statements also provided an important means of reporting environmental information to external stakeholders. The investigation of the quantitative financial information and supporting notes disclosed by the organisation form the basis of this chapter and provide significant insight into the second research objective (see chapter 1, 'The nature and rationales for particular environmental disclosures in this conservation organisation').

6.1 Frustrations with traditional accounting systems and the development of 'economic accounts'

The organisation's desire to communicate their conservation achievements using financial measures resulted in the development of an alternative set of accounting statements titled 'economic accounts'. These accounts were reported in addition to the traditional financial statements in the annual reports prepared for 1996 to 1998. The unusual feature of the economic accounts was the incorporation of environmental assets into the balance sheet, a practice not permitted by the Australian accounting standards in place at the time.

A major reason for the development of the economic accounts was the potential efficiency provided by communicating the organisation's conservation achievements using financial measures. The separation of owners (shareholders) from management as the result of numerous share issues had created a problem for the organisation. In the early days, when the shareholder base was relatively small, the organisation had been able to maintain constant communication with the shareholders using a variety of formal and informal means. They received annual updates about the organisation's strategic planning and long-term conservation projects from the voluntary disclosures appearing in the prospectuses and annual reports. In addition, the company website and newsletter kept them informed of any items of more immediate interest relating to the operations of the sanctuary (discussed in chapter 5). Many shareholders were registered as volunteers for the organisation and regularly visited the sanctuaries to assist with maintenance projects. A large proportion also attended shareholders' weekends[44] and/or participated in guided walks. Close contact with the sanctuary had enabled these shareholders to communicate face-to-face with staff and management and gather information about the health and well-being of the organisation using a variety of traditional and non-traditional means.

As the organisation approached listing on the ASX the shareholder base grew from approximately 1,000 in 1996 to 6,800 in May 2000 (Prospectuses, 1996 and 2000). As the quantity of shareholders expanded, individuals became increasingly isolated from the organisation. A more efficient and effective means of reporting on the organisation's conservation progress was therefore necessary to maintain loyalty and secure future resource commitments from existing and potential shareholders.

The customary means of communication available to companies of a similar size and shareholder base was through the traditional financial statements, referred to by the accounting profession as general purpose financial reports (GPFRs). Current Australian accounting mechanisms, however, did not provide an adequate means for capturing the environmental success of this organisation using this medium (Anderson, 1996; Annual Report, 1998; Cullen, 1995; Deegan, 1999; Foskey, 1998; Milne, 1996; Prospectus, 1996; Snell, 1997; Stickels, 1994; Tomlinson, 1998).

The founder became increasingly frustrated with traditional accounting mechanisms due to their failure to acknowledge 'Australia's most valuable asset – its wildlife' (Founder, cited in Arblaster, 1994, p. 5). These frustrations were reported by the press and in numerous publications (Anderson, 1996; Chulov, 1994; Cullen, 1995; Jemison, 1994; MacLeay, 1997; Mathieson, 1995; Milne, 1996; Stickles, 1994) and were also included in documents prepared by the organisation (Prospectus, 1996; Founder, 1998).

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[44] Shareholder weekends were weekend activities held at the sanctuaries for shareholders to attend and socialise with senior/middle management of the organisation. They allowed information sharing between staff and shareholders on a very personal level over extended periods.

Comments such as the following provide evidence of this:

> nowhere do our accounts reflect our conservation gains. Yet this is the business we are in. (Prospectus, 1996, p. 3)

The founder was a strong supporter of the quantification of outcomes and the lack of financial evidence available to support the environmental achievements of the organisation was of concern to him. He believed that the survival of species was dependent on the financial recognition of its 'value' to society. This belief was evidenced in the following quotation:

> the way to preserve anything is to place an economic value on it. (Founder, cited in Chulov, 1994)

The inability of traditional financial statements to capture environmental information was primarily due to the failure of environmental assets to satisfy the relevant definition and recognition criteria [in accordance with current Australian accounting legislation and generally accepted accounting principles (GAAP)]. In accordance with Statement of Accounting Concepts 4: Definition and Recognition of the Elements of Financial Statements (AARF, 1992), for an item to be recognised as an asset it needed to provide a future economic benefit that could be controlled by the organisation and was the result of a past transaction or other event (SAC 4, para 14). In addition, it needed to be probable that the future benefit would eventuate, and the item needed to be measurable (SAC 4, para 38). The native animals within the sanctuaries did not fulfil these criteria as there was doubt over both the future benefit they could provide and the value that could be placed on them. Australian native animals are owned by the Crown (Mathieson, 1995), not by an individual or company. In addition, endangered species were unable to be sold due to legislative restrictions in Australia (Anderson, 1996). The likelihood of receiving future economic benefit from the native animals was therefore unpredictable, and so they could not be recognised as assets within the traditional financial statements in Australia at that time.

Rather than accept defeat, the organisation undertook a campaign in an attempt to remove the obstacles that were preventing it from reporting on its conservation successes in the financial statement. The campaign was focussed on efforts to change either the current Australian accounting regulations or the government legislation preventing the sale of endangered species. The campaign was delivered by direct communication with the Federal Minister for the Environment (Woodford, 1996b); public demonstration of the organisation's objections in statements to the media (Anderson, 1996; Stewart, 1996); enlisting support from an internationally recognised environmental accountant to explore new methods of accounting (Annual Report, 1996); and publishing a booklet (titled *Investing in Wildlife*) that promoted the organisation's objectives and explained its environmental business model (Founder, 1998).

Despite active protests made by the organisation, changes to the legislation preventing the sale of endangered species did not appear likely in the near future. As an alternative strategy, it therefore decided to focus its attention toward the development of an 'alternative' method of accounting that recognised environmental assets. If it could be established that environmental assets (endangered species) have value, then it would be possible for the organisation to monitor and report on overall improvements in this 'natural wealth' (Gray, cited in Founder, 1998, p. 1). In this way, both the environmental and economic progress of the organisation could be measured using a single indicator.

At that time, the notion of exploring alternative measures of 'nature', 'society' and 'business success' was not new (Bebbington & Gray, 2001, p. 561). The practice of incorporating environmental information into financial statements had previously been attempted by a few overseas companies such as Dutch company DSO/Origin (Stickles, 1994), but it had not been trialed in Australia. With the assistance of a consultant accountant who specialised in environmental issues, the organisation developed an alternative set of financial statements titled 'economic accounts' for inclusion in the 1996 annual report. These economic accounts reported on both the traditional income-producing activities of the organisation, such as tourism and hospitality, as well as its conservation activities. They appeared in the annual reports of the organisation from 1996 to 1998 as an accompaniment to the traditional financial statements.

The methodology applied to valuing the environmental assets of the organisation in the economic accounts was developed by an international accounting firm, based on recommendations made by the Australian Department of Finance in a publication entitled *Techniques to Value Environmental Resources*. This publication was the result of the acceptance by the Australian Government of United Nations recommendations on environmental accounting. These recommendations had developed from a series of joint workshops with the World Bank from 1982 onwards and culminated in a UN handbook entitled *A System for Integrated Environmental and Economic Accounting*, eventually published in 1993 (Annual Report, 1998, p 43).

As stated in the 1998 annual report, the valuation methods applied to the environmental assets of the organisation were as follows:

> **Vegetation**:
> Scrub is valued at the cost per hectare which the [home state of the organisation] Government has spent to save scrub.
>
> Old growth forest is valued at the price per tonne [at] which [a local] wood yard sells firewood.
>
> Vegetation that we have planted is valued using the capitalised cost of planting at an average of 18 years, with the 10 year bond rate of 5.58% (in 1998).
>
> **Wildlife**:
> For endangered species which probably will never be able to be sold, we use, as an indicator, the amount spent by tourists coming to Australia as given by the Australian Tourist Commission Annual Report. The value placed on a whole species of mammal is 3% of this figure. The tourism figure for the year ending June, 1997 is $16.1 billion. Therefore a species of endangered mammal is valued at $483 million. If the Company controls C% of the species then the value attributed to them is V = C% of V.
>
> For common species which have bureaucratic restrictions on them which will probably be changed, such as platypus, we give the best conservative estimate of what we could reasonably be expected to recover over the next 5 years.
>
> For species we are presently able to sell, such as rare fish, we give 50% of the price we can sell them for.
>
> **Habitat**:
> We place an equal value on the habitat as we place on the wildlife. (Annual Report, 1998, note 3(e), pp. 48-49)

The economic accounts were verified by another independent consultant and a report was prepared to accompany the statements in the annual report. This statement of verification endorsed the disclosure and consistent application of the methods used to value and/or estimate the value of the vegetation, wildlife and habitat.

The economic accounts were considered by many to be controversial. The press described them as 'resembling nothing you've ever seen before' (McGlue, 1996, p. 29). Even the organisation itself recognised that they contained information that 'certain accountant, economists and valuers may find offensive' (McGlue, 1996, p. 29).

The Australian Securities Commission[45] (ASC) was opposed to the company's use of 'green accounting' (MacLeay, 1997, p. 25), and the incorporation of economic accounts into the 1996 prospectus was disallowed by the ASC, resulting in a reissuing of the prospectus with the economic accounts omitted (MacLeay, 1997).

Comments on the economic accounts were presented by two leading environmental accounting researchers, Professor Craig Deegan from Australia and Professor Rob Gray from the UK. Professor Deegan provided a critique of the economic accounts in his text book, *Financial Accounting Theory* (2000). In this text he referred to the accounts as experimental, controversial and an 'interesting approach' (p. 344) to monetising environmental costs and benefits. He pointed out that irrespective of the method of accounting employed, many would object in principle to the 'commodification of nature' (p. 345). There was a commonly held view that nature should be:

> ...above financial quantification and in fact, above 'accounting'... (p. 345)

Generally speaking, however, he felt that:

> what [the Company] is doing is very interesting and new, and can only help by adding to the debate in this new and exciting area of reporting. (p. 345)

Professor Gray was strongly in favour of the economic accounts and provided an endorsement to accompany the accounts in the 1996 annual report which was

[45]The Australian Securities Commission was the predecessor to the Australian Securities and Investment Commission (ASIC), whose responsibilities are to monitor and police corporate activities and to undertake disciplinary action if regulations are breached (Deegan, 1999).

reproduced in the founder's booklet *Investment in Wildlife* (Founder, 1998). In his statement he praised the use of economic valuation techniques to communicate to external stakeholders the important work being done by the organisation. He also stressed the inadequacies of 'conventional financial accounts' in capturing the 'environmental contribution' of the organisation (1996, cited in Founder, 1998, p. 1)

The establishment of the economic accounts was a significant attempt to communicate the organisation's environmental success to investors, but the lack of acceptance of these measures by the professional accounting community was disappointing. It was with great enthusiasm, therefore, that the organisation embraced a new accounting standard issued in 1998 entitled AASB 1037: Self Generating and Regenerating Assets which 'legally' permitted the incorporation of animals into their conventional financial statements as assets.

6.2 Environmental information in traditional financial statements

The organisation was eventually able to recognise its environmental assets in the financial statements in two ways:

1. through the introduction of AASB 1037: Self Generating and Regenerating Assets (SGARAs), which permitted the incorporation of environmental assets (endangered native Australian animals) into the financial statements
2 through the capitalisation of sanctuary assets, which enabled expenditure associated with the development of sanctuary assets to be recognised as assets.

The remainder of the chapter discusses the impact of each of these accounting treatments on the operations of the organisation.

6.2.1 SGARA accounts

The incorporation of environmental assets into the financial statements of the organisation via the economic accounts coincided with an ongoing debate in the accounting profession in Australia relating to accounting for self-generating and regenerating assets. In May 1995, the Australian Accounting Research Foundation (AARF) issued a discussion paper relating to accounting for SGARAs. At the same time, the organisation made attempts to 'gain official accounting recognition for its environmental gains' (Founder, cited in Milne, 1996, p. 17) by entering into discussions with the ASC and making submissions to the Federal Government to request changes to the accounting standards (Milne, 1996).

In August 1998, a new Australian accounting standard was issued, AASB 1037: Self Generating and Regenerating Assets, which enabled the animals managed by the organisation to be recognised as assets in the traditional financial statements. In addition, it allowed for increases and decreases in the value of those 'living' assets to be recognised as profits or losses, irrespective of whether or when they may be realised (AASB 1037: SGARAs, para 4.1).

The standard was initially intended for application to reports prepared for the financial years ending on or after 30 June 2000. Due to complexities associated with its adoption, the implementation date was extended by 12 months to apply to reports prepared for the financial years ending on or after 30 June 2001. The organisation, however, was keen to adopt it, and they made an election in accordance with s334(5) of the Corporations Law to apply it two years ahead of the required date. In 1999, the organisation became one of only three Australian companies[46] to adopt the SGARA standard in the accounts prepared for that year.

The impact of the adoption of AASB 1037 was to increase the value of the organisation's assets at 30 June 1999 by $3.8 million and profit for the year ended 30 June 1999 by $0.8 million (table 6-1). The increase in SGARA values in the following year (ended 30 June 2000) was approximately $2.1 million, resulting in total assets of $5.9 million at 30 June. During the year ended 30 June 2001, the SGARAs reduced in value primarily due to the reclassification of some of the species categories from 'endangered' to 'vulnerable'.[47] In addition, there was a reduction in animal numbers in some of the species categories arising from 'normal environmental fluctuations' and 'counting limitations' (Annual Report, 2001, note 1(e), p. 11). All of the animal numbers for those species that were categorised as most vulnerable in the 2001 report had increased.

[46]The other companies were a wine company (Normans Ltd) and a timber company (Auspine Ltd).

[47]The higher the likelihood of extinction, the more valuable an animal species in terms of SGARA values.

Table 6-1 Impact of AASB 1037 on financial statements

	1999 $ million	2000 $ million	2001 $ million
Extract from Profit and Loss			
Prior period adjustment to retained profits as a result of introduction of SGARA standard	2.7	-	-
Change in value of SGARAs recorded as profit (loss)	0.8	2.1	(0.5)
Donated animals	.3		
Total	1.1		
Extract from balance sheet			
Non-current assets			
Opening balance of SGARA	-	3.8	5.9
Increase during the year	1.1	2.1	(0.5)
Opening balance of SGARAs (recognised as non-current asset)	3.8	5.9	5.4

The organisation saw the issuing of AASB 1037 as a major victory in its battle with bureaucracy and also as a significant step forward in terms of the acceptance by the traditional accounting community of the business model under which the organisation was operating (Booth, 1999). It was felt by the organisation that the new standard would assist them in attracting further equity capital (Booth, 1999), and was timely in terms of their preparations for listing on the ASX. Statements such as the following made by the founder at the 1999 AGM provided evidence of this:

> This is probably our biggest advance. We're now able to get on with the business of conservation. (Company newsletter no. 33, December 1999)

The implementation of AASB 1037 was promoted to the shareholders and other stakeholders through the organisation newsletter, the 1999 annual general meeting and the company website as a positive indication of the organisation's future success. Comments of praise appearing in the company newsletter claimed that the new accounting standard would:

> lead to the healing of our earth rather than its destruction [and allow] realistic values [to be] placed on assets that, in the past, have had to be valued at nothing. (Company newsletter no. 32, October 1999)

The timing of AASB 1037 coincided perfectly with the growth and development of the organisation. In the opinion of the founder, the recognition of SGARAs and associated profits were the means of attracting institutional investors required for the impending listing of the organisation on the ASX. In his opinion, it meant that the organisation would no longer be viewed as a 'curiosity in the market place' (company newsletter no. 32, October 1999). He also felt that the allocation of financial value to the endangered animals managed by the organisation would allow the board of directors to see them as a financial as well as environmental priority.

The organisation recognised that they were breaking new ground with the early adoption of AASB 1037. There were no guidelines in the standard for the valuation of endangered species, so it was necessary for them to develop their own methods of determining how this should occur. They hoped that the valuation techniques they developed would be applied by others following their conservation/business model, and so spent considerable time and energy on developing valid and reliable measures. The next section identifies the process adopted by the organisation for applying the SGARA standard.

Process of applying the SGARA standard

In accordance with AASB 1037, SGARAs are required to be measured at their net market value at each reporting date (para 5.2). The net market value of a SGARA is defined in AASB 1037 paragraph 10.1 as the amount which could be expected to be received from the disposal of the SGARA in an 'active and liquid' market after deducting costs expected to be incurred in realising the proceeds of such a disposal. Where there is no active and liquid market for a SGARA, the standard requires the best indicator of the net amount which could be received from the disposal of the SGARA in an active and liquid market to be used after taking into account all relevant information (para 5.3).

Given that there was 'no active and liquid market for vulnerable Australian fauna' (Annual Report, 1999 note 1(g), p. 42) due to legislative restrictions preventing the sale of native animals in Australia, it was necessary for the organisation to make an estimate of the net market value (NMV) of the endangered species included in the financial statements. The procedure adopted by the organisation for determining the estimate of the NMV was to multiply the number of animals per species controlled by the organisation by the value placed on the vulnerability category to which the species belonged.

This process, whilst straightforward in theory, presented many obstacles in practice. The issues that were of primary concern to the company and to which it devoted a significant amount of resources and expertise were the development and application of:

- a rigorous and transparent methodology for counting the animals
- the most appropriate classification systems for the categorisation of Australian native animal species in terms of vulnerability
- the best estimate of value for each vulnerability category.

The next section of this chapter looks in detail at the process the organisation undertook to determine what it considered to be the most appropriate count methodologies to adopt, the best species vulnerability classification system to adopt and the most reliable valuations per category.

COUNTING METHODOLOGY

The establishment of an acceptable method of counting the animals for the purposes of allocating the SGARA values was one of the greatest challenges facing the organisation. The potential impact of the SGARA values on the organisation's financial bottom line meant that it was of great significance to senior management, as evidenced by the following quote:

> This is an important issue because the profit from the SGARAs was the biggest earner in the 1999 profit figures. (MCM, May 2000)

The count methodology established by the organisation and applied to the preparation of the 1999 financial statements had been reviewed and endorsed by an independent expert, a professor of biology at a leading Australian university. Despite this, the failure of the auditors to witness the count process led to a qualification in their verification statement for the 1999 annual report. As a result, the establishment of a credible and transparent method of counting the animals became a key issue. Considerable resources were allocated to this task by the management committee (MC), the audit and compliance committee (ACC) and the board of directors (BOD) throughout the period of the investigation.

The prioritisation of the count methodology process by senior management was evidenced by the appointment of a qualified and experienced animal specialist as Group Wildlife Officer (GWO) immediately after listing on the ASX. The GWO was responsible for establishing an acceptable method of counting the animals for the determination of SGARA values. An external consultant from one of the local universities (different from those used to verify the 1999 annual report) was engaged to review, authorise and verify the GWO's animal count methodology and to satisfy the auditors of its credibility. A further measure undertaken to improve the acceptance and transparency of the count methodology was a presentation to shareholders made by the GWO at the 2000 annual general meeting detailing the methods of counting adopted by the organisation.

The counting methods implemented for the 2000 and 2001 annual reports included line or spot transect counts,[48] capture/release and sample counts. These methods were documented in a report prepared by an independent valuer in July 2000 and tabled at the ACC meeting in August 2000. The particular methods used were determined by the type of animal being counted and where they were located in the each of the sanctuaries.

For sanctuary 1 a visual count of animals was done and actual numbers recorded using a spot transect method. The process of counting involved a census being carried out once a month at dusk on days of equivalent weather conditions (i.e. no rain or wind). Staff members were located at each of nine specific locations throughout the sanctuary at thirty minutes before sunset (as determined by Bureau of Meteorology). Dry food was placed on the ground, and ten minutes later the staff members commenced recording the number and species of individual animals appearing within a five minute time period. At the conclusion of the five minute counting period, more food was placed on the ground, and after ten more minutes, the counting procedure was repeated.

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[48]Spot and line transect methods involve establishing points or 'transect' lines throughout the area in which the animals are to be counted. Counters then either stand at a particular spot or walk along a line at regular intervals and count the number of animals appearing within a certain distance of the point or line. The process is repeated as frequently as considered appropriate for the particular location or animal species to identify an acceptable coverage of the area.

The counting process was carried out for two hours (i.e. eight five-minute counts) and at the end of the census, the total number of animals per species per time slot was recorded. The highest animal count per time slot was recorded as the final number recorded. A correction factor was devised to standardise the manipulation of animal numbers following each census. The correction factor took into consideration species visibility and behaviour as well as uncensored territory. Sanctuary 1 animal numbers included in the annual report were extrapolated by approximately 20 percent over the visuals.

The count methods used in sanctuaries 2 and 3 were a combination of visual counts, capture, mark and release, and line transect methods. Animals that were housed in cages were counted. For animals that were free range in the compound, some were counted using a trap/re-trap technique that was applied twice yearly. Others were radio-collared to establish habitat preferences, and then a standard line transect methodology incorporating visual counts was applied. Collaring, however, was only suitable for particular species, as for some types of animal it resulted in a high level of injury.

The numbers for some species were determined by an independent government department that took photos of the habitats and compared them to areas where previous counts had been done. The small nocturnal animals were the most difficult to count, and the methods used included trap/re-trap and visual counting. When trapping the animals, they were marked before release, so that the same animal would not be counted twice. The numbers determined using these methods were accepted by independent valuers and auditors as accurate, and no adjustment was required for inclusion in the annual report.

Despite considerable efforts to develop consistent techniques for counting animals, they were not always applied. Lack of understanding of the importance of counting in the same location at each census date led to inconsistent application of count techniques at sanctuary 2. Other inconsistencies related to the treatment of births and deaths (i.e. if the number of animals was decreased every time an animal dies, then it should also have been increased as young were born). The opinion of the GWO, however, was that pouch young were not included in animal counts until they emerged from the pouch. The change in numbers as a result of births and deaths needed to be recognised consistently across all sanctuaries. Questions were also raised as to whether only those animals sighted should be included in the count, or whether animals known to the counter should be also be included, even if not sighted at the time of the count.

Errors and inconsistencies were also found in the reported figures due to the use of estimations. The numbers included in the 2000 annual report for one particular species were provided by an independent expert and had not been received by the date of preparation of the report. As a result, an estimate was accepted pending the official report from the consultant counters, and it was decided that unless the official number came in at a much higher figure (i.e. more than 100 percent greater than the estimate), the estimate would remain so that the process of producing the report was not delayed. On the other hand, some animal numbers included in the annual report were higher than those counted. This was justified on the basis that if it had been a good season and there was an abundance of naturally occurring food, the animals would be less attracted to the food placed by the counters and be less visible for the count process. All of these variations were considered to be within an acceptable range as agreed by the founder, the GWO and the independent university expert.

Concern was expressed by the ACC in March 2001 about the potential for inconsistency and lack of verifiability of the count techniques, and it was suggested that the GWO should provide manuals on the count to minimise these potential problems. It was also suggested that the ACC write a letter to the CEO as evidence for the auditors that the methodology for counting had been consistently applied, in order to avoid any possibility of a qualified audit report.

The GWO prepared a paper on the count methodology for the April 2001 management committee meeting titled, 'Validation of standard fauna census methods'. In this paper it was stated that each census must be conducted to the complete satisfaction of both the internal MC and the ACC of the organisation:

> This level of accountability has necessitated the accurate and reproducible application of techniques to individual species within delineated habitats. (MCM, April 2001)

Despite the improvement in quality and consistency of methods adopted since the appointment of a GWO, there still remained some differences of opinion within management as to how the methods should be applied. Concern from the ACC as to the accuracy of the count numbers indicated that they would prefer the organisation to apply trapping techniques to support all the count numbers rather than using some visual counts (as used in sanctuary 1) as trapping produced more accurate figures. However, issues were raised by some staff as to the necessity for trapping animals, as it could result in injury. Concerns were raised that the ACC was more interested in the accuracy of the numbers rather than the well-being of the animals. The safest method of counting would be to do visual comparisons, and provided the numbers produced were accurate, this method was approved for use.

In August 2001 a mark-recapture trial was undertaken in sanctuary 1 to compare numbers from visual counts with those from mark recapture process. The results of the trial found that visual counts provided a conservative estimate of population sizes, underestimating them by 30 to 50 percent (species specific). A mark-recapture method of counting provided the simplest way to scientifically estimate population sizes, but there was a risk that animals would be injured in the process.

The mark-recapture exercise was therefore undertaken to 'to satisfy the community' that a 'high' standard of accounting has been adopted and that the conservation successes that have been recognised are 'genuine' (MCM and BODM, September 2001), but concerns continued to be raised by some members of the MCM that accountability was being prioritised ahead of the welfare of the animals. In addition, it was argued at the board level by some directors that the mark/recapture methods were not guaranteed to accurately reflect the number of animals in the sanctuary and that different extrapolation methods should be used for different species because of the variation in habits, such as whether or not they were territorial.

The feeling from the auditors was that they were willing to accept 'reasonable' numbers, and did not appear to closely scrutinise the numbers suggested:

> If you think that the figure [the GWO] has come up with is OK, then we will include that figure. (External auditor attending the ACCM, August 2000)

The general feeling from the BOD was that they would accept the numbers verified by the experts. However, they would prefer them to be on the conservative side. This was evidenced by the following comment, made in the August 2000 ACC meeting:

> If we have numbers for the animals that are given to us from professional counters, then we should accept them or maybe a bit less, to be conservative. What we don't want is massive fluctuations. It is OK to accept reasonable amounts, but we don't want to keep changing the amounts included. (ACCM, August 2000)

The lack of empirical evidence available to support some of the numbers meant that the directors required a verification report from the GWO and the independent university expert in order to sign off on the 2000 annual report animal numbers. Both the 2000 and 2001 annual reports included figures based on the organisation's internal stock recording systems, coupled with an 'assessment of the validity' of the count process from an independent university scientific animal expert, which included:

> Acceptance of [the Company's] current classification system as scientifically sound, Verification of the reasonableness of the methodology applied by management in the species census, [and] Recommendation that the census numbers prepared by management be adopted in the financial report of the economic entity. (Annual Report, 2000, note 1(e), p. 29; Annual Report, 2001, note 1(e), p. 11)

As a result of the improved transparency and credibility of the count process, the accounts prepared for the years ended 30 June 2000 and 2001 were awarded an unqualified report from the auditors.

CLASSIFICATION METHODOLOGY

The determination of the number of animals contained within the sanctuaries was an important component of establishing the value of environmental assets for inclusion in the financial statements. The adoption of a credible system for categorising animals in terms of their vulnerability was equally significant in this process.[49]

There were no industry or standard guidelines specifying the method of classification for species vulnerability that could be used to determine SGARA values. It was

[49] The SGARA values to be included in the financial statements were determined by multiplying the number of animals per species that were managed by the organisation by the value of each species, determined in relation to its degree of vulnerability. The rarer a particular species category, the more valuable it was.

therefore up to the organisation to develop its own policy and recommendations. The importance of selecting an appropriate vulnerability classification method was noted in management discussions. The organisation recognised that it had the opportunity to 'lead the field' in this area and was keen to adopt the most appropriate system to accommodate future growth.

In 2000, the classification system that had been adopted for the preparation of the 1999 accounts was thoroughly reviewed. As a result of this review, it was decided to change the animal classification system adopted for the 2001 financial statements. In the first two years of accounting for SGARAs, the years ended 30 June 1999 and 2000, the organisation adopted a categorisation of vulnerability identified as 'threatened', 'rare' and 'endangered' species (Annual Report, 1999, note 1(g), p. 42; Annual Report 2000, note 1(g), p. 29). These categories were adapted from the conservation status systems used by the Australian and New Zealand Environment and Conservation Council (ANZECC) and the World Conservation Union (IUCN) in association with the status ratings reported in the scientific literature on Australian mammals. The issue of whether or not this classification system was the most appropriate for use by the organisation was an ongoing topic of discussion throughout the period of investigation. It was first raised in the August 2000 ACC meeting as a result of the reclassification of an animal species by a government agency from 'endangered' to 'rare'. This led to the consideration of changing the classification adopted by the organisation for this species in the 2000 annual report. After discussion by the ACC, it was considered that a reduction in status or value of this species was not warranted for the 2000 accounts. However, it did raise the issue of what would be the most appropriate classification system for the organisation.

Investigation of alternative methods available for the classification of endangered species by the GWO revealed a lack of uniformity within national and international categorisations. He found that the world ranking of a particular species in terms of its vulnerability often differed from the national ranking, which also differed from the states' rankings. The lack of consistency between alternative classification systems and the potential impact the selection of the most appropriate system would have on the financial statements led the GWO, in consultation with the independent university expert, to conduct a thorough investigation of this issue. Their findings were written up by GWO in a paper titled '[The Company] wildlife report', which was presented to the BOD in October 2000. The paper explained how and why the categories of rare/endangered species had been established.

It also detailed possible alternative systems of classification from international, commonwealth and state lists[50] and proposed options available for the classification or categorisation of species by the organisation.

As a result of this investigation, the GWO recommended bringing the organisation's categories of vulnerability into line with national and international commonwealth and state lists. The effect of this change would be to alter the categories of some species currently adopted by the organisation which would ultimately impact on the SGARA values. The founder was not supportive of this change. He opposed all of the 'official' vulnerability classification lists. He preferred a quantifiable system, based on the number of a particular species that was left in the wild rather than 'pseudo scientific classifications' (BODM, October 2000). He argued that unless numbers were used, the system would not be able to be audited, and the credibility of the accounts would be reduced.

Due to a lack of consensus amongst senior management, it was decided not to change the current classification system for the preparation of the December 2000 half-year accounts. The issue, however, remained the subject of ongoing debate throughout board and management meetings held in November 2000 and February and March 2001.

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[50] Possible alternative systems of classification from international, commonwealth and state lists:

International list

- International Union for Conservation of Nature (IUCN)

Commonwealth lists

- Australia and New Zealand Environment and Conservation Council (ANZECC)
- *Environment Protection and Biodiversity Conservation Act 2000*, Schedule 1 (EPBC Act 2000)

State lists

- NSW – *Threatened Species Conservation Act 1995*
- ACT – *Nature Conservation Act 1980*
- SA – *National Parks and Wildlife Act 1972*
- QLD – *Nature Conservation Act 1992*
- TAS – *Threatened Species Protection Act 1995*
- NT – *Territory Parks and Wildlife Conservation Act 1997*
- VIC – *Flora and Fauna Guarantee Act 1988*
- WA – *Wildlife Conservation Act 1950.*

Two further reports were prepared by the GWO on the issue of classification for discussion by management. The first of these reports, titled 'Conservation status and wildlife valuation', was tabled in April 2001. This report was more comprehensive than the previous report presented to the board in October 2000. It included a more critical appraisal of the alternative systems available and more specific calculations of the impact on the SGARA figures of the alternative systems.[51] In the June management meeting, a further report titled 'Conservation status and wildlife valuation – summary' was tabled and discussed. This report was a summary of the 'Conservation status and wildlife valuation' report. In it were raised two questions:

1. Which list system should the organisation adopt for categorising its wildlife?
2. Could a numeric system be used to value its wildlife?

The conclusions presented in the report were that:

1. Assuming that all the recognised discrepancies could be accommodated, it would seem logical to adopt the state classification system because it produced the smallest decrease in SGARA values and it recognised the greater understanding of local authorities on wildlife matters (as opposed to national authorities and politicians).
2 A numerical system that provided a sliding valuation for SGARA animals could be derived. The validity of the system proposed would need to be independently assessed.

The problem identified by the GWO with a numeric based system was that information was not available to determine a 'true' indication of the vulnerability of a species to extinction over time. In addition, the infrequent updating of available information would prevent the establishment of a smooth transition in animal valuations across categories and was therefore unacceptable. The estimation of

[51]The paper submitted for the April 2001 MCM contained the following information:
There are four wildlife conservation list systems to choose from:
International
- International Union for Conservation of Nature (IUCN)

Commonwealth
- *Environment Protection and Biodiversity Conservation Act 2000* (EPBC Act 2000)
- Australia and New Zealand Environment and Conservation Council (ANZECC)

State
- Individual state lists.

species populations that were estimated approximately every 10 years which would produce abrupt changes in species value due to the dramatic changes to the species populations over that time (i.e. doubled or halved).

The recommendation of the GWO was to adopt a state-based system. This recommendation was supported by the independent university expert on the grounds that in Australia, individual states are legally responsible for the management of land and wildlife. As a result, decisions about the conservation status of animals in each state are made by local, experienced and informed biologists and the categorisation of species are reviewed annually.

Objections were raised by members of senior management who were not in favour of a state-based system. Some members of the management group suggested that the matter be debated further before a decision was reached. Others raised concerns that due to the impact of the matter on the organisation's financial measures, it needed to be finalised as soon as possible. As a compromise, it was recommended by the GWO at the August 2001 MCM that Environment Australia's (EA) national classification be adopted. This system was simple and easily understood and where it did not apply, the relevant state system should be adopted.

The adoption of the EA classification system had a less desirable impact on the financial statements than the current system as it resulted in less animal species being classified as endangered than under the previous system. Despite this, the EA classification was recommended by the MCM to the BOD, and adopted in the 2001 financial statements (Annual Report, 2001).

VALUATION TECHNIQUES

The final aspect of allocating a valuation to the SGARAs was the determination of the most appropriate value to place on each of the categories of species vulnerability. The process of ascertaining an amount per category and the manner in which they were to be described was a further source of debate for management over the period of the investigation.

As mentioned previously in this chapter, there was no active and liquid market[52] for the sale of endangered animals in Australia. This meant that an estimate of net market value needed to be applied for the purpose of valuing the SGARAs. In general terms, the more vulnerable a species was, the higher the value placed on it.

In the 1999 annual report, the best indicator of net market value was referred to as the 'translocation cost' (Annual Report, 1999, note 1(g), p 42), for which no specific description was given. The assumptions accompanying the adoption of 'translocation cost' (Annual Report, 1999, note 1(g), p. 42) stated that they were:

> set at conservative levels by the Board, having taken into account documented relocation and translocation cost experienced by the group and general translocations documented in the media and other publications.

In the annual reports for the years ended 30 June 2000 and 2001, the SGARAs were measured using comparisons to similar 'possession costs' (Annual Report 2000, note 1(e), p. 28) achieved in the marketplace:

> Carrying values represent the value attributable to the various categories of species based on an estimate of the recovery of sanctuary costs in re-establishing species populations and associated translocation expenses. (Annual Report, 2000, note 1(e), p. 28; Annual Report, 2001, note 1(e), p. 11)

The rationale presented in the August 2000 ACC meeting for the change in terminology from 'translocation' to 'possession' costs was to prevent the accounts from being misleading. In the founder's opinion, the values applied to each category of species should have represented the cost of purchasing the animals and moving them to the sanctuaries, and should have been reflected in the notes. This view was problematic, as not all of the animals had been 'acquired'. It was decided that rather than refer to the 'translocation costs', a term that would better approximate their cost would be the amount incurred to place the animals in the respective sanctuaries. It was therefore agreed that the term 'possession costs' would more accurately convey this information to users of the accounts.

The organisation engaged an independent valuer to undertake valuations of the fauna as at 1 July 2000. Despite the valuations being 20 percent higher than those

[52] The terminology used in AASB 1037 to establish a net market value for the determination of SGARA values.

determined by the organisation for each category of SGARA, the ACC chose to retain their own (lower) values for the accounts for the year ended 30 June 2000 on the basis of conservatism. The independent valuations were included in the notes to the accounts for comparison. It was decided by the BOD that the value of each species category would be gradually increased to match those determined by the independent valuer over the next two years.

Due to the significant difference between the animal valuations established by the organisation and those determined by the independent valuer, it was recommended in the February 2001 MCM that independent animal valuations be undertaken every three years. Even though there was no requirement to do so in accordance with the Australian accounting standards, a three-year revaluation policy was in line with real estate valuation practices, and therefore considered to be a reasonable time frame. As a result of subsequent discussion, the BOD resolved to undertake independent valuations every two years.

Several arguments in favour of moving towards the independent valuations were raised in the November BOD meeting. The advantage of adopting the higher values would be to improve the overall financial position of the organisation. The counter-view presented was in favour of the conservative approach of retaining the lower values. It was resolved to gradually increase the values to those provided by the independent valuer, rather than have a dramatic change at a later date. The resultant impact of this decision was to adopt a five percent increase in the valuations for the preparation of the report for the half year ended December 2000. A further five percent increase in values (from the December 2000 values) was adopted for the accounts prepared for the year ended 30 June 2001.

The issue of whether and how much information to disclose in relation to the change in values was also discussed in the February 2001 BOD and ACC meetings. Some members of senior management were keen to disclose information about the change in values in the half year report (even though not required to). The rationale presented for additional disclosure was that you:

> can never get into trouble by disclosing but [you] can get into trouble by not disclosing. (BODM, February 2001)

It was decided, however, that because it was not a change in policy, there was no need to publish a note. In the annual report for the year ended 30 June 2001, it was disclosed in the notes to the accounts that the:

> Directors have adopted a conservative policy of moving towards [the independent] valuations over two years. (Annual Report, 2001, note 1(e), pp.10-11)

POST SCRIPT

The annual report for the year ended 30 June 2002 declared the SGARA value of the Australian fauna to be nil. The rationale was that as there had been properties sold during the year with animals on them, and the purchasers did not apply any value to those animals, the SGARAs did not possess a value that could be reliably ascertained.

6.2.2 Capitalisation of sanctuary assets

A further mechanism used by the organisation to capture their conservation activities in the financial statements was the capitalisation of sanctuary development costs. Under this system a proportion of the expenditure related to each of the sanctuaries was capitalised and recognised as an asset in the financial statements. The capitalisation rates used by the organisation to determine the proportion of sanctuary expenditure to be capitalised are shown in table 6-2 below.

Table 6-2 Rates of capitalisation of sanctuary development costs

	1997 %	1998 %	1999 %	2000 %	2001 %
Sanctuary 1	33.3	40	33.3	33.3	10
Sanctuary 2	80	80	80	80	30
Sanctuary 3	100	99	99	99	75
Sanctuary 4	-	-	-	100	100
Other	100	100	100	100	0

The practice of capitalising sanctuary costs was adopted by the organisation in 1996 and provided a significant boost to the assets of the organisation, with a total of $9.7 million recognised as assets to 30 June 2000 using this method of accounting (as noted in table 6-3).

Table 6-3 Capitalised sanctuary development costs

Extract from balance sheet Note 17 Intangible assets	**1998 $ million**	**1999 $ million**	**2000 $ million**	**2001 $ million**
Capitalised sanctuary development costs (opening balance)	5.5	6.7	9.7	2.4
Less amortisation	-	-	(0.7)	-
Total capitalised sanctuary development costs (closing balance)	5.5	6.7	9.0	2.4

The rationale provided for this accounting treatment was that all of the conservation development costs (both direct and indirect) incurred prior to a sanctuary becoming fully operational were to enhance the future operational value of that sanctuary, and therefore should be capitalised. Explanation of the nature of costs incurred in a sanctuary's development phase was provided in the 1998 annual report as follows:

> The development phase includes the eradication of feral animals, the reintroduction of endemic wildlife, the construction of vermin-proof fences, and the establishment of suitable tourist and management facilities. (p. 34)

The rate of capitalising direct and indirect costs (see table 6-2) was determined by adopting the average ratio of development staff wages to total sanctuary wages during the year.

During the period of investigation, significant changes took place in the classification and measurement of capitalised sanctuary development costs. In the financial statements for the year ended 30 June 1998, sanctuary development costs were recognised as forming part of the land and buildings accounts in the balance sheet. In the financial statements for the years ended 30 June 1999 and 2000, the classification sanctuary development costs were changed to 'intangible assets':

> to reflect the Board's conservative stance on the establishment of new sanctuaries. (Annual Report, 1999, note 2, p. 43)

In the financial statements for the year ended 30 June 2001, the sanctuary development costs were again reclassified to form part of the property, plant and equipment (non-current) assets of the financial statements. In the 2001 accounts, the reclassification was neither explained nor specifically identified in the financial statements.

In 2000 and 2001 significant changes also took place to the policy of measuring sanctuary development costs. During the period 1998 to 2000, the amount capitalised was calculated in accordance with the capitalisation rates, which remained relatively constant during these years (see table 6-2). In 2000, there was a change in accounting policies as a result of the introduction of the SGARA standard. As a result, it was decided by management to amortise the intangible assets over 20 years. It was decided that the benefits from the habitat were reflected in the increase in net market value of the SGARAs (Annual Report, 2000, p. 32). In 2001, there were also significant changes implemented to the rates applied to the capitalisation (table 6-2). In addition:

> the carrying value of each sanctuary's habitat development costs carried forward are periodically reviewed and, where necessary, written down to an amount not exceeding estimated recoverable amount. (Annual Report, 2000, p 10)

The effect of this adjustment was a write down of $6.6 million, from $9 million in 2000 to $2.4 million in 2001 (as per table 6-3), which was seen as an inevitable step to be taken in the future reorientation of the organisation (see chapter 7 for further discussion).

The capitalisation rates were reviewed periodically and were discussed regularly in the management meetings in early 2001. Considerable efforts were taken by new management in 2001 to explain the process of capitalisation of expenditures to sanctuary managers so they were aware of the transactions that should be capitalised.

6.3 Summary and conclusions

This chapter has identified the key features associated with the incorporation of environmental assets into the financial statements. It is evident from the information provided that this area of environmental financial accounting was perceived by the organisation as fundamental to its core strategy and business plan. The resources devoted to developing a means of accurately and transparently accounting for the environmental assets that the organisation was managing were significant. In particular, the management and maintenance of the SGARA accounts and capitalisation of the sanctuary assets was a dominant focus of all management discussions.

The prioritisation of this area of the business was due to the high hopes held by the founder that the implementation of 'legitimate' accounting techniques to the conservation industry would bridge the gap between those concerned predominantly with the environment and those concerned predominantly with maximising profit. This link was the essential component needed by the organisation to ensure its success as it would provide the basis for borrowing from institutional investors.

What was not envisioned by the founder was the rejection of the environmental financial indicators by the business community, which led to the ultimate revision of the accounting methods, the removal of the SGARA values from the accounts and the revaluation of the sanctuaries to recoverable (rather than capitalised) amounts.

CHAPTER 7

Strategically changing disclosure

In chapters 5 and 6, the environmental disclosures made by a conservation organisation during a period of significant growth were closely examined. The investigation of these disclosures provided a thorough description and understanding of their nature and location. Also considered in Chapter 6 was a group of disclosures relating to financial environmental information that was of particular significance to the organisation. The aim of this chapter is to explore the rationale for the disclosure of the environmental disclosures identified in chapters 5 and 6.

Consideration of the impact of specific challenges faced by the organisation as it underwent dramatic change provides evidence to satisfy the first and third research objectives of the study. In particular this chapter documents the *development of environmental disclosure policy media and content in the early stages of a conservation organisation's corporatisation* (research objective 3) and *provides a deep level understanding of the influences and processes involved in the production of environmental information from external reporting in a conservation organisation* (research objective 1).

7.1 Phases of reporting change

The period over which the investigation took place saw the organisation undergo significant change. It was listed on the ASX, appointed additional members of senior management and persevered with the development of a new profit centre despite significant cash flow problems. These changes were found to have occurred over five distinct time periods and their impact played a significant part in influencing the environmental disclosures made by the organisation. This section considers the changes made during each of the phases identified and reflects on the impact they had on the environmental disclosures made.

The five distinct time periods adopted for the purpose of analysing the organisation's environmental disclosures have been identified as follows:

1. The pre-listing era: the period leading up to the listing of the organisation on the ASX on 8 May 2000
2. The post-listing experience: the period from the listing date, 8 May 2000, until the date of appointment of new senior management in November 2000
3. Management change: the period from the appointment of new senior management in November 2000 until the announcement of poor financial performance in the organisation in March 2001
4. The poor performance story: the period from the announcement of poor economic performance (March 2001) to the announcement to the ASX to restructure the organisation on 14 January 2002
5. The final phase: the final restructure of the organisation on 14 January 2002.

7.1.1 The pre-listing era: Before May 2000

The organisation was considered to be a pioneer in the field of both business and conservation (McGlue, 1996; McNally, 1998). In the period prior to listing on the ASX it had had captured the imagination and financial backing of the general public. Acceptance and support of the organisation was acknowledged with the remarkable fundraising success despite 'little promotion' (Chulov, 1994) of the first two share issues made, raising approximately $1.4 million.

Since its incorporation in 1988, the organisation had demonstrated steady economic growth and in September 1993 listed on the secondary stock market. In 1995 *Australian Business Monthly* described the organisation as a 'blue chip stock' (Woodford, 1996b, p. 1). Messages that had been presented about the organisation by the media during that time were promises of dividends, listing on the stock exchange (Jemison, 1993, 1994) and independent valuations of the assets of the organisation well above book valuations (Kennedy 1993).

The organisation's conservation achievements were also well recognised during this period. In the early days of the organisation's history the founder established a vision of conservation that involved the acquisition of one percent of Australia by 2025 for the purpose of saving endangered species (prospectus, 2000; Woodford, 1996b; Stewart, 1996). Their conservation achievements were consistently reported in early media statements (Arblaster, 1994; Chulov, 1994; Jemison, 1993; 1994; Kennedy, 1993; Roberts, 1994) and by 1997 were acclaimed as 'incredible' (Roberts, 1997). The promise of a sound financial investment as a result of outstanding conservation achievement was a combination that proved very attractive to the investing public.

Throughout the period 1993 to 1999 the organisation undertook a series of eight separate share issues resulting in capital raising of approximately $12 million and an increase in the number of shareholders to approximately 4,000 by 30 June 1999 (Annual Report, 1999). During 1999, with an expanding shareholder base and plans for continued growth, on advice from the Australian Securities Commission and in response to the desire to improve liquidity of the capital growth in company shares (Lane, 1999), the organisation prepared to list on the ASX and as such become the first publicly listed Australian organisation with the core business of conservation.

In 1999, with strong support demonstrated by its increasing shareholder base, the organisation commenced plans to list on the ASX. The period leading up to the listing saw a number of changes to the management structure and allocation of resources within the organisation. These changes appeared to be reflected in key features displayed in the environmental disclosures made throughout this time.

The move towards listing saw changes take place in the internal structure of the organisation, which were also reflected in the changes to the disclosures made. A common focus of all of the documents prepared immediately prior to the listing (2000 prospectus, newsletters, brochures) was to promote the organisation as a sound business investment. The manner of doing this was largely based on highlighting the organisation's conservation rather than its financial achievements. This focus was consistent with the organisation's objectives of conserving endangered species but differed from the traditional shareholder focus of maximising financial return. A relative compromise was reached where the conservation and financial objectives were merged in the form of SGARAs, in which the environmental assets of the organisation were assigned value and incorporated into the financial statements. The organisation hoped that this measure would provide the link between the organisation as a business opportunity and the traditional language of investors and analysts (i.e. financial statements).

Throughout this period, significant changes took place within the organisation, including changes to the management structure, decision-making processes and procedures, and allocation of resources within the organisation. In 1997, the purchase of a significant quantity (eight percent) of shares from the organisation's first institutional investor led to the appointment of two credible and independent non-executive directors; in 1999, a company secretary with 20 years of legal experience was appointed; and a highly qualified and internationally renowned economist and businessman was invited to join the board of directors as the non-executive chairman.

Modifications were also made to the structure of the management meetings and the associated reporting mechanisms with the intention of improving the processes of management within the organisation. As a result, the configuration of the monthly managers' meetings was changed from individual managers meeting as a group with one member of the MC to each manager meeting with the whole MC. The reporting mechanisms were also amended to improve the structure and presentation of agendas, introduce formal minutes and to increase the individual managers' reports from one page to five. A more timely and efficient process of recording and distributing minutes of the meetings was also implemented. Other polices and procedures such as human resources, occupational health and safety, information technology, insurance and the budgetary process were also reviewed and improved during this time. External consultants were engaged to assist with the implementation of Australian workplace agreements, the introduction of global budgets, the planning of a new information technology infrastructure and the development of a wide reaching marketing campaign. Improvements to the budgetary process were undertaken with the aim of allowing managers to better understand and become more involved in the budget setting process and to improve the flow of financial information between all levels of management.

As the organisation approached listing on the ASX it appeared that the management personnel and internal processes of the organisation were in a better position to respond to the additional regulatory responsibilities of a publicly listed organisation. Whilst the aim of these changes was to improve the reporting mechanisms, they also resulted in a greater use of resources in terms of time spent in meetings and preparation and review of documentation and money spent on external consultants.

The style of management practised within the organisation throughout this phase was predominantly that of the founder's vision, with a distinct prioritisation of environmental over commercial projects. Despite some tensions caused by this style of management, the overall feeling within the organisation immediately prior to listing on the ASX was one of anticipation, excitement and hope:

> [The organisation's] concept remains an exciting marriage of conservation and private enterprise with huge potential in both fields. (Roberts, 1994)

The optimism within the organisation was fuelled by the founder's strong vision for the future and confidence that the public listing would be successful, and all of the disclosures made throughout this time appeared to be reflective of this mood. In general, it appeared that whilst the organisation acknowledged the need to become more professional and to look more 'corporate', there remained a significant quantity of environmental disclosures made during the phase leading up to listing on the ASX, with specific attention paid to the communication of the financial environmental information to the stakeholders via the SGARAs.

The disclosures made by the corporation during the pre-listing era that were analysed included the prospectuses for 1996, 1997, 1998 and 2000, Annual Reports for 1998 and 1999, company newsletters for October and December 1999 and January and March 2000, brochure 1, the corporate website and guided walks. The analysis of these documents revealed a relationship between the changes taking place within the organisation as it prepared to list on the ASX and modifications to the nature and content of the disclosures made. In addition, considerable emphasis was placed on the communication of the organisation's conservation results during this phase via the inclusion of environmental information in the financial statements. The following discussion reveals the interaction between the changes to the internal structure of the organisation as it prepared to list on the ASX and the environmental disclosures made.

The common purpose of the documents prepared throughout this time (i.e. prospectuses, annual reports, brochures, newsletters, and websites) was to promote an overall interest in and understanding of the activities undertaken by the organisation with the specific aim of attracting investors to purchase shares in the organisation. Acceptance by the investment community was perceived by the organisation as being vital to its future survival, as evidenced by the following:

> [The organisation] has to be accepted by the investment community if it is to raise the nearly $1 billion it needs to save our wildlife. (Company newsletter no. 32, October 1999)
>
> The investment community will only accept [the organisation] if it follows certain rules. One of those was that its Directors be paid (Company newsletter no. 32, October 1999)

The investors attracted to the organisation were predominantly small and often first-time 'mum and dad' investors (BODM, May 2001):

> For many of you, this will become the first time that you have owned listed shares. (AGM, 1999)

The organisation believed these first-time investors were attracted to the environmental, rather than commercial, success of the organisation (Bennett, 1995) and were willing to accept a lesser rate of return than for alternative investments because of their desire to support a 'good cause' (Bennett, 1995). Despite early media reports claiming there was more to the business than the 'warm and fuzzies' (Chulov, 1994; Cullen, 1995; Jemison, 1993; Kennedy, 1993), early disclosures were directed to individual, first-time shareholder with a clear emphasis on the emotive rather than commercial aspects of the business:

> the majority of shareholders in [the organisation] are more interested in the environmental performance of [the organisation] than its financial performance. (Annual Report, 1998, p. 43)

Aiming at these investors, the tone of language in the documents appeared to be emotive and often colloquial, focussing significantly on the environmental rather than financial aspects of the organisation (see chapter 5). Evidence of the success of this relationship was provided in the continued and increasing success of prospectuses with successively higher and higher share price culminating with the listing prospectus in 2000.

Despite brochure 1 being produced to promote investment in the organisation, there were very few figures and no financial projections included. The following quotation provides an example of lack of emphasis placed by the organisation on conveying financial information to potential shareholders:

> [The organisation] asks that its successes not be measured by the dividends it pays or the saleable assets in its storerooms, but on the numbers of threatened animals that live within its lands. (Prospectus, 2000, p. 13)

In the disclosures prepared during this phase, the use of powerful and stirring language was noted, such as the following:

> It was not an apple that Eve gave Adam but a firestick. Man learned to control nature and the Garden of Eden was gone. We must learn from this while our paradise can still be saved. Our children and our grandchildren must be given the choice. (Annual Report, 1999, p. 10.)

In addition, there was a proliferation of animal images appearing in the disclosures, selected with the specific aim of attracting potential shareholders and customers. For example, the process of deciding images to be included was described as:

> going through photos and stuff and saying…what's the cutest animal, cos that will sell more. (Interview with employee[53])

During this phase, the preparation of the voluntary disclosures for inclusion in the annual report had been described as 'a very loose arrangement', with the responsibilities of writing and editing the various sections shared amongst several employees. It was described by one of the employees as:

> a community group type thing. There wasn't a committee that sat down and met at 3 pm on Thursday and it was such an ad hoc thing. (Interview with employee)

As a result, the rationale for specific individual disclosures was difficult to determine.

Changes were observed in the nature, appearance and content of the prospectuses, annual reports and newsletters produced by the organisation during this time, as noted in chapter 5. These changes appeared to mirror the changes to the management structure and processes as it progressed towards listing on the ASX as a public company. When comparing the early prospectuses (1996/97) with the following ones (1998/99) and with the listing prospectus, there appeared to be a clear evolution of the

[53]As indicated in chapter 3, interviews were conducted with six employees. The term 'interview with employee' has been used as a generic term to conceal the identity of the particular employee on the grounds of confidentiality.

external disclosures from very simple and unsophisticated prior to 1988 to more informative and business-oriented post-1998. The move away from simple monotone images to the introduction of full colour and the implementation of improved text layout created a more efficient means of communicating information to shareholders and contributed to a more business-oriented approach to the presentation of information to shareholders. This was consistent with the greater sophistication of management processes adopted within the organisation. In the early days, there was a rationale underlying the production of simple documents that was linked to cost minimisation and the perception that:

> People seemed to like the simplicity of the [company newsletter], it looks sort of recycled. (Interview with employee)

As the organisation prepared to enter the commercial arena of a publicly listed entity, there emerged a deliberate plan to improve the company image to be seen as a more professionally run organisation.

In the period immediately prior to the ASX listing, a significant proportion of the organisation's resources were channelled towards the promotion of commercialisation of the organisation and share sales. The documents prepared during this time were specifically prepared to raise stakeholders' general awareness of the business as an environmental destination and a worthy environmental investment as a publicly listed company. A major advertising campaign and a national lecture tour were undertaken with the purpose of improving awareness of the organisation and to further promote the organisation to potential investors as an attractive investment. The national tour included presentations by senior management in each of the capital cities and comprised a slide show and lectures based on the information included in the listing prospectus, brochure 1 and the March 2000 newsletter.

The general appearance of the 2000 prospectus, brochure 1 and March 2000 newsletter differed dramatically to documents prepared earlier by the organisation and coincided with the instigation of a promotional campaign for the ASX listing. The colour scheme, titles, banner placements and border prints for all of the documents were specifically chosen to enable them to be bundled together for distribution to potential investors attending the promotional lectures. The appearance of these documents therefore directly corresponded with the objectives of the campaign to promote the organisation as a suitable investment opportunity as it approached listing on the ASX.

In contrast to the significant changes to appearance of the prospectuses, annual reports and newsletters throughout this phase, the website remained relatively constant throughout this time. The organisation had established its internet site in the mid-1990s and was probably one of the earliest established websites in the home city of the organisation. Originally, an overseas external contractor had been engaged to create the site. In 1999, due to his personal interest in the area, a newly appointed employee volunteered to maintain the website. His predecessor had been responsible for liaising with the external contractor to create the website but had never personally initiated any changes to it.

When the new employee took over the responsibility of maintaining the website, it was decided to discontinue the external contractor, as it was considered more cost effective and also more efficient for the website to be maintained by the organisation in house. Whilst there was no restriction placed on the amount of time that the employee responsible could allocate to this task, no specific budget or guidelines were allocated to this task either. The evolution of the website was therefore a process of updating and replacing information on an ad hoc basis. The lack of formal procedure or funding for the maintenance of the website frustrated the efforts of the employee responsible for improving it as a medium for communicating with external users.

The website was described by senior management to be of 'profound importance' as a means of providing information about the organisation to:

> existing stakeholders, potential stakeholders, other interested parties, government, overseas, international tourist, national tourists, suppliers, potential suppliers, potential investors, educators and students.
> (Interview with employee)

The number of visitations by external stakeholders to the website averaged approximately 3,000 per month from January 2000 to January 2002. However, despite its potential importance as a medium for the disclosure of information to external stakeholders, the lack of formal procedure, timeline or budget allocated to maintaining and improving it indicated that it remained a low company priority throughout this phase.

The disclosure of information to external stakeholders via guided walks also remained relatively informal and unstructured during this phase. There was no formal training of the guides or auditing of the walks to ensure relevance, reliability or consistency of the information provided to customers, and the only instruction provided to the guides was delivered by word of mouth and via quarterly meetings with the sanctuary manager. The diversity of information provided to customers through the variety of content and delivery techniques implemented by different guides was in fact seen as justification for customers to make return visits to the sanctuary and consequently the formal training of guides was not considered a priority.

The significance of financial indicators in the communication of environmental information to external stakeholders was demonstrated by the incorporation of the economic accounts in the 1996-1998 annual reports as an accompaniment to the traditional financial accounts (see chapter 6). The development of these accounts had grown from the founder's frustrations with the inability of traditional financial statements to capture environmental values. In addition the founder wrote a booklet titled *Investing in Wildlife* (Founder, 1998) to explain the notion of the privatisation of wildlife. The booklet also outlined the rationale for the valuation of wildlife and the preparation of economic accounts.

Of even greater significance than the economic accounts as a communicator of financial environmental information were the SGARA disclosures adopted in 1999. There were great hopes placed by management on the ability of SGARAs to explain and support the commercial viability of the organisation's business operations. The issuing of AASB 1037: Self Generating and Regenerating Assets in 1998 was considered to be timely by management and enthusiastically adopted ahead of the required implementation date for inclusion in the 1999 annual report. The development of the standard was seen as evidence that the economic accounts previously adopted by the organisation were an appropriate means of communicating environmental information to stakeholders and a major step forward in the acceptance of the organisation into the business world. The release of the standard coincided with the growth and development of the organisation and senior management were confident that the positive impact the SGARA information would have on both the profit figure and asset values for the year would improve the uptake of shares for the impending listing on the ASX.

In summary, the period leading up to ASX listing saw all benchmarks of success achieved. The listing campaign had attracted a vast amount of emotional and financial support for the organisation and had been hailed as an overwhelming success. The next challenge was for the organisation to successfully implement the plan for growth.

As the organisation approached listing on the ASX, a high proportion of the voluntary disclosures made in prospectuses, the annual report and brochure 1 related directly to environmental issues. The overall focus of the documents was conservation achievements and the introduction of the SGARA accounts. The manner in which environmental information was presented to external stakeholders changed from predominantly non-narrative (i.e. images) to narrative (i.e. text) providing evidence of a more 'business-oriented' look and feel to the documents overall. The key indicators of the shift were increased complexity of information placement; a greater reliance on words rather than images to convey meaning; passionate and confident messages. Paramount in the communication of environmental information was the introduction of SGARA accounts to replace the 'economic' accounts that had been developed by the company, and previously adopted to communicate the value of environmental assets. The reliance on the SGARA accounts was seen as vital to bridge the void between the environmental and economic goals of the organisation.

7.1.2 The post-listing experience: May to November 2000

The period following listing on the ASX was one of pride in past achievements and anticipation of future expansion. The 40-year vision of the organisation was well underway and the targets achieved so far were encouraging. The success of the organisation, however, was dependent on the success of the next phase of growth which involved establishing a new profit centre, maintaining a high share price and attracting further investment to continue the planned expansion. The process of internal change initiated prior to the ASX listing saw the upgrading of several of the management structures and processes and culminated in a major rearrangement of the leadership of the organisation, with the appointment of two new senior management positions in November 2000. The influence of the changes that took place and the prioritisation of specific key issues continued to be reflected in the environmental disclosures made throughout this time.

Significant expenditures were made on the expansion and upgrading of corporate resources during this phase, including substantial land purchases, a major advertising campaign, new staff appointments and staff training.[54] A substantial upgrade of the information technology resources of the organisation was also undertaken to improve internet access and overall information sharing within the organisation. In addition, the organisation conducted a major overhaul of the conditions of employment via the introduction of Australian workplace agreements for all award staff, which was implemented by an external consultant. The prioritisation of these activities indicated an increased focus of the organisation on the internal management structures and processes adopted by the organisation and were reflected in an upgrading of the disclosures made.

The mood within the organisation continued to be generally positive and optimistic, with reflection on the recent achievements, including the significant capital raising (approximately $12 million), listing on the ASX and being hailed as the first publicly listed organisation with the core business of conservation. The only disappointment at

[54]At this time there was a major campaign undertaken by the director of marketing to train all of the staff within the organisation in a management system referred to as 'holistic management'. All of the staff were invited to attend training sessions over two consecutive months. The aim of holistic management was to consider all elements in decision-making.

this time was the decrease in share price from $2.50 at listing to $1.50 by October 2000 (www.asx.com.au, accessed 6/10/01). This was seen as a temporary realignment that would be rectified with the imminent opening of a new profit centre.

The future of the organisation was dependent on the successful and timely completion of the new profit centre upon which the organisation was relying to improve both the organisation's profitability and operating cash flow. To facilitate this process the organisation engaged an independent consultant to conduct a feasibility report on the new profit centre. The findings of the report, after the inclusion of certain disclaimers by the consultants preparing it, were that the new centre appeared to be viable and it was anticipated that the new profit centre would be operational before the end of 2000.

Plans for the appointment of new senior management positions within the organisation added to the feeling of anticipation within the organisation and were welcomed by staff. The founder's drive, determination and vision had been responsible for the organisation's achievements so far, but he had also been criticised for not listening to his staff and advisors:

> He has got the vision, but he needs a rear-vision mirror too.
> (Interview with employee)

His domineering management style meant that staff felt vulnerable if they did not follow his directions, even if they felt them to be inappropriate:

> [The founder's] style of management is very autocratic.
> (Interview with employee)

It was evident that whilst the founder was very clever and had good mathematical knowledge, he did not have knowledge or expertise in areas of engineering or management, but did not wish to enter into any discussion of them.

To assist the evolution of the organisation as a competitive public company, the founder agreed to 'step aside'[55] as managing director to make way for personnel who

[55]The founder had campaigned tirelessly for the organisation for the past 15 years and had been involved in a series of major conflicts with authorities in relation to its growth and development. This had imposed both personal and professional pressure on him and placed stress on workplace relations within the organisation. His retirement from a position of major managerial involvement at this time appeared to be a positive move for both the organisation and for him personally.

were more experienced in corporate management. Having worked hard to establish the organisation as a successful conservation organisation, the founder appeared ready to concede his limitations in the management of a publicly listed company. Further motivation for a change in leadership emanated from concerns that his controversial and outspoken views might create problems for the organisation in the future. The anticipation of this change contributed to the overall positive feeling evident in the disclosures, made such as the following:

> We've got money in the bank, we can sit there, we can sort out our problems, get it, we've got good people coming on board...we can change direction, become more professional, all those types of things, put some things in train and build from there. (Interview with employee)

Despite attempts made throughout this period to improve the internal management processes and procedures of the organisation via changes to the timing and configuration of management meetings, there remained several limitations with the style of management adopted. The most noted was the founder's significant influence over the running of the organisation. Whilst the improvements to the documentation and structure of meetings had become more formalised during this time as a result of changes implemented prior to listing on the ASX, there remained a lack of delegation of responsibility and all major decisions continued to be made by the founder via his influence in the MC and BOD meetings. In addition, the organisation appeared reluctant to accept valuable advice or assistance from associated entities or consultants. The final feasibility report prepared for the proposed new profit centre included numerous disclaimers and compromises. This reinforced the feeling held by some members of senior management that the organisation would only accept views and opinions that were consistent with their own. When the state's tourism commission offered to help with a further report and assist with the marketing, it was claimed by a staff member that:

> no one wanted to know that. (Interview with employee)

The disclosures made throughout this period consisted of the 2000 annual report, brochure 2, newsletters in May, July and November and the maintenance of the website and guided walks. The main focus of the disclosures was to promote to the public an image of a strong and healthy public company in order to stabilise the falling share price. The company perceived that a key barrier to its acceptance by the wider investing community was a lack of understanding of the business model. They were eager to overcome this by improving the professional and commercial image they were portraying to external stakeholders, as noted by the following:

> it is important we spend some time building our business image.
> (Annual Report, 2000, p. 3)

> I think that the board and senior management team of [the organisation] have realised that if they wish to continue to grow the company as rapidly as it has grown in the past, it needs to restructure and embrace modern corporate/commercial practice, and be seen as a modern corporate/commercial publicly listed company that will have the confidence of the investment community and the small investor.
> (Interview with employee)

The key disclosures of the 2000 annual aeport produced during this phase reflected the positive feeling within the organisation and reflected mostly good news such as increased animal numbers, increased profits, capital raising success and an overall positive outlook. The organisation also continued to strongly promote the significance of the SGARAs in the 2000 annual report as an important communicator of conservation achievement.

The appearance of the 2000 annual report had evolved significantly from those prepared in earlier years by the organisation, and whilst the majority of headings included were similar to those used in previous years,[56] the information contained under each of the headings differed considerably in both nature and appearance. The 2000 annual report was the first annual report for the organisation since listing on the ASX and as such the senior management of the organisation was anxious for it to portray the appropriate 'look and feel' (ARCM, June 2000) of a public company.

In order to establish a measure of what would be acceptable to shareholders, the annual report committee (ARC) examined annual reports from several other publicly

[56]The tendency was to use the previous annual report as a template and 'tweak it' to include the relevant information from the current period (interview with employee).

listed companies and decided that the appearance of the report should be very different from the organisation's previous (i.e. 1999, 1998) annual reports, adopting a more professional/corporate presentation by reducing of the quantity of voluntary information from 34 pages in 1999 to 18 in 2000. The rationale presented for the reduction of the quantity of voluntary disclosures was that inclusion of 'marketing' information (i.e. the non-mandatory disclosures) in the annual report was a waste of money and it would be better to provide this information to shareholders via the quarterly newsletter. The establishment of a more 'corporate' appearance for the report was also facilitated by the replacement of the recycled paper look of the 1998 and 1999 annual reports with a white background; the introduction of smaller font for the written information; the creation of larger margins; and overall the adoption of an appearance more similar to the listing prospectus than previous annual reports prepared by the organisation.

Reflecting the improvement of the internal management processes within the organisation, the preparation of the 2000 annual report was more formalised than it had previously been. This included the preparation of the voluntary disclosures by a subcommittee of the MC. The committee comprised of three members of the MC, with each member delegated the responsibility to prepare different sections of the report and being ultimately responsible to the ACC. The ACC was primarily concerned with ensuring the accuracy and completeness of the mandatory annual report disclosures that were required in accordance with the Australian accounting standards, ASX listing rules or directives issued by the Australian Securities and Investments Commission (ASIC), and was provided with assistance in the preparation of these disclosures from the external auditors. The ACC was finally responsible to the BOD, who oversaw particular sections of the report, such as the section on corporate governance, and provided the final approval of the annual report that was recommended by the chair of the ACC.

Despite the existence of an annual report committee with approval ultimately granted by the BOD, it was noted that there was a reasonable amount of influence being exerted by the original managers on the overall nature and content of the report. An example of this was the rejection of requests by some members of senior management within the ARC to split the report into two separate booklets, with one for voluntary information and the other for the financials. The counter-argument presented was that one of the aims of the organisation was to seek 'credibility' in the business world, and therefore the both the voluntary and statutory information should be read in conjunction with each other. This was reinforced by a strong desire by influential members of the MC to 'keep the emotion in' the report (interview with employee). A lot of the information about the organisation's success was contained in the voluntary disclosures, and it was the view of the some members of the MC that the financials needed to be read in conjunction with the VEDs and that the emotive images in the documentation were very important.

The recognition of the SGARAs in the financial statements continued to have a high priority throughout this period, which was reflective of the precedence afforded this issue in management discussions at BOD level and the associated allocation of resources to issues such as counting methodologies and the categorisation of various animal species. Senior management was keen to establish rigorous, transparent and verifiable methods of counting, classifying and valuing the animals included in the SGARAs in order to shore up the company's position and defend it from attack by critics. This was achieved via the engagement of internal and external wildlife experts. Steps undertaken to ensure reliable measurement of environmental assets reflected management's view that the organisation placed a great deal of importance on the use of SGARAs as a means of conveying both financial and environmental information to external stakeholders.

Brochure 2 was developed as a means of stimulating interest in the organisation by potential investors and hopefully stalling the decline in the share price. As noted above, the organisation had been concerned about the post-listing drop in the share price. As a publicly listed corporation its share price was determined by the demand in the marketplace rather than set by the organisation for the purpose of a new share issue, as had been the case with previous prospectuses issued by the organisation. Maintenance of the share price at a reasonable level was vital, since the organisation was hoping to target institutional investors in the next round of capital raising. Whilst the drop in share price was seen as only a temporary realignment that would be rectified with the opening of the new profit centre, the organisation was concerned to reassure shareholders and promote share sales.

The focus of brochure 2 was to demonstrate how the ownership of company shares would achieve a positive environmental outcome. It included a strong emotive content that was representative of the founder's passion for the environment and vision for the future. Evidence of the passion conveyed in the brochure is provided in the following 'important notice' that appeared on the final page of the brochure:

> For financial information regarding [the organisation] talk to your Investment advisor. For conservation information, listen to your grandchildren and your heart.

No financial information appeared in this brochure, reflecting the founder's view that the majority of shareholders were concerned with conservation successes rather than financial return.

During this period the production of newsletters became less frequent due to the increased time pressures placed on staff as a result of the recent listing on the ASX. The look and feel of the newsletters produced during this period were similar to that produced in March 2000. The main focus of the newsletters was the conservation successes of the organisation, and was all positive news.

While minor improvements were noted in the appearance of the website and information provided to guides, in general these disclosures remained a low priority for the organisation during this phase. There was some standardisation of the information relayed to customers on the guided walks via the preparation of a guides' manual. Whilst the manual provided some improvement in the information provided to the guides, there was no verification of the delivery of information relayed to customers to ensure consistency.

The website was continually updated during this phase, but there was no separate budget line for its development. As a result, any changes continued to be made as a result of particular employee interest or as a series of one-off decisions to allocate money for making a specific change. The responsibility for maintaining the website remained with an individual employee. The physical location of the process of web maintenance took place in close proximity to the founder's workstation so that any changes were ultimately approved by the founder. The process of change generally involved the employee proceeding with what he considered appropriate then requesting approval, rather than requesting approval prior to making changes:

> It was always easier to ask for forgiveness than it was for permission.
> (Interview with employee)

The lack of attention paid by the BOD to the website as a means of disclosure was reinforced by their lack of consideration or approval of information posted to the site. As a publicly listed company, BOD was ultimately responsible for information disclosed by the organisation and, for all publications other than the website (i.e. prospectuses, annual reports, brochures, letters, media releases etc), there was a process of authorisation and checking of the information contained therein. The (then) company secretary reviewed all documents prior to their publication and recommended them for approval by the BOD. The lack of control over information posted to the website was of concern to the company secretary, and he suggested it become part of the responsibilities of the incoming senior management.

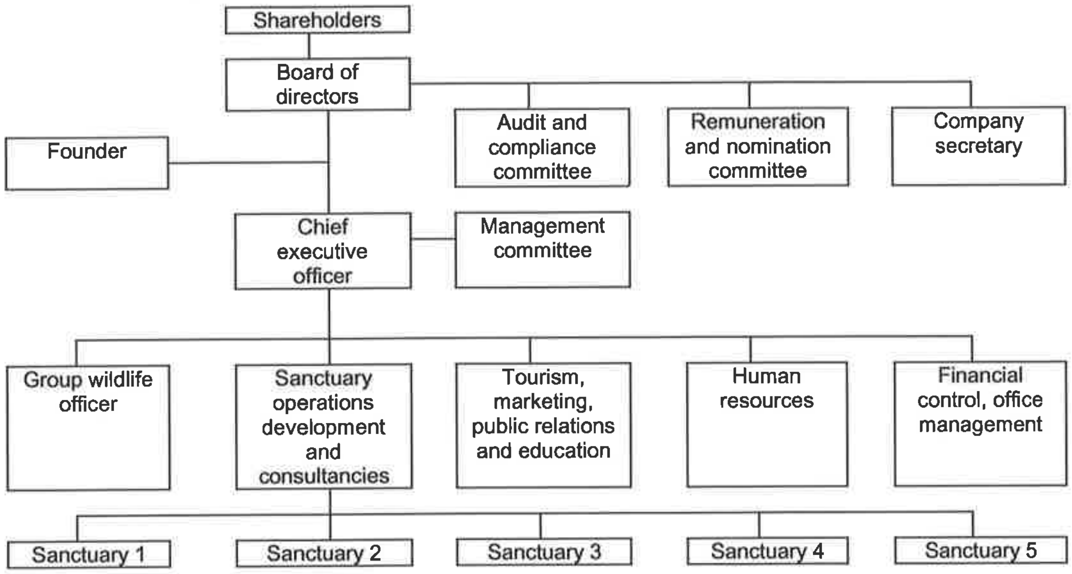
In the period immediately after listing on the ASX, the organisation was faced with the challenges of becoming more accepted by the business community in order to maintain a strong share price and opening a new profit centre. During this phase, the mood within the organisation was positive and optimistic, which was reflected in the disclosures made. There was more emphasis on the business orientation of disclosures, and continued emphasis placed on the environmental disclosures as performance indicators in the SGARAs as well as the capitalisation of sanctuary assets. Certain differences in opinion between particular groups of the MC also became evident during this phase.

Increased scrutiny by the BOD of the information disclosed to external parties and the resultant decrease in the quantity and proportion of voluntary environmental disclosures was evident during this phase. Notwithstanding this, the dominant influence of the founder and evidence of his environmental vision remained. The movement of the organisation towards the business arena of the ASX had occurred, and as a result the production and presentation of more business-oriented disclosures were apparent. Strong economic performance was reported as a result of a $2 million increase in SGARA values, reinforcing the reliance on and support for financial environmental disclosures by the organisation.

7.1.3 Management change: November 2000 to March 2001

The commencement of new senior managers in November 2000 saw a dramatic change in the management practices implemented in the organisation. At this time, the continuing fall of the share price was a primary concern of the organisation, particularly in the light of share options that were outstanding at the time, priced at an amount significantly higher that the current market price for shares. The disclosures made during this time were focused primarily on raising commercialisation of the sanctuaries and enhancing the confidence of shareholders.

Table 7-1 Organisational chart as at June 2001



In November 2000, the anticipated changes to the senior management took place with the commencement of a chief executive officer (CEO) and replacement of the company secretary. As indicated in table 7.1, included in the 2001 annual report, it was anticipated that the founder's direct involvement in the ongoing operating activities of the organisation would be reduced during this phase, however he remained on the BOD. Both the new CEO and company secretary were highly qualified and extremely experienced in leadership and business management. The BOD considered that the influence of new senior management would be very positive for the organisation and that their leadership style would enhance potential investors' confidence and ensure the success of the organisation in the marketplace.

Under the direction of the new management, further adjustments to the internal decision-making processes and procedures were implemented during this phase, with changes to the timing and configuration of the management meetings and more timely circulation of minutes and reports the most notable. In February 2001, the CEO introduced an additional level to the management hierarchy of the organisation, between the sanctuary managers and the MC. The reason for the change was to improve the efficiency of management meetings and reduce the time spent by members of the MC in discussions with individual managers, thereby freeing up valuable company resources for other purposes. The previous meeting structure required the entire MC to be involved in management meetings for a day each month in addition to the time spent in monthly BOD meetings, and was considered by new senior management to be an extravagant use of company resources. Changes were also implemented to the documentation of employee responsibilities for staff at each sanctuary and a more rigorous authorisation of payments was introduced.

The most pressing task senior management faced during this time was to increase the cash flow of the organisation and to raise funds for the development of the new profit centre. By February 2001 funding had become the organisation's highest priority. The external disclosures made during the period November 2000 to March 2001 included an investment brochure (brochure 3), shareholder newsletter (February 2001), updates to the website and improvements to the guided, walks all of which were focussed on the task of attracting investment for the organisation.

The half year results to December 2000 were strong, but mainly as a result of the increase in animal numbers and resultant increase in SGARA profit. In the period since listing on the ASX, the high rate of spending and poor cash flow from operations had slowed the planned development of the new profit centre, and none of the strategies implemented had been successful in stabilising the falling share price.[57] There had been a poor response to the advertising campaign and neither the notification of profit for the year ended 30 June 2000 nor the distribution of brochure 2 had slowed the reduction in the share price. It had become clear that a further injection of funds from external sources was imperative, and the organisation pursued several alternative fundraising avenues during this phase to achieve that end.

Throughout this phase the BOD maintained their belief that it would be possible to attract institutional investors to finance the planned expansion of the organisation. The business model followed by the organisation has been praised by a international experts for setting a 'superb example' of conservation to the world (ASX release, January 2001), and in February 2001 shares in the organisation were recommended as an excellent long-term investment and an outstanding ethical investment by two independent and highly credible stockbrokers.

Lack of success with the fundraising campaign to date led the BOD to revise their efforts and, in addition to approaching potential new investors, encourage existing shareholders to exercise options held as an alternative means of raising additional funds. In response to this objective, the third investment brochure was issued in February 2001. The aim of this brochure was to encourage existing shareholders to take up the options that had been issued to them when they purchased listing shares.

It was considered necessary to issue a brochure designed specifically to encourage shareholders to exercise their options due to the fact that the current market price of company shares[58] had fallen below the option price and therefore did not appear on economic terms to be an attractive investment. Brochure 3 provided justification to shareholders why they should increase their shareholdings in a company whose share price was falling.

[57]By October 2000 the Company share price had fallen from the listing price of $2.50 to $1.50 (www.asx.com.au, accessed October 2001).

[58]The options were $2.50, whilst the market price for company shares at 31 January 2001 had fallen to $1.49.

As a result of the seriousness of the circumstances under which it was issued, together with the influence of new management, it appeared to be more conventional in nature and content than the previous two brochures had been. It included a greater proportion of text to images than the previous brochures and referred to the accountability of the 'conservation successes' via a 'recognised, professional and transparent processes' (brochure 3, p. 2). The images portrayed in the brochure were consistent with the marketing campaign that continued throughout this phase, which was controlled by the external marketing consultant. It presented a particular image of tranquillity to the stakeholder that was identical to images used in other advertisements produced by the organisation at that time and had been deliberately selected to portray a specific and consistent image of the organisation to external users. Prior to its release, the ACC applied an intensive process of due diligence to this brochure to ensure that the contents could be supported by sufficient evidence and that a high degree of professionalism in presentation would be maintained.

Brochure 3 and changes to the website were specifically aimed at encouraging the uptake of options and improving the means to do so via the facilitation of online purchasing of shares. There were also efforts made to encourage greater customer visitations to the sanctuaries via improved accessibility to specific sanctuary sites and upgrading of the interactive nature of the sites themselves. In addition an education committee (EC) was formed to improve the quality of guided walks.

During this phase the website was assigned a higher priority as a means of communicating directly with external stakeholders. It had previously been a:

> mouthpiece for the founder on his views on the world.
> (Interview with employee)

It had not been controlled or checked by the BOD or used efficiently as an effective means of communication with potential customers and shareholders. Changes to management and the associated prioritisation of improving the business orientation of the organisation led to more attention being given to the website, with improvements in the tone of language used and overall quality of information included.

The driving forces for change to the website was the organisation's desire to raise more funds.[59] There remained, however, a lack of formal procedure for posting information to the website, which led to various management staff initiating the upgrading of various sections of the website. Examples of this included the implementation of a more interactive web page to enable easier online share purchases and the engagement of external consultants to improve access to and content of specific sanctuary web pages (instigated by one of the sanctuary managers).

As a result of the changes, the website became much more interactive and user-friendly and also incorporated a significant amount of additional corporate and customer information. Changes to the website to allow the $2.50 options to be taken up via the website and to receive money online were very successful:

> It worked a treat. We got thousands and thousands of dollars through that. That whole time, the whole company was buzzing. Money was coming in through every hole that we had. It seemed people were trying to push money into it. It was ballooning big time. (Interview with employee)

Several other minor changes occurred to the nature of information appearing on the website, initiated by the ARC. These changes included the posting of specific information relating to the animals and the addition of scientific names for flora and fauna. In general, therefore, it appeared that more attention was being paid to the website during this phase as an effective means of communicating with external stakeholders, and it appeared in particular to be better utilised as a means of improving the commercial and fundraising campaigns upon which the organisation was focussing.

Under instruction from the CEO, an additional employee was assigned to assist in the maintenance and development of the website. They were assigned the overall objective of removing everything that had not had adequate 'due diligence' applied,

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[59]Senior managements desire to improve the ability for shareholders to take up options via the internet led to several improvements to the website. To assist with this process an external consultant was engaged, which also enabled brochure 3 to be incorporated on the website as an html document. There were two specific changes that took place during this time; the change in the corporate site to improve shareholder information and the changes to the separate sanctuary sites to improve customer information.

such as any outdated, irrelevant or controversial information still remaining on the site, and also to make the site more logical, more efficient and easier to access. The process of upgrading and improving the site was an ongoing task. From the perspective of the staff member responsible for the development of the website it had undergone two distinct phases of change. The first stage was to update the original site. The second stage was to:

> get some new vigor into it and make it look a bit more corporate.
> (Interview with employee)

The planned future stage was to make the site:

> lean, mean and green. (Interview with employee)

During this phase, increased attention was also paid to improving the quality of the guided walks via the establishment of an education committee (EC) comprising one of the original managers of the organisation and several other non-management employees. As a result of discussions held in these meetings, it was acknowledged that the guides were playing a vital role in the success of the ecotourism activities of the organisation and that their ability to entertain and inform the customers was essential to the ongoing success of the organisation:

> The guides are not just educators, they are also storytellers. (ECM, November, 2000)

It was also recognised that the guides played an important role in explaining the philosophy on which the organisation was based and encouraging investment in the organisation. The primary focus of the committee was to improve the process of training guides and to promote up-to-date information to guides via a comprehensive loose-leaf manual for guides that could be updated periodically to ensure that all of the information contained within it was relevant to the guided walks. This manual was compiled and distributed to guides on 30 June 2001.

The company newsletter issued during this period reflected the optimistic outlook being promoted by the organisation during this phase. This included the welcoming of the new CEO, numerous endorsements from external sources reporting on the encouraging progress of the options campaign, the payment of a record dividend in

2000 and presentation of the business model of the organisation to an OECD/World Bank-sponsored international group of experts.

Maintenance of stakeholder support was a challenge throughout this phase of the organisation. Brochure 3 indicated the urgency of retaining strong shareholder relationships established in the past during a time of significant managerial change. The message conveyed in the investment brochure was one of hope for the future, echoing and reinforcing the emotive investment rationales used in the past. In contrast to the early communications made by the company, brochure 3 was highly polished and professional-looking. Further actions undertaken to strengthen and improve external communications were the improvements of the quality of guided walks and the accessibility and usability of the corporate website. Awareness of the importance of profitability was evident.

7.1.4 The poor performance story: March 2001 to January 2002

By March 2001 the cash flow crisis facing the organisation had been accepted as more than a temporary problem. The overall mood within the organisation had changed from positive and optimistic to strained and worried. The seriousness of the situation facing the organisation was reflected in the disclosures, and whilst attempts were made to continue to promote the positive conservation achievements, there was general acknowledgment within the organisation that the SGARAs had not been accepted by the business community in Australia, that the organisation was unable to attract further finance and that the only course of action open to it was to restructure the organisation. Restructuring took place in January 2002 with the decision to sell significant assets and continue to operate as a much smaller organisation.

Approximately four months after the appointment of new senior management, the financial pressure upon the organisation was recognised and the overall mood changed from optimism and anticipation to frustration and disappointment. It was during this phase that it became clear to senior management that the problems facing the organisation were greater than they had originally understood them to be and:

> they weren't going away. The sad thing is that it was crisis mode six months after the $15 million went in the bank, and that should never have happened. (Interview with employee)

In March 2001, there appeared the first public acknowledgment that the organisation required an additional $7 million of external finance in order to complete the planned expansion (Booth, 2001a). The half year results to December 2000 were disappointing and it was becoming increasingly evident that the cash flow from operations was insufficient to maintain the operation without the input of additional funding. With lack of further funding, poor performance of existing profit centres and delays to the completion of the new profit centre, the future was looking bleak. From this point onwards senior management no longer considered the financial problems facing the organisation to be temporary and the topic of raising capital became the major focus of all board meetings during this phase.

Compounding the cash flow problems facing the organisation was the failure of the major marketing campaign implemented in the post-listing phase. Explanations for the failure of the campaign included increased competition for disposable income from the Sydney Olympics in September 2000, lower confidence of spenders due to the introduction of GST, a general tightening of the economy (increased interest rates and petrol prices), and a downturn in the tourist industry.

All signs seemed to indicate that the lack of cash was reaching a crisis point for the organisation and strategies were undertaken to address the high levels of spending, such as the implementation of senior management approval of any significant expenditure; the non-renewal of contracts with independent marketing and filming consultants; suggestions to remove or reduce the discount offered to shareholders on goods and services offered by the organisation; and the replacement of one of the sanctuary managers with an existing staff member. Efforts also were made by the CEO to improve profitability via strategic planning meetings at two of the sanctuaries. At these meetings, all methods to improve cash flow and reduce costs were explored, including improvements in merchandising of souvenirs and elimination of the shareholder discount. The newsletters produced during this time reinforced the introduction of a more commercial agenda, with the incorporation of merchandising information into the newsletter as a move by the new manager to boost profit centres.

The only solution appeared to be in raising the additional capital required to finalise construction of the new profit centre. Fundraising had been a focus of senior management since the appointment of the new CEO in November 2000. Management considered all options for fundraising, from the engagement of external fundraising consultants to the implementation of a campaign based on sending a children's book telling a story of environmental damage to potential large investors. Senior management had hoped that their past performance and projections of future profits would be sufficient to attract institutional investors or lenders and they did not understand why they were having so much trouble raising the next round of finance.

Part of the difficulty facing the organisation in raising funds was explained by external economic pressures occasioned by an overall downturn in the economy throughout this period. All small companies had been performing poorly, as indicated by the small company index on the ASX. The company chairman's report in the annual return for 2000 stated that from April 2000, the share markets in Australia and overseas were affected by a sharp sell-off of US shares, and it was argued by the chairman that small company shares never recover well from impacts such as this as they do not have the support of the institutional investors. In addition, there had been a loss of market confidence in due to the recent bankruptcy of several internet-based companies and a general lack of confidence was still extending within the business community as a result of the collapse of prominent Australian companies such as HIH Ltd and Harris Scarfe Ltd. The collapse of Harris Scarfe Ltd in the home state of the organisation being researched meant that it was a very difficult climate for attempting to raise funds.

In addition to the difficult economic climate there were also identified some specific performance issues of this organisation that were impeding the organisation's ability to raise funds. Whilst potential investors appeared to be initially interested in investing in the organisation, they raised concerns about the length of time required to receive any return on from their investment, the nature of security offered by the organisation and the high rate of 'cash burn' currently existing (Greenblat, 2001). Cash burn[60] is considered to be a very significant indicator of risk for banks

[60]'Cash burn' is a term commonly used to express the amount of cash that a company expends on a weekly/monthly basis and, when compared to the sources of cash inflow into the organisation, provides an indication of the viability of the organisation.

contemplating lending. The organisation had been experiencing poor cash flow from operations and was also expending large amounts on the establishment of a new profit centre, which resulted in an overall high rate of cash burn. It appeared that the organisation was insufficiently commercial to satisfy lenders' requirements and that neither the banks nor institutional investors were prepared to accept the feasibility study of the new profit centre prepared by the independent consultant. They were concerned that the organisation would not be able to meet the principal and interest payments and were concerned that having to foreclose on the organisation would be bad for their image, i.e. 'the outcry would be too great' (Founder, cited in Rolfe, 2001, p. 59). In addition, even if they were forced to sell off the land to recover their debt, they would have been unlikely to receive sufficient funds from the sale, as it would be seen as farming land only.

Due to the serious nature of the financial crisis being faced by the organisation and concerns that potential lenders felt that certain asset values were overstated (such as the capitalisation of sanctuary development costs), senior management took the opportunity to review the operations of the business and implement changes necessary to place the organisation in a more competitive position to move forward. As part of this review, the accounting methods adopted by the organisation were carefully scrutinised and adjustments made to the capitalisation of sanctuary assets, valuation of intangible assets and reclassification of SGARAs. These adjustments[61] worsened the reported financial performance of the organisation for the year ended 30 June 2001. Nonetheless, this was considered by management to be a necessary procedure in order to 'tidy up' the financial statements and respond to feedback received from shareholders (individual and institutional) who had been expressing concern about accounting methods adopted in relation to environmental assets. The organisation wanted to eliminate any confusion as to the value of assets in order to present a positive outlook for the future.

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[61]Write down of asset values by $8 million ($6.6 million write down to recoverable amount in sanctuary habitat development and $1.2 million write off of intangibles) and adoption of classifications used by Environment Australia, or the 'rare', 'vulnerable' and 'endangered' species, which resulted in a write down of $0.5m.

A further outcome of the review of company operations by senior management was to sell off any non-operational land parcels. In addition, it was decided to sell one of the operating sanctuaries (sanctuary 3) to a related not-for-profit entity. Senior management approached the government for an assisted purchase of the sanctuary by a related party. It was hoped that the organisation would be able to maintain some links with the sanctuary via ownership thorough a related entity and, in that way, maintain the ongoing conservation efforts established by the organisation.

The fundraising required for this to occur was still significant. Individual members of senior management held differing views as to how the finance could be raised to purchase the sanctuary, with some supporting the idea that the money should be sought from 'mum and dad' investors, while others considered that it should be requested from a small number of large contributors.

After negotiations for this proposed transaction failed, the organisation announced a share purchase plan and the sale of any unused properties in order to further boost the cash flow for the organisation. In January 2002, the organisation advised the ASX that the BOD and senior management had decided to sell off a significant quantity of the organisation's assets and return capital to those shareholders who requested it.

The only good financial news during this phase was the ongoing loyalty of the existing non-institutional shareholders who had responded overwhelmingly to brochure 3 calling for them to exercise their listing options. The outstanding success of the options campaign surprised everyone within the organisation, raising over $0.7 million by June 2001a of total over $0.8 million from the issuing of $2.50 options. Despite the lack of confidence shown to the organisation from institutional investors and lending organisations, the existing private shareholders of the organisation continued to show strong support, which was dramatically highlighted by their apparently irrational financial decision to exercise the options at this time. Taking up the options was not a sound financial decision, as the exercise price of $2.50 was significantly higher than the current market price of the options, $1.22 at 30 March 2001 (Booth, 2001a). The overwhelming support shown by loyal shareholders therefore reinforced the message to the organisation that the investors were making their investment decisions 'with their hearts rather than their heads' (BODM, February 2001). As a result of these actions, it was acknowledged by the chairman that the loyalty of shareholders was one of the organisation's biggest assets.

During this phase, it appeared that the mantle of power and authority had passed from the founder to the new management team. On closer investigation, though, there still existed significant memories and influence of the previous management style that impeded the new management style. Some of the employees were unable to accept the more streamlined but less authoritarian approach of new management and did not feel comfortable following instructions unless someone of authority was present to back them up. This was particularly difficult during times when the founder and members of his original management team were physically present in the office. Their engagement in discussions with employees about tasks they were currently undertaking resulted in a confused line of authority.

The external disclosures made during this time were the issuing of the fourth investment brochure in May 2001, two shareholder newsletters in June 2001 and summer 2001/02, and the 2001 annual report. A significant focus of all of these disclosures was encouraging further investment in the organisation.

The encouragement of option holders to take up their options was continued in the fourth investment brochure and as a follow-up document to the third brochure. It was sent out to option holders with a covering letter from the founder. It was based on answering questions raised in response to the third brochure and was very formal in its appearance and content. This brochure was aimed at loyal shareholders rather than new shareholders. Management discussions revealed that there was some reluctance to disclose financial information in the document, but after consideration of the responses to brochure 3, it was decided that shareholders should receive some projected income figures. The forecasts included in the report were taken from a feasibility report prepared by external consultants for the new profit centre.

The reluctance to include financial projections was due to the fact that the directors did not want to be held responsible for the forecasts if they were not actually achieved. The ACC decided to reduce the content of the brochure by one third. It was the feeling in the BOD meeting that the shareholders viewed an investment in the organisation as a 'feel good investment' (BODM, September 2001), indicating that it was not viewed by investors as a commercially driven investment. Further evidence that the organisation was effectively asking potential shareholders to 'donate' rather than invest money via the purchase of shares emerged when it was suggested that the organisation should try to provide taxation incentives to investors.

By the time the 2001 annual report was published, the overall feeling within the organisation was one of disappointment and frustration. During the year ended 30 June 2001, revenue from ecotourism had fallen and the organisation had been unable to raise further capital. These failures had stalled plans for the development of further sanctuaries and the share price had continued to decrease.

The process of preparation of the 2001 annual report differed from that undertaken in 2000. Rather than form a committee, the CEO assumed responsibility for the preparation of non-mandatory information and delegated specific tasks to particular individuals. The involvement of the founder was much less than it had been in previous years. The draft report was closely scrutinised by the ACC. The directors were concerned that the count methodologies were consistently applied (see chapter 6) so that they were accurate, credible, trustworthy and verifiable

Throughout this time, discussion continued in relation to the most appropriate classification system to adopt. However, the decision was made not to change the classification for the December 2000 half year accounts. The organisation was aware that it had the potential to be seen as leading the way in a new field of accounting for natural assets, and therefore it was concerned that the classification of assets in the annual report be accurately and appropriately described.

Given the poor financial state of affairs, it was recommended in the May 2000 ACC meeting that the animal successes be written up in the annual report to help overcome the financial bad news and to provide something for the shareholders to look forward to. The resulting annual report contained voluntary disclosures that predominantly took the form of positive information by promoting the experiences available to customers visiting the sanctuaries and the:

splendid achievements in conserving endangered Australian wildlife.
(Annual Report, 2001, p. 5)

Nevertheless, it was apparent in the annual report that the term 'the *business* of conservation' [emphasis added] was used more frequently, and that the desire for economic sustainability was clearly highlighted. The significance of emphasising the animal numbers was evidenced by the following comment made in the ACC meeting for September 2001:

[The organisation's] whole performance revolves around [the animal numbers].

The most noticeable difference in the annual report for 2001 compared to its predecessors was that it was divided into two parts with mandatory financial information separated from the voluntary disclosures. The decision to split the report came from the ACC. When making this decision, members of the ACC referred to the annual reports prepared by other companies that had also used this approach, and it was agreed it would be appropriate for the organisation to do the same. This would enable the 'good' environmental news to be separated from the 'bad' financial news.

The decision was made to prepare a separate booklet containing the voluntary disclosures in full colour with plentiful pictures and the booklet containing the financials in only one colour, with smaller font and using thinner, lower quality paper and no images or photographs. Management felt that shareholders would not want to see the organisation wasting money on the preparation of financial statements, and it was agreed that they would not only approve of this presentation of the annual report but in fact appreciate it. Presenting the financial statements in a separate document which had a much more utilitarian, economically conservative appearance was felt to be consistent with the fact that the organisation had made a loss. Splitting the annual report into two documents allowed the successes of the organisation to be included in the front section, which would have the look and feel more of a prospectus or marketing brochure. It was argued that the good news section could be used all year as a promotions and marketing document, whereas the bad news financial statements could be discarded.

The EC continued to pursue means of improving the quality of the guided walks. As a constructive means of achieving that, a comprehensive guides' manual was produced and issued to the guides in June 2001.

Significant changes continued to be made to the style of management within the organisation throughout this phase. Further improvements to the management processes included undertaking strategic planning meetings to involve managers and other staff in the decision-making process, continued improvements to the internal record keeping and communication, and the implementation of a wildlife committee to discuss issues related to management of animals and habitat.

The resurgence of non-narrative environmental disclosures in the annual report and investment brochure were evident. The $7 million write-down of capitalised sanctuary development costs was devastating to the financial performance of the company, but despite this, loyal shareholders continued to support the conservation objectives of the organisation with options exercised to a total of $700,000 during this period.

7.1.5 The final phase

By January 2002 the share price had fallen to $0.41 (as at 14 January 2002; Greenblat, 2002). The poor financial position of the organisation had led to the appointment of an independent consultant to oversee and manage the sale of organisational assets. The organisation announced to the ASX on 14 January 2002 that it was about to:

> undertake a major restructuring in order to enhance and to preserve shareholder value [as it was] asset rich but cash poor. (ASX Announcement, January 2002; Booth, 2002, p. 3)

It appeared that:

> the stock market and various government bodies have failed to embrace [the founder's] vision. (Kaye, 2002, p. 17)

As a result of the restructure, all of the land held for future sanctuary development was sold, as well as two of the operating sanctuaries (sanctuaries 2 and 3). The CEO, CFO and GWO were all made redundant. The chairman and founder resigned from the BOD. It was hoped that with the injection of funds from the sale of assets and continued development of sanctuary 4, the organisation would in time be able to rebuild:

> using the strengths of conservation, education and leadership.
> (Company newsletter no. 36, May 2002)

The founder stated that the organisation had been ‘extremely successful’ in terms of conservation, but had not been supported by the business community because they had not been able to understand them. The founder described it as a ‘perception problem’ (Founder, cited in Greenblat, 2002, p. 17).

Evidence of shareholder loyalty and support for the founder’s vision was evidenced by the following comment made by a shareholder:

> I hope everything works out – I will not sell my other shares. You’ve tried your best and followed your dream and belief. (Comment from shareholder, included in MCM papers January 2002)

For the year ended 30 June 2002, the organisation reported a loss from ordinary activities after tax of $11.8 million (Annual Report, 2002). Its shares had fallen to approximately 20c (Alessi, 2003). In April 2005 the organisation voluntarily delisted from the ASX (www.asx.com.au, accessed 27 May 2005). In March 2005, the company formed a merger with a private conservation company. At that time, the founder had sold all of his shares and was no longer involved in the organisation. It was hoped that the conservation efforts pioneered by the company would continue under the new management, but it continued to trade at a loss, and there was doubt as to its financial viability as at 30 June. By that date all except one of the original directors had resigned.

7.2 The emergence of four themes

The investigation undertaken in this chapter has revealed that the organisation underwent significant change throughout the period of investigation as it faced the challenges associated with rapid growth. These changes appeared to be influential in the overall form and content of the disclosures made, a significant proportion of which were environmental in nature. Closer investigation of the relationship between the challenges and changes facing the organisation and the environmental disclosures made revealed a notable impact on the development of environmental disclosure policy media and content in the early stages of this conservation organisation’s corporatisation. This has assisted in the deeper understanding of some of the influences and processes involved in the production of environmental information from external reporting in this conservation organisation.

Overall, there were four distinct phases of organisational change through which the organisation moved during the period of investigation: pre-listing; post-listing; management change; and poor performance. As a result of the detailed investigation of the disclosures made during each of these phases, there appeared to be four issues that have emerged from the observations. These were:

- the utilisation of a wide range of disclosure media to communicate environmental information to external stakeholders
- the strong relationship that existed between the organisation and their loyal shareholders
- the increasing business orientation of the disclosures made over time
- the change in focus towards the commercial aspects of the organisation.

These themes became apparent as changes appeared in the disclosures as a result of the changes impacting on the organisation's operations.

7.2.1 Range of disclosure media

One of the interesting observations that emerged from the close investigation of the environmental disclosures made by the organisation was the wide range of disclosure media utilised by the organisation to convey information to external stakeholders. Significant environmental information was communicated via a range of disclosure media, including prospectuses, annual reports, brochures, newsletters, the website and guided walks. The observation of this wide range of media enabled the determination of emergent issues and common themes. It is apparent from this investigation that the organisation found that it was able to communicate a range of information to a wide audience, through a diverse set of media and communication channels.

7.2.2 Shareholder loyalty

One of the most notable themes that emerged from close investigation of the disclosures made was the apparent closeness between the organisation and its shareholders. Throughout the pre-listing era, the focus of the organisation was to grow the organisation and attract more shareholders. The primary financial backing achieved by the organisation throughout this period was via share issues, with the organisation having minimal external debt finance. The shareholders who were supporting the organisation comprised predominantly 'mum and dad' investors who displayed considerable loyalty to the organisation throughout all phases of its growth (Woodford, 1996b).

The success of this relationship was measured by the overwhelming and ongoing financial support provided by this group to the organisation via the purchase of shares and take-up of options throughout all phases of its growth. The closeness between the organisation and its shareholders was particularly demonstrated by the nature and content of the disclosures made by the organisation in the early phases of the organisation's history. Communications with external stakeholders via disclosures in the prospectuses, annual reports, newsletters, website and guided walks had been relatively informal and lacking the sophistication and expense normally assumed to accompany corporate disclosures. There was also a strong emotive or non-financial content that was apparent in the high number of images included in these early disclosures.

Despite definite attempts by the organisation to distance itself from this shareholder group by marketing its disclosures towards larger, more financially attractive institutional investors in the middle phases of the investigation, this group remained loyal, and came through with an overwhelming response to the request for take up of options in brochures 3 and 4.

7.2.3 Improved professionalism

The move away from the intimate communication between the organisation and shareholders that had been established via the early disclosures appeared to directly coincide with the organisation's entry business arena of the ASX. The documents produced immediately prior to and subsequent to listing on the ASX appeared to be markedly different from their predecessors with the adoption of the impression of improved professionalism and a more business-oriented approach:

> There was a recognition throughout the whole operation that they had to portray a more professional and businesslike approach to the stakeholders – there were standards that had to be met. (Interview with employee)

The greatest challenge facing the organisation at this time was to translate the achievements of the business into a language that could be processed by institutional investors, and the first step appeared to be in producing disclosures that were more similar in appearance to those produced by other publicly listed organisations.

A significant difference between this company and others was the incorporation of living assets into the financial statements in the form of SGARAs. It was initially hoped that the SGARAs would bridge the gap between the environmental successes of the organisation and the performance indicators utilised by traditional investors and analysts (i.e. profit and asset values). By March 2001, however, it had become obvious that this strategy was not working. There had been various attempts made to change the manner of communication, with reports and other documents having a more professional appearance. However, the institutional investor audience remained unconvinced.

7.2.4 Stronger commercial focus

A final theme that emerged was the increasing commercial focus of the organisation via the information disclosed, with the introduction of online share purchase facilities on the website, improved access to and interactive capabilities of one of the key sanctuaries and the incorporation of merchandising into the newsletters. Over time, the desire for the improvement of all income-producing activities became more apparent as a common focus of management attention and reporting.

7.3 Internal and external forces

These four themes were consistently identified from the examination of a wide range of disclosures produced by the organisation over an extended period. The rationales underlying these findings stemmed from both internal and external factors impacting on the direction and course taken by the organisation.

Internal forces impacting on the organisation's actions were provided by the pursuit of the 40-year vision, which had been devised by the founder in 1985. By 2000, 15 years into the plan, the company had gained sufficient momentum from past fundraising successes to move on to the next phase of its development plan. The objectives of growth and expansion in the area of conservation required the establishment of further animal sanctuaries. Funding for the expansion needed to come from external sources, as the organisation's existing profit centres were unable to satisfy the operating activities of the organisation, let alone capital expansion. The organisation's desire to attract greater funds from external sources led to listing on the ASX.

Shareholder support had originally come from individual investors who were attracted by the conservation activities of the organisation. Despite significant changes to the nature and content of the disclosures made, these individual investors remained loyal to the organisation throughout the period of investigation.

The organisation's desire to attract a larger and more efficient source of funds from institutional investors together with the change in management due to expansion of the organisation led to the integration of a more business-oriented approach to the disclosure of information. It was clear from the consideration of all of the disclosures made by the organisation that reporting on its environmental performance was accomplished via the communication of information from a range of different sources.

The most significant external forces that impacted on the disclosures made were the scepticism and resistance of targeted institutional investors, which resulted in the failure of the fundraising campaign. The introduction of more commercial measures by management was an attempt to improve the cash flow from operations for the organisation and present a more acceptable financial image. Failure of the organisation to raise funds was responsible for its ultimate downfall.

7.4 Summary and conclusions

A thorough understanding of the relationship between the environmental disclosures made by the organisation and the changes that occurred throughout the investigation was gained via closer scrutiny of the power and influence exerted by differing senior management groups. Chapter 8 explores the differences that existed between the individuals operating in the senior management team and reveals the emergence of two distinct groups that were competing for supremacy during the period of investigation.

Environmentalists versus economic rationalists

In chapter 7, the influences of organisational change on the environmental disclosures made by the organisation over the two-year period of the investigation were discussed. Close examination of both written and verbal disclosures produced by the organisation in conjunction with an examination of the significant organisational changes undertaken by the organisation throughout the period of investigation revealed a relationship between the nature and style of information disclosed and the forces of change operating within the organisation. As a result, there appeared to be four key themes emerging from the disclosures: a range of disclosure media; shareholder loyalty; improved professionalism; and a stronger commercial focus.

It was the responsibility of the senior management team to direct the organisation towards the achievement of its goals whilst minimising the negative impact of external influences on the organisation. This chapter discusses the existence of two significant groups operating within the management team holding opposing views as to how the organisation should be managed. It appeared from the analysis of the documents prepared by the organisation throughout the period of investigation that those differing views were influential in determining the nature and content of the key features, themes and patterns that emerged in the external disclosures.

In this chapter, the study's third research objective is further explored to enable a deeper understanding of the influences and processes involved in the production of environmental information for external reporting in a conservation organisation. It also extends the observations of the development of environmental disclosure policy, media and content in the early stages of a conservation organisation's corporatisation.

8.1 Two groups revealed

Throughout the period of investigation, the organisation experienced a series of dramatic changes, including listing on the ASX, creation and appointment of new senior management positions, changes to other senior management staff, the introduction of new technologies, review and adjustment of decision-making policies and procedures and, finally, a major restructuring involving the sale of several major operating assets. As observed in chapter 7, all of these changes appeared to have exerted some influence on the nature, content or appearance of the written and verbal disclosures made by the organisation.

The major driver of the organisation's actions throughout this period was the desire to pursue its vision of conservation within a commercial environment, as directed by the senior management team. It was observed that there existed two distinct groups operating within that team, with differing beliefs as to how the goals set by the organisation should be achieved. The two groups could be classified as those who rated the environmental goals of the organisation to be paramount (the 'environmentalists') and those who were more commercially oriented (the 'economic rationalists'). The differences between these two notional groups and the influence they were able to exert over the strategies and operations of the organisation appeared to further explain the particular form and content of the external disclosures made throughout the period of investigation. The following section reveals how these groups differed and how the shift in balance of power between the groups appeared to provide further explanation for the particular disclosures made throughout the period of investigation.

8.2 Differing viewpoints

The primary differentiating factor between the two groups operating within the organisation appeared to be the issue of how to implement a successful operating strategy for the organisation. Both groups accepted that financial viability was essential for the survival of the organisation. Whilst they both appeared focused on the same overall objective, however, their understanding of how this could be achieved differed dramatically. The managerial focus of the environmentalists was centred on the conservation aspects of the organisation and on raising public awareness of the corporate vision, whereas the economic rationalists were more focussed on traditional business measures such as improving cash flows and reducing costs. Investigation of the background and experience of the members of each of the groups offered insight into the differences in management approach adopted.

Observation of the senior management team revealed marked differences in the background, experience, actions, ideas and apparent motivations of the individual members operating within the team. These characteristics all appeared to contribute to the determination of the notional 'group' into which each member could be placed. The environmentalists, led by the founder of the organisation, had little formal management training or experience.[62] They were strongly and passionately focussed on improving the environmental well-being of the wildlife cared for by the organisation and, despite expressing a desire for financial viability, usually prioritised the environmental ahead of the financial aspects of any decisions made. In the years immediately following listing on the secondary stock exchange, there were media reports claiming that the founder was confident of good financial returns for investors (Jemison, 1993), yet over time it appeared that the organisation had been:

> slow to learn how to make money from its natural riches. (Roberts, 1997)

This indicated that, under the management of the environmentalists, the organisation had not been performing well financially.

In the 1999 prospectus, it was acknowledged by the organisation that the primary motivation for the organisation led by the environmentalists was conservation rather than profit maximisation:

> Whereas normal businesses are motivated by profit [this organisation] is motivated by the need to ensure the survival of all of the species that make up the eco system. (Prospectus, 1999, p. 13)

The managerial methods implemented by the environmentalists were considered to be unusual for a commercial operation. In their opinion, despite minimal financial return, the best way to guarantee the organisation's survival was through prioritisation of the environmental and emotive aspects of the business (as evidenced by the reliance on animal images in the early disclosure documents) combined with energy and commitment to the conservation goals.

The economic rationalists, who collectively held wide and extensive business experience, promoted an alternative viewpoint. They favoured the establishment of a

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[62]The founder had obtained a PhD in mathematics and had been a university academic prior to the establishment of the organisation as a business enterprise.

more balanced approach to both the economic and environmental well-being of the organisation and held a desire for the organisation to be seen in a more commercial light. It was the belief of the economic rationalists that the environmental aspects of the organisation were sufficiently developed and that the focus of the organisation should be more upon the economic performance indicators of profit and cash flow in order to survive the next phase of expansion. The economic rationalists were mindful of the rules of business, and it was their belief that the organisation would only succeed in the marketplace if it followed those rules. This meant that the financial aspects of the organisation needed to be prioritised over the environmental aspects.

Differences between the environmentalists and the economic rationalists grew from a fundamental lack of acceptance of the alternative belief system underpinning each group, and thus prevented them from adopting a common understanding of how the business should move forward. These differences were observed in a variety of specific circumstances, such as the significance and prioritisation of the conservation vision, the style of management implemented, and the use of financial indicators as a means of communicating success to external stakeholders.

8.2.1 The significance of the vision

It was the environmentalists who had created the organisation and it was their belief that its early success was predominantly due to the effective communication of the founder's vision for conservation achievement to the investing public. The vision was for the organisation to manage one percent of the land mass of Australia (approximately 10 million hectares) and to protect all threatened native wildlife by 2025.

Integral to the vision was the stirring of passion and commitment in potential investors for the business model presented. It was the belief of the environmentalists that the organisation would only succeed if the management team and those supporting them maintained a strong positive belief in its ability to succeed. The passion, enthusiasm and commitment to the vision was evident in grand statements made by the founder when speaking with the press, such as describing the opening of the new sanctuary as:

> the most ambitious conservation venture this country has seen.
> (*The Herald*, 1990)

A further aspect of the vision that was strongly supported by the environmentalists was the distinguishing of the organisation's conservation methods from those adopted by other conservation organisations. The conservation methods included the maintenance of animal habitats as close to the wild as possible and the erection of fences to keep predators out (rather than keep animals in). The conservation methods adopted also extended to methods of operation which had an impact on the potential revenue stream of the sanctuaries, such as the reluctance of the environmentalists to include animal species in the sanctuaries that were popular with tourists but non–endangered, such as koalas and echidnas, and the prohibition of handling or cage display of animals other than for their protection:

> I do not believe things should be locked up in cages to be looked at by people. (Founder, cited in Jeanes, 1986)

Often there was a conflict between what customers wanted (to see animals easily) and what the organisation was trying to achieve (save endangered species), which presented a dilemma for the organisation. Nonetheless, the environmentalists held the view that the organisation should be driven by the goal of conservation rather than customer preference. Prioritisation of the conservation vision established by the founder had been integral to every decision made in the early phases of the organisation's development and, despite the environmentalists' acknowledgment that the organisation needed to become more competitive in a commercial arena after listing on the ASX, it was their desire to continue to promote the vision throughout all aspects of the future growth of the organisation. There was a fear held by the environmentalists that without them protecting the environmental focus of the sanctuaries, the economic rationalists would introduce methods of display and handling of animals for the purpose of increasing revenue that would compromise the conservation vision of the organisation. The emphasis placed by the environmentalists on the vision, therefore, clearly differentiated their ideas of what constituted a commercial enterprise from those held by the economic rationalists.

In the early years of growth, the organisation had received strong support from 'mum and dad' investors for each of the prospectuses offered. These investors had responded favourably to the clear presentation of the founder's vision and frequent use of emotive ideas and images in all of the disclosures made by the organisation. The apparent overwhelming acceptance of the vision identified by numerous successful share issues reinforced the environmentalists' viewpoint that once a potential investor or customer understood the experience offered by the organisation, they would offer support irrespective of the financial situation of the organisation (1996-1999 prospectuses, brochure 1 and early newsletters).

In contrast to the views held by the environmentalists, the economic rationalists did not support the idea that the business should rely on emotive ideas and images to promote the organisation to potential investors. In order to succeed as a publicly listed company, the organisation needed to be able to generate sufficient financial credentials to be taken seriously in the marketplace. Based on their commercial background and experience, the economic rationalists did not believe that the marketplace would be swayed by ideas of passion and commitment. They were in favour of the adoption of more commercial business practices and procedures to manage the organisation and wished to convey this message to the external stakeholders.

8.2.2 Differing methods of management

The management methods implemented by the environmentalists to protect and uphold the founder's vision involved closely monitoring all decisions made within the organisation, resulting in little delegation of authority or outsourcing of business activities. There was concern amongst the environmentalists that unless all decisions were closely monitored by them and all business activities were kept 'in house', managers would implement strategies that would place the integrity of the organisation at risk:

> He would have had bilbies jumping though flaming hoops if he thought he could get a dollar out of it. (Interview with employee)

This stemmed from the founder's concern that due to the unusual nature of the business, they were the only ones who fully understood the combination of conservation and commercial enterprise that they were attempting to implement.

As a result of listing on the ASX, more external consultants were engaged by the organisation because of greater availability of funds and a desire to succeed in a business environment. Initially, it appeared that the organisation was embracing the expertise and advice offered by those specialists. On closer inspection, however, it appeared that the only advice accepted by the organisation was information that concurred with the founder's opinions.

An example of the environmentalists' lack of confidence in outsourced activities was seen in the preparation of the feasibility study for the viability of a proposed new profit centre. While the report documenting the future projections of the new profit centre was prepared by an independent consultant, considerable liaising took place between the consultant and environmentalists within the organisation. The first draft of the report, based on figures generated by the consultant, did not consider the new profit centre to be viable. This caused a 'hell of a stink' (interview with employee) and was effectively rejected by the founder, who was acting as the primary liaison between the organisation and the consultant. The environmentalists felt that the consultants had not understood the way the profit centres work and that the assumptions used to determine the figures were completely inappropriate for the business.

The second draft was the result of a period of extensive revision and reworking of the information contained within the document using comments and assumptions provided by the organisation. Incorporation of these into the report provided a much more favourable outlook for the project. On closer inspection, some of the assumptions supplied to the consultant appeared to be much less conservative than those originally used by the consultants, so that the final version of the report appeared to be a compromise[63] between the environmentalists and the consultants rather than an independent report. This was evidenced by the inclusion of disclaimers to state that it was prepared based on assumptions provided by the organisation.

[63]The founder supplied figures that he had calculated to the consultants and therefore the independence of the report was compromised.

The management framework established by the environmentalists ensured that the founder's vision was being maintained, but it also contained dysfunctional elements. The lack of autonomy offered to individual managers, inefficient use of senior managers' time and rejection of alternative business strategies was apparent to staff and had been described by one manager as 'overpowering and controlling' (interview with employee). Attempts made by the environmentalists to improve their management techniques were evident from the attempt to institute revised reporting practices and procedures, but the general lack of management training and experience limited the effective implementation of these changes.

The management structure implemented by the economic rationalists included the delegation of authority to sub-managers, improved meeting efficiency and the placement of a greater emphasis on the commercial aspects of the business. These methods reinforced the economic rationalists' belief that the appropriate allocation of resources within the organisation in accordance with the commercial realities facing it, together with the desire for accuracy and reliability of information, were imperative to business survival.

A notable feature in the decision-making dominance of the economic rationalists was the introduction of a more commercial focus to the organisation. Measures introduced to assist in this process included improvements in the merchandising of products to customers via direct marketing, the improved access to online purchase of shares via the internet and attempts to remove or reduce the shareholder discount. Attempts to alter the shareholders' discount proved to be unsuccessful, as it was argued that shareholders had showed great loyalty to the organisation and that reducing the discount would be counter-productive for the organisation in the long run. Shareholders were not receiving financial returns through share ownership, therefore removing the discount would be an additional penalty for them.

The differences in management style of the two groups caused tension in the decision-making processes. An example of this tension was noted in relation to the process of counting the animals for use in the SGARA disclosures. There were a variety of methods available when counting animals in the sanctuaries, and the economic rationalists' desire for accuracy lead to their preference for a particular trap/re-trap method of counting which ensured reliability but was less desirable in terms of the health and well-being of the animals because of the potential for injury. Objections raised by the environmentalists stated that the health and well-being of the animals should be the primary aim of the organisation and that a counting method that harmed the animals should not be adopted, irrespective of any the improvement in count reliability.

The desire to implement change and to improve the internal management structure of the organisation was common to all members of senior management throughout the period of investigation, but each group held differing opinions as to the nature of the change required. While all members of senior management agreed on the overall goals of both conservation and economic success for the organisation, the means of achievement of these goals were dramatically different. The environmentalists held the view that the 'outcome' of any decision was more important that the 'process' (e.g. the ability to achieve conservation success should not be hindered by bureaucratic impediments), whereas the economic rationalists felt that conventional business processes and procedures were essential to good management and should not be compromised. The resultant debates over this issue were often unproductive and distracted from the core objectives of the organisation. The conflict often led to frustration, with certain individuals being referred to as behaving 'like two bulls in a paddock' (interview with employee), both trying to outdo each other. The result was 'testosterone magnified' (interview with employee), which often resulted in wasted resources due to delays in decision-making.

The tensions caused by the environmentalists' management style was illustrated by the prioritisation of expenditure on the environmental aspects of the organisation rather than the operating systems. This was evidenced by the lack of prioritisation of the information technology systems prior to listing on the ASX. Only one computer was connected to the internet, resulting in inefficiencies and time wasted in printing emails received from external sources for distribution to staff. At the same time, considerable amounts of money were being spent on fencing a sanctuary that was generally acknowledged to have no prospect of becoming commercially viable. It was the perception of the employees during this time that it was acceptable to spend money on animals and conservation but not on improving infrastructure.

8.2.3 Desire to be seen as uncontroversial

One of the greatest challenges facing the economic rationalists was to smooth over the founder's controversial past in order to permit the forming of new business and government connections. The founder had a reputation for being outspoken and, as a result of conflict with authorities and opposition to bureaucracy, had made various enemies (see chapter 4), including government officials and scientific experts. The economic rationalists were concerned that those opposed to the founder's outspoken ways might hinder the future progress of the organisation, and measures were undertaken to disassociate the organisation from its controversial past. These included minimising the founder's contact with the press and censoring the external disclosures made. The majority of controversial suggestions raised by the founder (such as threatening to run an advertising campaign stating that they were forced to kill endangered species due to a lack of financing by banks) were no longer for public disclosure. Any controversial comments that were publicised (such as suggesting that if kiwis were used as a food source, they would no longer be endangered) were considered by the economic rationalists to be negative publicity for the organisation.

The economic rationalists' desire to minimise conflict with government officials was further evidenced by the sale of wildlife. The organisation was in favour of legalising wildlife sales and wished to be granted ministerial approval to export live platypus. They already had a guaranteed buyer but, conscious of the fact that there was strong government opposition to the issue, they chose not to actively pursue it (see chapter 4).

8.2.4 Environmental financial indicators

Whilst the environmentalists predominantly believed in promoting the environmental rather than traditional financial indicators (such as return on investment or earnings per share) to external stakeholders as a means of attracting support from potential investors, there were select financial indicators that they were in favour of promoting. These included the incorporation of environmental assets into the financial statements as SGARAs and the capitalisation of sanctuary costs (each of which have been discussed in chapter 6). The environmentalists were keen to clearly communicate the vision to the stakeholders in order to promote the organisation to potential customers and shareholders. Whilst they did not focus on the financial 'bottom line', they were strong supporters of placing a value on wildlife: 'one cannot invest in an asset that has no value' (Founder, 1998, p. 10). The significance placed on the valuation of environmental assets by the environmentalists was noted in the following statement made by the managing director following the implementation of the SGARA standard:

> For the first time, we can actually put a figure on our financial statements that has something to do with our core business. (Company newsletter no. 33, December 1999)

The support for the valuation of environmental assets was also evident in several of the organisation's other disclosures.

The introduction of SGARAs and the capitalisation of sanctuary expenditure resulted in an increase in assets and profits on the traditional financial statements. It was the expectation of senior management that SGARAs and the capitalisation of sanctuary costs would be embraced by the business community, thus overcoming the lack of acknowledgment in the traditional financial statements of living assets as a source of value. These measures were implemented in accordance with accepted accounting rules and regulations and were authorised and verified by the organisation's auditors. It came as a great surprise to the organisation, therefore, when it was acknowledged that the SGARAs had not been accepted as sound financial indicators in the marketplace by potential investors and that the capitalisation rates applied to the accounting for sanctuary expenses were questioned by the auditors.

Both the environmentalists and the economic rationalists were disappointed by the suspicions raised by institutional investors in relation to SGARAs, although the economic rationalists appeared to be more prepared for their lack of acceptance by the business community than the environmentalists. It appeared that potential institutional investors required not only the recognition of assets in the financial statements but also the potential for realisation of their future benefit (via sale) to the organisation in order to accept the future projections. The inability to sell endangered species meant that the figures presented were not considered to have sufficient credibility to influence the serious investor to invest money in the organisation.

The significant allocation of organisational resources to the animal counts and valuations required to support the SGARA figures was of concern to the economic rationalists:

> We are only a small company and don't have the resources to [research the issue of classification]. Why don't we let the others do it first [and we follow]? (MCM, June 2001)

The response offered by the environmentalists was that if this company didn't establish a respected means of measuring environmental assets, no other entity would attempt it either. Their response to the economic rationalists' concerns was that:

> ...the issue is too important to ignore. (MCM, June 2001)

A further accounting issue in which the environmentalists and economic rationalists differed was the rate of capitalisation of sanctuary development costs. The view held by the environmentalists was that a high capitalisation rate was essential to reflect the true value of the conservation efforts undertaken by the organisation in each of the sanctuaries. The environmentalists were concerned that a low capitalisation rate (resulting in a greater expensing of sanctuary development costs) would lead ultimately to a reduction in spending on sanctuary development due to the negative impact it would have on the profit figure. This in turn would result in a deterioration of the conservation efforts of the organisation. The opposing view held by the economic rationalists in the ACC was that overstatement of sanctuary assets in the financial statements would result in misleading information for external stakeholders. As a result, they argued for a reduction of the capitalisation rates.

In the middle phase of the investigation, the economic rationalists expressed concern about the perception of the organisation in the marketplace and reviewed the accounting methods[64] adopted by the organisation. As a result, the asset values were adjusted to reflect more conservative levels. The economic rationalists felt that it would be prudent for the organisation to appear conservative rather than risk

[64] Due to the appointment of new senior management and change of auditors.

overstatement of the assets, particularly in light of feedback received from shareholders querying the level of capitalisation. In addition, they were concerned that insufficient records were being kept to justify a greater capitalisation rate, and therefore preferred to remain with a more conservative rate. As a result, the decision was made to reduce the capitalisation rates for sanctuary expenditure for the year ended 30 June 2001 and to write down the sanctuary assets by $14.9 million. Predictably, this move was not welcomed by the environmentalists, who were concerned that a reduction of the capitalisation rates would ultimately restrict spending (due to decreased profit) and lead to the decline of those sanctuaries.

Opposition by the environmentalists to more conservative accounting procedures indicated their inability to distinguish between profitability and cash flow. Evidence of the environmentalists' understanding of the significance of cash flow to the future viability of the organisation was provided by statements such as the following:

> Our main business is conservation…however we need a cash flow. (Prospectus, 1996, p. 3.)

> Conservation is our major business, but we just can't do that unless we make money. (Founder, cited in Roberts, 1997)

There was also evidence that they were not able to recognise that cash flow from operations was vital to the ongoing survival of the organisation:

> One of [the environmentalists'] great downfalls…is that [they] didn't understand cash flows, and you need the cash flow to keep businesses operating and that comes through if you look at all this stuff. (Interview with employee)

Despite being described as a 'shrewd and successful businessman' (Miller, 1994), the founder did not have a good understanding of the difference between cash flow and profitability. He stated himself that:

> his mission was to 'save Australian wildlife' not to get rich. (Founder, cited in Miller, 1994)

There is also evidence to indicate that the organisation's desire to be profitable was to satisfy the expectations of their financial supporters, rather than to maintain a good operating capability:

> it is imperative that [the organisation] make a profit which is acceptable to the Market Place. (Annual Report, 1998, p. 43)

The accounting arguments presented by the environmentalists were that capital expenditure was good for the organisation, irrespective of the impact on operating cash flow. In addition, if the environmental justification was sufficient, then any money spent was not wasted. There was no remorse shown by the environmentalists regarding the fact that all of the $30 million raised from share issues had gone into saving wildlife. They argued that, whilst neither paying dividends nor securing the financial future of the organisation, the money had not been misspent. They perceived that the solution to raising more money in the future was to show people the results in terms of saving species rather than future cash projections. The prioritisation of environmental objectives over all other decision-making criteria, however, was a source of ongoing tension between the two groups, was as evidenced by the following:

> This attitude of senior management embracing the ideology of being environmentally friendly, irrespective of the cost, causes a tension between the conservation environmentalists in the company and the business folk in the company, who are always mindful of cost, such as the accounting side of the business. (Interview with employee)

8.3 Shift in balance of power

The changes that took place within the organisation throughout the period of investigation included a shift in the power and influence away from the environmentalists towards the economic rationalists. The environmentalists, who had created the organisation (the founder was the most prominent and influential member of the environmentalists), remained the dominant decision-makers throughout the period from inception through to listing on the ASX in May 2000. Whilst the economic rationalists were unable to affect the overall momentum of the organisation during this phase, there were some areas of operation in which their ideas were apparent.

In the middle phases of the investigation, from listing through to the period of financial crisis in mid-2001, the economic rationalists appeared to become more influential in many aspects of the management and control of the business. The final phases of the investigation, however, saw the re-emergence of the environmentalists as a source of significant influence on the future direction of the organisation. The shift in the balance of power between the two groups, together with the external pressures facing the organisation, made the organisation's struggle for survival even more challenging and was reflected in the disclosures made.

The most dominant decision-makers throughout the pre-listing phase appeared to be the environmentalists. Their strength and determination had driven the organisation to achieve remarkable success in both conservation and attracting investors. Whilst their ideas and opinions were not always universally accepted by all members of the senior management group, they maintained their dominance throughout this period. The activities authorised by the environmentalists were not always economically advantageous for the organisation, but due to their position of power and authority they were usually successful in implementing them. There was a perception that 'what the founder wants, the founder normally gets' (interview with employee) without any consultation, involvement of profit centre managers or apparent consideration of the budgetary impacts.

As the organisation grew, the appointment of non-executive board members, a non-executive chairman and a new company secretary saw the influence of the economic rationalists increase within the senior management group. The influx of more experienced senior staff with extensive business experience was initially welcomed by the environmentalists, who acknowledged that their lack of business prowess could limit the potential growth of the organisation:

> To succeed, [the founder] is aware of the need to build up his company's business skills – only one of the four directors has a traditional business background. (Roberts, 1994)

Subsequently, however, the differences between the two groups led to tension in relation to the management ideas and practices proposed by each group.

The period leading up to listing on the ASX had involved a considerable amount of effort on the part of the environmentalists and, having succeeded in bringing the organisation to a significant level of achievement, they appeared ready to allow new management to take over. Prior to the initiation of the listing campaign, the organisation had been involved in unsuccessful negotiations with government officials to secure an interstate profit centre. The organisation had invested significant financial and emotional resources into the negotiations, which had resulted in conflict between the organisation and their bureaucratic opponents. The unsatisfactory result was a disappointment to the organisation, but was soon overshadowed by the implementation of the national road-show and campaign for listing on the ASX. The environmentalists had been working extremely hard to bring the organisation to this point and it was anticipated that a change in leadership would allow them time to recuperate.

As a result of the successful listing campaign and expansion of the organisation, the plan was for the environmentalists to reduce their involvement even further and allow new management to operate the organisation (Roberts, 1997). The stresses the staff had experienced in the period leading up to the listing on the ASX had impacted on the effective management of the organisation. In addition, whilst the founder's vision was well-respected, his 'autocratic' management style and the associated tensions created were disruptive to the organisation as a whole (interview with employee). There were also concerns that the controversial and outspoken views of some environmentalists, together with past conflicts with government officials and other prominent individuals, may create problems for the organisation in the future. It was unanimously agreed by senior management that a change in leadership at this time would be beneficial to the organisation (Roberts, 1997) and the anticipation of this change contributed to the overall positive feeling evident in the disclosures made, such as the following:

> We've got money in the bank, we can sit there, we can sort out our problems, get it, we've got good people coming on board…we can change direction, become more professional, all those types of things, put some things in train and build from there. (Interview with employee)

Immediately after listing on the ASX and throughout the period of management change, the organisation faced the significant challenge of establishing a new profit centre, which required rapid development within a relatively short space of time. The high expectations and pressure to succeed placed on the economic rationalists as newly arrived primary decision-makers further increased pressure on the internal management of the organisation. The incoming senior management, who commenced in November 2000, were driven by the immediate priority of raising a substantial amount of additional finance to complete the planned expansion of the organisation. This pressure was intensified as comparisons were made to the previous successful fundraising that the environmentalists had been able to achieve from the issue of prospectuses (i.e. if the environmentalists had been able to raise $16 million, then as experienced business people, the economic rationalists should be able to raise a similar amount).

Despite the significant contribution of the environmentalists to the overall momentum of the organisation, there were some areas of management success that they did concede to the economic rationalists. It was observed through this period that the economic rationalists were able to exert their influence in relation to particular legal and statutory requirements and in the overhaul of particular policies and procedures relating to the company's human resources, insurance, matters of due diligence and the introduction of Australian workplace agreements.

8.3.1 Fundraising efforts

The direction of the fundraising campaign initiated by the economic rationalists differed significantly from those previously undertaken by the organisation under the direction of the environmentalists. In the past, when the organisation had required additional funds for capital expansion, they had issued shares in the organisation. These campaigns had been very successful and had raised a total of approximately $30 million since 1993. The basis of this investment, however appeared to be 'an emotional thing rather than a business thing' (interview with employee), and the economic rationalists were therefore concerned that the:

> ma and pa market had been flogged to death…there comes a time when the emotion wears out… (Interview with employee)

They did not feel comfortable approaching this sector again for more money so shortly after the public listing, particularly in the light of negative feedback received from existing shareholders to this suggestion. As a result, the campaign undertaken by the economic rationalists to attract further funds to the organisation was based on improving the commercial image of the organisation and promoting the traditional performance indicators of the organisation (i.e. the financials) to potential investors rather the promotion of the founder's vision.

The approach to raising funds implemented by the economic rationalists was of concern to the environmentalists, as they felt that the environmental aspects of the business and promotion of the vision were essential for potential investors to understand their core business and offer support. Underlying this concern was a fear that the economic rationalists did not fully understand the founder's vision and therefore did not realise the significance of relaying it to potential investors. The counter-view held by the economic rationalists was that institutional investors were interested only in the financials and, in particular, the operating cash flow of the organisation. For example:

> When you go to the 'corporates' and show them a picture of a nail tail [wallaby] – they say show us your free cash flow figures. (Interview with employee)

They were of the opinion that the vision was not significant to the investment community as, in the business sector, any decisions made to invest in the organisation would be made on a purely financial basis, and the emotive issues would not be taken into consideration.

The unsuccessful fundraising efforts undertaken by the economic rationalists were disappointing for all members of senior management. The only positive outcome in this area was the overwhelming and surprising success of the options campaign,[65] which resulted from a return to the old style of financial support from 'mum and dad' investors and fuelled the environmentalists' confidence in the use of emotion to raise funds. The success of brochure 3 and the accompanying letter to shareholders had raised over $0.6 million from more than 250,000 options at $2.50, a price that was considerably higher than the market price of shares at that time ($1.22 at March 2001). The financial mismatch between the share and option price indicated that the rationale for the exercise of options was based on emotional rather than financial factors, a view that was reinforced by the incorporation of pleas for help to 'reverse the terrible tragedy of Australia's wildlife' in the letter to shareholders accompanying the brochure.

[65]$2.50 options with an expiry date of March 2002 that had been issued with the shares from the listing prospectus were being taken up at a price that was considerably higher than the market price.

The strategy of raising money from the 'mum and dad' investors had always worked in the past, and the environmentalists were confident that there was enough money out there to finance the future expansion of the business and were keen to approach the market with another prospectus. They felt that the only barrier to receiving more funds from the general public was a lack of understanding of the organisation's core business by the investment community. In their view, if the organisation was able to clearly explain the objectives of the organisation and support this with evidence of successful outcomes, the organisation would be supported.

A change in direction of the fundraising efforts saw an attempt by the economic rationalists and the environmentalists to combine their efforts to continue with the planned expansion of the organisation. After all efforts by the economic rationalists to attract additional funding from institutional investors had failed, a new approach was considered in June 2001 when the organisation undertook a campaign to attract Federal Government funding via the assisted sale of an operating profit centre to a related not-for-profit entity. The plan required lesser but still significant fundraising efforts to be undertaken in order to succeed.

The primary fundraising body was the not-for-profit entity, with support from the organisation, rather than the organisation itself. This change in direction of fundraising enabled the environmentalists to have significant input into the process, chairing several of the committee meetings in the related not-for-profit entity. From discussions held in the fundraising meetings it became evident that the environmentalists' campaign would see the re-emergence of the emotive element of fundraising via the involvement of a 'huge buzz factor' (fundraising meeting July 2001). They acknowledged that they 'would need to get emotional' (BODM, June 2001) in order to succeed, which appeared reminiscent of their fundraising activities of the past.

The successful fundraising methods undertaken by the environmentalists in the past were further acknowledged by senior management's consideration of a return to raising funds via the issue of shares to the public. In November 2001, a share purchase plan was announced.

As cash flow problems worsened, tension between the environmentalists and the economic rationalists grew. Despite the organisation facing extreme financial difficulties, efforts made by the economic rationalists to look at any new revenue sources were closely monitored by the environmentalists to ensure that the founder's vision and the prioritisation of the conservation model established by the organisation were maintained and that animals were not being 'exploited' for the sake of increased profits. The environmentalists also became more critical of the methods used by the economic rationalists in the fundraising efforts used to attract investors, and began to re-establish their involvement in the management processes.

As the economic rationalists continued to explore alternative business methods and opportunities to ensure the survival of the organisation, the environmentalists became increasingly concerned over the lack of priority given to the founder's vision. Alternative methods of running the organisation, which were similar to other conservation entities and involved increasing the commercialisation of conservation activities, were discussed. The environmentalists, however, felt unable to accept the proposed business structure and, as major shareholders, their support was important to the future of the organisation.

The failure of the organisation to improve its cash flows ultimately led to a downsizing of operations and complete restructuring of the organisation. The subsequent sale of assets and resignation of staff led to the return to power of the environmentalists. In some ways the failure of the organisation could be interpreted as the inability of the economic rationalists to adequately manage the organisation once they were appointed to positions of authority. Alternatively, the view could be taken that, despite no longer holding a key managerial position, the founder's power and influence was still felt within the organisation. The environmentalists' questioning of key managerial decisions and their physical presence in the office from time to time meant that in effect the environmentalists 'still exercise[d] control' (ACCM, May 2001).

Staff members generally welcomed changes to the management procedures and preferred the gentler and more encouraging approach adopted under the economic rationalists' regime. Rather than strict monitoring and tight control, staff were provided with 'the confidence and the backing' (interview with employee) to get on with the job:

> [The CEO] was not the sort of manager that would berate and chastise. [The CEO] was more the sort of manager that would quietly discuss things with the staff, and entrust them to do the right thing. (Interview with employee)

8.4 Impact of differing management groups on voluntary disclosures

The influence of each of the groups within the management team was evident in the voluntary disclosures made by the organisation. In the early phases of the organisation the environmentalists dominated the decision-making activities. In their opinion, the most important message to be conveyed to external stakeholders (such as potential shareholders and customers) was the experience of visiting one of the organisation's sanctuaries. It was their belief that the only impediment to the organisation's future was a lack of understanding by those external to it of the method of operation implemented by the organisation. In their view, focus on the passion and commitment of the organisation to the cause of conservation was vital to attract support from potential investors and customers.

The dominance of the environmentalists in the decision-making process throughout the period prior to 2000 coincided with a significant and increasing proportion of environmental information in the disclosures made (including prospectuses, annual reports, brochures and newsletters). The clear articulation of the organisation's vision was evident in a significant proportion of those disclosures. It was apparent, however, that from the appointment of two non-executive directors to the organisation in 1997, there was some compromise between the influence of the environmentalists and that of the economic rationalists on the disclosures made.

Emotive images were extensively promoted by the environmentalists with the rationale that the stirring of passion and commitment from potential investors would have a positive impact on share sales. The establishment of influence by the economic rationalists from 1997 onwards coincided with a significant reduction of the proportion of non-narrative to narrative disclosures in both the prospectuses and the annual reports between 1996 and 2000. As the organisation approached listing on the ASX, both the prospectuses and annual reports revealed an increase in the overall proportion of environmental information to non-environmental information, consistent with the environmentalists' desire to retain a significant amount of information relating to the conservation aspects of the organisation (including the vision and the experience of visiting one of the sanctuaries). In addition, the manner in which the information was portrayed changed from predominantly non-narrative (photographs and other images) to narrative (text). This was consistent with the economic rationalists' desire to present more detailed information relevant to investor decisions in the documents.

The 1996 prospectus was the earliest prospectus analysed and the only document prepared under the full control of the environmentalists. Consistent with their policy of full and open disclosure were criticisms of externally imposed bureaucratic procedures. Comparison of this document to the 1997 prospectus revealed a distinct 'sanitisation' of the disclosures made. The tone of language used in the 1997 prospectus had changed dramatically and was praising of those procedures formally criticised. A non-critical tone continued throughout the remainder of the prospectuses examined.

The 1997 prospectus coincided with the appointment of the first economic rationalists to the organisation. It appeared that, consistent with the increasing influence of the economic rationalists, there was a change in the tone of the prospectuses from critical, passionate and determined in 1996 to non-judgemental, reassuring, optimistic, less emotive and more informative by 2000.

In the period prior to listing on the ASX, the influence of the economic rationalists on the external disclosures was obvious. The listing prospectus, brochure 1 and the March 2000 newsletter had all taken on a marked commercial appearance, which coincided with the underlying beliefs of the economic rationalists, while still retaining a high degree of environmental information reminiscent of the 'environmental' influence. The 2000 prospectus included a significant amount of information relating to the verification and endorsement of both the financial and conservation practices of the organisation. This was consistent with the economic rationalists' desire for accuracy and reliability of the information presented. The information included in the 2000 annual report was considerably more succinct and commercial, with a greater emphasis on the business operations of the organisation.

Brochure 2 was prepared immediately after listing on the ASX and was used to maintain the share price. Despite including a high emotive content, it was ultimately a compromise between the environmentalists' and the economic rationalists' viewpoints. Management discussions revealed that environmentalists were keen to include a strong emotive message to the reader, whereas the economic rationalists felt that only information that could be 'proven' in a commercial and legal sense should be included in the brochure. Consistent with the environmentalists' desire to promote passion and commitment for the organisation rather than economic gain, the brochure commended investment in the organisation to potential shareholders on the grounds of improving biodiversity and neutralising greenhouse gasses rather than receiving financial returns. The first draft of the brochure prepared by the environmentalists was rejected by the economic rationalists due to the speculative nature of some of the information included. The environmentalists were frustrated that changes they had made to the draft brochure were not approved, and the final document became a compromise between the two management groups.

By 2001, the economic rationalists were dominant in the preparation of the external disclosures. During this phase brochures three and four and the 2001 annual report were prepared. In addition, the website underwent a major overhaul and the education committee was well underway. By this time, however, the organisation was facing issues relating to poor operational performance and the failure to raise additional finance for future expansion.

Brochures 3 and 4, prepared in 2001, included a reduction in the proportion of environmental photographs to text. As the proportion of images to text decreased over time, the amount and complexity of information conveyed in the brochures increased. In brochures 1 and 2, images had been used extensively to convey information to the reader about the past conservation successes[66] and future potential[67] of the organisation and the language used was oriented towards lay-person access and comprehension. Neither of the earlier brochures provided background information to the reader about the organisation and the discussion contained within them was relatively limited. There was also a notable absence of financial information, particularly in the early investment brochures. The latter brochures provided lengthy explanations and extensive background information as well as justification for the organisation's past actions and its future prospects, which was consistent with the views of the economic rationalists.

The analysis of the 2001 annual report revealed a mixture of bad financial news and good conservation news, with an increased focus upon the positive experiences offered by visiting the organisation's facilities. It included a return to a greater reliance on non-narrative disclosures for conveying environmental information to stakeholders than had been the case in the 2000 annual report. It coincided with the organisation's poor financial state and was consistent with the economic rationalists' desire to promote the conservation achievements of the year to distract from the organisation's poor financial performance.

The increase in power and influence of the economic rationalists also coincided with the evolution of the website from a simple low-key site to one that was highly complex and technically up-to-date. The introduction of attractive and technically sophisticated pages, improved commercial features such as the incorporation of the facility for investors to purchase shares via the internet, and better access and information on each of the sites dedicated to specific business segments appeared to be consistent with the economic rationalists' desire to advance the business side of the organisation.

The newsletter continued to be a significant medium for disclosing environmental information to external shareholders throughout the period of investigation. At the

[66]In brochure 1, the environmental images (67 percent of total images) were accompanied by captions which conveyed information about the positive outcomes that had been achieved to date by the organisation.

[67]In brochure 2, the images were used predominantly to indicate the future possibilities for the investor.

same time, the introduction of a mail-order catalogue provided an increased focus on the commercial aspects of the organisation in 2001. This was consistent with the economic rationalists' desire to focus the organisation on the more commercially viable aspects of the business.

The differing viewpoints of the environmentalists and the economic rationalists on the disclosures made was highlighted in the decision to show the annual report as one document rather than splitting the voluntary disclosures from the financial disclosures. The promotion of a more businesslike approach to the stakeholders by separating the financial statements in the annual report from the 'warm and fuzzy' (interview with employee) voluntary disclosures was suggested by the economic rationalists in both 2000 and 2001.

The rationale presented by the environmentalists for retaining the report as one document was the belief that combining the environmental information with the financials gave the financial statements more credibility. The economic rationalists, on the other hand, felt that the non-statutory disclosures were of no value to the business, and should be kept to a bare minimum and not be considered with the financials. In 2000, when the environmentalists were the dominant decision makers, the idea to split the document into two was rejected. By 2001, under the greater influence of the economic rationalists, the decision to split the annual report into two was successful.

8.5 Summary and conclusions

The changes experienced by the organisation throughout the period of the investigation were influenced by both internal and external factors. The internal factors that influenced the disclosures made by the organisation were observed in chapter 7. The major drivers of the organisation's actions throughout this period were the desire to pursue its vision of conservation achievement within a commercial environment as directed by the senior management team. It was observed, however, that there existed two distinct groups operating within that team, with differing beliefs as to how the goals set by the organisation should be achieved.

The two groups are identified as those who rated the environmental goals of the organisation to be paramount (the environmentalists) and those who were more commercially driven (the economic rationalists). The differences between these notional groups and the influence they were able to exert over the management of the organisation provided further motivation for the particular form and content of the external disclosures made throughout the period of investigation in addition to those discussed in chapter 7.

Summary and conclusions

The identification and explanation of the internal actions operating within a conservation organisation to produce external environmental disclosures was dependent on the establishment of a means of interpreting the data in order to facilitate understanding of the key drivers of the process from which the disclosures emerged. In this study, the formulation of specific research questions provided a framework within which to gather information and present the data. Having completed the presentation of the details associated with the case in chapters 4 to 8, the final phase of this study is to bring together all of the crucial elements relevant to the research objectives and provide answers to the questions posed. In addition, the findings are considered in the light of several prior studies as a means of fully satisfying the research objectives and of placing this study within a relevant research context.

Adapted from the model of corporate social performance (CSP) expressed by Wood (1991), three elements in the process of corporate environmental disclosure were identified: motivators; actions; and outcomes. The recognition and understanding of each of these elements in the context of environmental disclosure was the ultimate goal of the investigation. This has been achieved as a result of both internal and external observation of the environmental disclosure actions and reactions undertaken within a single organisation over time. Changes experienced by the organisation during the period of investigation provided further evidence for exploration and documentation of each these elements, and allowed for deeper understanding of the complexities of the relationships operating within the organisation.

The focus of the investigation was provided by the following three specific research objectives:

- to provide a rich description and a deep level understanding of the influences and processes involved in the production of environmental information for external reporting in a conservation organisation

- to penetrate the nature of and rationales for particular environmental disclosures in this conservation organisation
- to observe the development of environmental disclosure policy, media and content in the early stages of a conservation organisation's corporatisation.

The processual approach of investigation (Dawson, 1994) adopted in this study facilitated the unveiling of the myriad of complex relationships that operated in delivering and influencing the reporting of environmental information by the organisation. The timely exploration of these interesting interplays captured a momentous and tumultuous period in the organisation's evolution, providing a rich body of data to be collected, analysed and interpreted in order to satisfy each of the specific research questions raised.

9.1 Findings relating to objective 1

Documentation and explanation of the influences and processes involved in the production of environmental disclosures required the collection of empirical evidence from the field site. The method of 'close' investigation adopted in this study involved the gathering of extensive first-hand data from a range of sources and exhaustive observation of the manner and means of environmental disclosure production over an extended period of time. Traditional methods of investigation have favoured a positivist paradigm of quantitative studies.[68] More recent studies that have sought information from within an organisation have done so using surveys, questionnaires and interviews (Adams, 2002, 2004; Buhr, 2002; Goodwin & Goodwin, 1996; Gray et al., 1995; and O'Donovan, 2002), but none have conducted an in-depth, mixed-method, field-based analysis of a single case to thoroughly investigate the questions of how, why and where environmental information is disclosed within a conservation organisation.

The observations and associated distillation of data collected has allowed the interpretation of specific scenarios, such as the use of environmental information as an important indicator of organisational performance and the emergence of two distinct manager groups. This method of exploration has facilitated a rich description and understanding of the production of environmental information for external reporting in a conservation organisation that would have otherwise remained hidden.

[68] See chapter 3 for a discussion of prior methodologies.

Thorough investigation of the influences and processes involved in the production of environmental information has shed light onto the purpose for which the information was produced and the audience for whom it was intended. Common to all of the observations made was the recognition of the deeply embedded and overwhelmingly significant nature of environmental information communicated by the organisation via a wide range of reporting media. Particularly noticeable was the dynamic quality of the disclosure process operating within the organisation over time, with changes being observed in not only the way in which information was produced for disclosure, but also to whom the information was targeted. Exploration of the rationale for these changes provided enlightenment in terms of the complex interactions that operated within the organisation as it navigated a period of rapid growth.

The utilisation of environmental information as an all-pervasive and highly significant mechanism for communication resonated throughout the process of data analysis. Unlike the fluctuating financial performance of the organisation, the successful environmental management of wildlife was maintained throughout the period of investigation. As a result, it formed the primary basis of communication between the organisation and external parties as a means of attracting and maintaining investment support. Corporate disclosure of good environmental news is not surprising and has been identified as a common theme in prior research (Deegan & Gordon, 1996; Guthrie & Parker,1990). It was also expected that an organisation with a core business activity of conservation would disclose a significant quantity of environmental information. What was not anticipated in terms of the prior literature was the use of environmental disclosure as a primary indicator of the organisation's performance and well-being. The disclosure of conservation achievements ahead of profit figures was unusual and has lead to a reshaping of the notion of environmental disclosure as a means of communication. This finding is further reinforced in the discussion of objective 2 in this chapter.

The close and continued observation of the underlying process of environmental disclosures allowed the identification of specific motivators that would have otherwise remained hidden. These ranged from the power and influence of key players (each with specific underlying agendas) to the systemisation (or lack of systemisation) of the dominant procedures for disclosure. It appeared that in the early disclosure phase, the motivation for good environmental news was predominantly influenced by the founder's desire for open and honest information transfer and the communication of a high degree of passion from which his conservation efforts were initially forged. Many of these disclosures were considered to be shocking and controversial and created a trademark image of the founder.

A change in management structure and increasing urgency for external funding placed pressure on the organisation and led to a distinct formalisation of the disclosure process. Changes included the replacement of ad hoc and informal discussions in favour of a more conservative and highly censored process of generating information and the introduction of a 'corporate' look to all of the disclosures made. In addition, notably absent from later disclosures were the extremist and uncompromising views that had been evident in earlier disclosures. These changes appeared to be primarily motivated by the organisation's desire to appeal to a more conventional audience of institutional investors to provide resources. This ultimately proved to be unsuccessful.

The specific targeting of particular stakeholder groups was a further feature observed in the investigation of environmental disclosures made by the organisation. The audience attracted by the early disclosures made by the organisation were non-institutional 'mum and dad' investors. This group appeared to be primarily attracted by conservation rather than financial achievements and displayed unwavering loyalty towards the organisation. The success of the majority of the pre-ASX listing environmental disclosures was marked via the effectiveness of the share issues, which attracted an investor base of 6,800 shareholders and raised $23.5 million (Annual Report, 2000).

During the post-listing phase of the organisation, there appeared to be a deliberate move away from targeting individual investors towards an institutional investor audience. The aim was to communicate specifically with potential investors who had a greater potential to effectively finance the rapid and resource-hungry growth phase into which the organisation was entering. It was not until the eruption of a financial crisis in the final stages of the investigation that there was a return to the original audience of smaller shareholders via specific targeting of brochures and letters to that group.

A further significant finding from the investigation was the role played by alternative media in the communication of environmental information to external parties. Prior research has focussed on the annual report as the primary reporting mechanism (Deegan & Gordon, 1996; Freedman & Jaggi, 1982; Gamble et al., 1995; Gibson & Guthrie, 1995; Gray, Kouhy & Lavers, 1995a; Guthrie & Parker, 1989, 1990; Niskala & Pretes, 1995; Patten, 1992, 1995; Tilt, 1994; Tinker, Lehman & Neimark, 1991; Vyakarnam, 1992; Wiseman, 1982). Only a few have extended their investigation to consider environmental disclosures made in a wider range of reporting media (Unerman, 2000; Zeghal & Ahmed, 1990).

In this study, the examination of the full range of primary reporting media produced by the organisation added to previous research (Campbell, 2004; Unerman, 2000) by enabling the 'determination of the totality of [the] company's reporting intent' (Campbell, 2004, p. 109), a view supported by Unerman (2000, p. 670). The range of primary evidence examined in addition to the annual report included prospectuses, the website, brochures, company newsletters and information delivered in guided walks. In addition, numerous secondary sources of disclosure in the form of media and press releases, newspaper and magazine articles and video and radio documentaries were examined. The opportunity to observe the production of information for each of the primary reporting media as well as the comparison and contrast with secondary sources of information allowed for the identification of emerging trends and the confirmation of both internal and external motivating factors.

The significant findings in relation to the first research objective were:

- the use of environmental information as an indicator of organisational performance
- the reliance on environmental disclosures as a means of attracting investor support
- the shifting power and influence of the founder on the disclosure of environmental information

- the targeting of particular audience groups as a result of changing resource needs of the organisation over time
- the wide range of disclosure media used to convey and reinforce particular messages to the audience.

9.2 Findings relating to objective 2

The second research objective of this study, to penetrate the nature of and rationales for particular environmental disclosures in this conservation organisation, was fulfilled via the close observation and investigation of the SGARA disclosures. Prior research identified the majority of corporate environmental disclosures to be qualitative in nature (Deegan & Gordon, 1996). Contrary to this finding, the most significant environmental disclosures made by this company prior to and throughout the period of investigation were the quantitative SGARA disclosures, which captured both animal numbers and their financial values (as discussed in chapter 6). The importance placed on the SGARAs by senior management emanated from their role as a communication device. They were hailed by managers as the mechanism by which future survival of the organisation would be guaranteed.

The inability to effectively communicate with external resource providers had been identified by management as one of the key factors limiting the organisation's growth. It was felt by management that the unusual nature of the business was not well understood and that the unique business model they had implemented was difficult to explain using conventional financial terminology. Environmental 'financials' were introduced as a means of uniting the goals of both the environmentalists and the economic rationalists by providing a rationale for management decision-making and resource allocation that appealed to both groups.

The significance of the SGARA disclosures in relation to other disclosures made was evidenced by the focus of attention in management meetings and allocation of resources provided to this topic. A considerable amount of time was spent in BOD meetings discussing the count methods and valuations to be adopted in the determination of SGARA amounts.

The fundraising strategy adopted by the organisation in the latter period of the investigation was reliant on expressing environmental achievements in financial terms as a means of targeting institutional shareholders and lenders. Rather than attempting to persuade this audience of the merits of the organisation via images and words, management promoted its financial environmental achievements using SGARA values. The hope was that this would effectively translate the successful conservation activities into key performance indicators that could be understood by institutional managers.

The failure of the SGARA financials to attract institutional investment support was an extreme disappointment for the organisation. It was with surprise and disbelief that the senior management acknowledged in late 2001 that the business community had not shared the organisation's enthusiasm for the environmental financials. Rather than closing the gap between the organisation and the marketplace, the SGARAs became a further barrier to understanding the past and potential viability of the conservation activities of the organisation. The restructure of the organisation and sale of two sanctuaries in 2002 marked the failure of this reporting mechanism as an effective communication tool.

Significant findings in relation to the second research objective were:

- the significant level of resources (time and money) allocated to the maintenance of accurate SGARA quantities
- the use of SGARAs as an significant indicator of organisational performance
- the use of a financial environmental information as a means of communicating with a specific audience group (institutional investors)
- the use of SGARAs as a tool to unite environmental and economic rationalist groups within the organisation;
- initial signs of success followed by failure of experimental attempts to combine environmental and financial information.

The organisation's experimentation with financial environmental information was and ultimately unsuccessful when measured in terms of organisational viability.

9.3 Findings relating to objective 3

The contextualisation of the disclosure process over time within a period of significant organisational change (Dawson, 1994) has revealed an additional layer of complexity for consideration and allows for the fulfilment of the third research objective of the study. The period over which the investigation of this organisation took place was unique in the history of the organisation. It was a time during which the organisation listed on the ASX and journeyed through a period of management change, resulting ultimately in a restructure involving the sale of a significant portion of the organisation's profit centres. The third objective of the study was to investigate the impact of this organisational change as a result of recent corporatisation on the disclosure of environmental information (explored in chapter 7).

The key driver of change within the organisation was the desire for expansion, consistent with the founder's 40-year vision. The trajectory along which the organisation was progressing involved further fundraising to finance the ongoing acquisition of land and the establishment of operational wildlife sanctuaries. It was anticipated that a change in management would be required to see the organisation successfully through the future growth phase.

In the period immediately prior to listing on the ASX, indications of support from external sources were good. The raising of $12 million from the ASX listing campaign, acclaim received from winning environmental, tourism and business awards and positive analysts' forecasts for investment all indicated a positive outlook for the company.

Signs of internal pressure appeared with the appointment of new senior staff and the emergence of two distinct groups within management, the environmentalists and the economic rationalists. Changes to the internal structure and operating procedures of the organisation were initially welcomed by all levels of employment. Closer scrutiny of those individuals and groups over time saw a more complex picture emerging, with actions and reactions to the events that subsequently occurred revealing the full complexity of both the drivers and inhibitors to change operating within the organisation.

Fundamental differences emerged between the two managerial groups in relation to the development and implementation of change strategy. Formalisation and censoring of the communication process implemented by the economic rationalists echoed the emergence of underlying internal tensions facing the organisation, which were fuelled by fundamental differences between the key management groups. The mounting pressure to secure funding for planned expansions was intensified by the differing management styles. The surprising failure of the latest fundraising campaign created confusion and disappointment adding to internal pressures. The tensions created by this situation combined with the ongoing issue of how to achieve better cash flows from existing operations were significant. The resistance and conflict emerging within the organisation was a significant contributor to its overall failure.

The urgency for the organisation to resource its extensive and immediate expansion plans became a primary management focus and led to compromise in areas that had previously developed unchecked. The resultant view, fuelled predominantly by the economic rationalists within the group, was that it was necessary for the organisation to gain acceptance in the corporate arena to sustain the level of funding required to finance existing and future plans for growth. The shift in focus from the original audience of 'mum and dad' investors to the corporate world saw changes in the nature and composition of the external reporting, with more systemised documentation and editing processes and outsourcing of major advertising campaigns to improve the corporate image of the organisation. Despite exhaustive efforts on the part of senior management to attract the attention of institutional investors, any interest displayed failed to translate into financial backing.

The third research objective of this study was therefore fulfilled via the observation of the development of environmental disclosure policy, media and content in the early stages of a conservation organisation's corporatisation. The significant findings in relation to this objective were:

- the identification and documentation of the five separate phases of change, ranging from success and optimism through tensions and pressure to disappointment and failure

- the identification of internal pressures for change associated with the implementation of the founder's 40-year vision for the growth of the organisation
- the identification of external pressures emanating from the lack of financial support from institutional investors
- the interaction of internal and external pressures placed on the disclosures of a conservation organisation as it navigated through a period of intense change
- the emergence of two distinct and separate management groups, environmentalists and economic rationalists, each with their own agendas, competing for dominance within the organisation and exerting influence on the disclosures made.

Overall, the teasing out of the process of environmental disclosure within a conservation organisation has identified a myriad of complex and interrelated forces operating, each of which has contributed to the form and content of the disclosures made. These would have otherwise remained hidden or unconfirmed.

9.4 Positioning the findings within a wider context

Satisfying the research objectives was a significant outcome of this study. Positioning the findings within the context of the prior research discussed in chapter 2 provides further insight into the significance and meaning of the motivations, actions and outcomes of the environmental disclosure process adopted by the organisation. In this section, the findings are re-examined within the context of previous research. Initially, the data and findings are reconsidered within the context of organisational change literature, and are then considered from the point of view of the organisation as a system operating within a wider community setting. The resultant interpretation provides valuable insight into the process of environmental disclosure and the formulation of future research projects.

9.5 Impact of organisational change on the disclosure process

Reflecting on the model of corporate social performance articulated by Wood (1991), the process of environmental disclosures is one of motivation, behaviour/action and outcome (the relationship between each of these aspects will be further elaborated on later in this chapter). The ultimate bearing of organisational change on the environmental disclosures made can be broken down into a series of impacts affecting various aspects of the process. In this section, the impact of the change process on the behaviours/actions and outcomes of the process of environmental disclosure is considered using Laughlin's (1991) model of organisational change, Llewellyn's (1994) explanation of boundary maintenance theories and Burns' (2000) notions of power mobilisation.

9.5.1 Laughlin's model of organisational change

The point at which the research began saw the organisation on the verge of a period of rapid and extreme change which, using the terminology of Laughlin (1991), provided a significant 'disturbance' or 'jolt' (p. 213) to the status quo. As a result of this disturbance, impacts were observed on both the 'subsystems'[69] and 'design archetype'[70] of the organisation (Laughlin, 1991, p. 211), affected by changes in the personnel and management structure. Changes to the actions and processes experienced within the organisation and their impact on the environmental disclosures are now considered.

Throughout the early years, the organisation had experienced steady growth financed by capital raising rather than expansion of operating activities. Under the control of the environmentalist management team, a consistent prioritisation of the environmental rather than commercial aspects of the business was observed. The decision to list on the ASX, and entry into a period of rapid expansion, brought changes to the subsystems, evidenced by the appointment of economic rationalist managers, and to the design archetype (Laughlin, 1991), evidenced by changes to the methods of management (including the production and communication of environmental information).

The appointment of economic rationalist managers was the inevitable and unavoidable outcome of the founder's desire for listing on the ASX. Changes implemented by the new managers led to changes in all aspects of the organisation's internal management, including the:

[69]'Subsystems' are referred to by Laughlin (1991, p. 211) as the tangible elements of an organisation, such as the buildings, people, finance and behaviours.

[70]'Design archetype' elements are defined by Laughlin (1991, p. 211) as the less tangible elements of an organisation and refer to such things as organisational structure and management processes consistent with an underlying set of values and beliefs.

- decision-making processes, including formalisation of meeting structures and changes to reports and documentation
- systems of communication, including production and censoring of external disclosures, with changes to the look, feel and content of the documents produced
- organisation structure.

The focus of the economic rationalist managers was towards a greater emphasis on economic performance, indicated by the following:

- improving revenues and reducing expenses
- improving cash flows and financial control
- closer monitoring of capital expenditure
- improving internal communication
- delegating responsibilities.

Whilst the environmentalists had expected and even welcomed changes to the organisation's design archetype as a result of the appointment of new management, they had underestimated the potential for changes to its 'interpretative scheme'[71] (Laughlin, 1991, p. 212). As the changes that had been implemented by the economic rationalists became operative, the resistance displayed by the environmentalists became more apparent. Fundamental to the differences felt between the two groups was opposition voiced by the environmentalists to the methods of approaching potential investors implemented by the economic rationalists.

Failure to alter the interpretive scheme of the organisation was due partly to the strength of its ideology[72] (and its supporters, key to which was the founder) and partly due to the extreme financial pressure under which it had been placed. Using Laughlin's (1991) terminology, the change could be described as a failed attempt at 'colonisation' (p. 219) resulting in a first order (morphostatic) change.

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[71] 'Interpretive scheme' refers to the underlying values and beliefs on which the design archetype is built that provide the mission, purpose and metarules of the organisation (Laughlin, 1991, p. 212, drawing from the work of Ranson et al., 1980; Schutz, 1967; Giddens, 1979).

[72] Organisations with strong ideologies are identified by Brunsson (1985, cited in Laughlin, 1991, p. 222) as 'consistent, complex and conclusive' and tend more to first order (morphostatic) change.

From the perspective of the economic rationalists, the aim was for the organisation to move away from the 'environmental culture' of the past to a new 'commercial culture' (similar to that identified in Dent's 1986 documentation of the European railways) in which the interpretative scheme is expressed in financial rather than environmental measures. Had the organisation succeeded and continued, it is likely that there would have been an erosion of the 'former cultural base' (Laughlin, 1991, p. 227). Similar to the European railways example (Dent, 1986, cited in Laughlin, 1991) was the use of accounting measures (the recognition of SGARAs in the financial statements) as a means of aligning the goals of both the environmentalist and economic rationalist management groups.

The difficulties associated with the use of SGARAs as a measure of good economic performance stemmed from the lack of profit realisation and the inverse relationship between increased animal numbers and decreased animal values. As it was not possible to sell endangered species, profits recognised by the organisation as a result of increased animal numbers could not be realised in terms of direct cash inflow. In addition, there was an inverse relationship between conservation success and SGARA value. As the quantity of animals increases, classification of the species in terms of vulnerability changes and their value decreases (i.e. the more prolific a species, the less valuable each individual animal becomes). For these reasons, the SGARA values could never provide an effective long-term measure of good economic performance for the organisation.

The failure of SGARAs to be used as an effective communicator to external stakeholders and the resistance of the old managers to relinquish control and allow changes to the interpretive scheme led to the downfall of the organisation before colonisation could be reached.

As a result of the changes implemented by the rapid expansion of the organisation, it appears that there were impacts on the communication structures and decision-making processes within the organisation which ultimately impacted on the environmental disclosures made. To fully appreciate the impact of those changes, the operations of the organisation's internal management processes need to be further explained. Llewellyn's (1994) model of boundary management provides an appropriate mechanism to further explore these relationships. The impact of the changes to the organisation's design archetype identified in the previous section on the environmental disclosures made can be further explored by investigating the establishment of internal and external boundaries.

9.5.2 Llewellyn's boundary management

During a period of change, the boundaries operating within and between organisations undergo disruption and reconstitution (Llewellyn, 1994). Examination of the management activities operating within the organisation and the relationship that existed between the organisation and external parties is fundamental to understanding how and why environmental information was disclosed by the organisation. Llewellyn's (1994) articulation of managing organisational boundaries provides an effective framework for exploring and expressing these relationships.

Consistent with boundary maintenance theory (Llewellyn, 1994), this organisation was concerned with achieving internal cohesion and clarity to reduce uncertainty within the organisation and improve the communication of organisational identity to external stakeholders in order to attract customers and investors. Consideration of the internal and external boundary maintenance activities throughout a period of change highlighted the differences in the establishment and maintenance of the various boundaries throughout the period leading up to listing on the ASX compared to the subsequent period.

Notably absent from the internal management mechanisms under the environmentalist regime were accounting activities aimed at 'attention-directing, performance-monitoring and information coding' (Llewellyn, 1994, p. 14). Such activities are normally associated with establishing binding structures within an organisation and 'reducing, absorbing or denying' uncertainty (Llewellyn, 1994, p. 14). Reasons for the absence of typical internal accounting mechanisms were due partly to the unique nature of the organisation, as many of the key business activities of the organisation were considered to be 'externalities' in terms of traditional accounting measures. A further contributor to the lack of formal managerial procedures was the limited accounting, managerial and business qualifications and experience of the early managers.

Under the control of the environmentalists, the organisation had prioritised and protected its environmental activities. Internal mechanisms of coordination and control were maintained by the physical presence of the founder and the appointment of sanctuary managers who were well versed and carefully monitored on the maintenance of the founder's vision. The method of managing involved personal communication between senior environmentalists and sanctuary managers at regular monthly meetings rather than separation and delegation of duties and responsibilities using formal reporting mechanisms.

Prior to listing on the ASX, external boundary management had been achieved by maintaining intimate communication with stakeholders using a range of media as well as personal contact through regular shareholder functions. Reinforcement of the environmental vision of the organisation was the major focus of communication.

The key player in managing the boundaries (both internal and external) prior to listing on the ASX was the founder. The focus of the founder and his management teams was the protection of the 'technical core' (Llewellyn, 1994, p. 17) of the organisation, the conservation activities. Identifying the boundaries around the environmental 'core' of the business and protecting them from the financial realities of business (via the prioritisation of environmental activities in the decision-making) was central to the early development of the organisation. The separation occurred substantially as a result of lack of experience and understanding of the financial impacts of management decisions by some sanctuary managers, as well as the blatant prioritisation of environmental decisions. What had allowed this to continue without causing alarm was the continual financial support afforded by successful share issues and justification of corporate actions in light of a clear and logical vision for success.

The unconventional management and reporting styles demonstrated in the early years of the organisation had succeeded in attracting a large base of loyal and supportive individual shareholders, who had been responsible for funding the organisation's growth and ongoing operating activities. The notion of successful conservation activities had been conveyed to this audience, who did not appear perturbed by the lack of commercial return on their investment. The honest, open and personal style of communication via the external disclosures made was sufficient to satisfy this investor audience through to listing on the ASX.

Contrary to the lack of documented internal accountability by the environmentalists was the enthusiastic adoption of AASB 137: Self Generating and Regenerating Assets. Conscious of the importance of maintaining a strong 'organisational/societal boundary' (Llewellyn, 1994, p. 17) in order to attract financial support from potential investors and the limitations of traditional accounting in capturing the value of environmental assets, the environmentalists embraced the issue of AASB 1037. Recognition of SGARAs in the financial statements provided them with a new language to communicate the conservation successes of the organisation to external stakeholders.

A change in the subsystems of the organisation as a result of listing on the ASX involved a change in what Llewellyn (1994) referred to as the 'gatekeepers' – 'those who manage the external boundaries of the organisation' (p.17) – from the environmentalists to the economic rationalist managers. As expected, a change in gatekeepers was accompanied by changes in the 'power structures and systems of meaning within the organisation' (p. 17). This is further explored later in this chapter using Burns' (2000) model of power mobilisation.

One apparent aim of the economic rationalists was to produce a 'cohesive and coherent' organisation that, consistent with Llewellyn's (1994) view, would be 'reproduced by systems of accountability' (p. 15). As noted earlier in this chapter, their appointment was followed by significant changes to the organisation's design archetype with the aim of reducing internal uncertainty[73]. Changes to the function and framework of the system of accountability operating within the organisation, together with the implementation of clearer policies and procedures in relation to management activities, were significant in clarifying business expectations and improving the efficiency and effectiveness of resource allocation within the organisation[74].

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[73]Essential characteristics of the accounting process that are 'pivotal' (Llewellyn, 1994, p. 14) to reducing uncertainty are its ability to track past performance and the ability to document the systems of accountability operating within an organisation that establish 'surveillance and control' (Llewellyn, 1994, p. 14) over various sectors by reinforcement of accounting numbers.

[74]Evidence of improvements to the establishment of clearer expectations within the organisation was provided by the rearrangement of meeting formats implemented by the economic rationalists to reduce the overall time spent by senior management with individual sanctuary managers, and increases in the length and detail required to be tabled in the managers' reports.

Evidence of changes to the external boundary maintenance as a result of the appointment of economic rationalist managers was also apparent. In terms of Llewellyn's (1994) notions of boundary management, boundaries had been placed around the environmental activities of the organisation which protected them from practical and financial disruptions. As in Berry, Capps, Cooper, Ferguson, Hopper, and Lowe's (1985) case of the National Coal Board (NCB), described by Llewellyn (1994), some boundaries were emphasised and others neglected. Similar to the NCB case, such prioritisation of particular sections of a business was a source of tension and conflict within the organisation, which impacted on the 'maintenance of the external organizational/societal boundary' (Llewellyn, 1994, p. 17). It became apparent that as the organisation was facing increasing financial pressure, consistent with the NCB case, there was evidence of attempts made by the organisation to present an image of competent financial management to external stakeholders (such as potential investors and the media) via the presentation of more 'business-orientated' external disclosures.

In contrast to the environmentalists, the economic rationalists' preferred method of management was one that emphasised systems of accountability rather than physical presence. Delegation of authority and improved record keeping were essential components of these managerial techniques. A shift in the organisational/societal boundary was managed by improved business-orientation of the documents produced and a censoring and sanitisation of the information disclosed to external stakeholders. In addition, personal communication with potential investors was conducted without the use of animal images.

Ultimately, the organisation's attempts to re-establish the threshold between it and a new investor audience were unsuccessful. The impact of change on the 'challenging of dominant boundary definitions and through shifting patterns of boundary activity' (Llewellyn, 1994, p. 17) resulted in a fatal loss of identity for the organisation. Traditionally, accounting information is a key tool in the effective maintenance of boundaries.[75] The organisation presumed that the adoption of AASB 1037 would

[75]Accounting information plays a key role in determining what we refer to as an 'organisation' by absorbing uncertainty and establishing order and predictability (Llewellyn, 1994).

provide them with a means of 'organising' their 'productive activities and communicative interaction' (Llewellyn, 1994, p.11). The risk taken by the organisation to transform from one type of organisation, with a clearly established and effective means of communication with loyal and supportive external stakeholders, to one that was competing in the marketplace was high, and ultimately the venture proved unsuccessful.

Boundary maintenance theory (Llewellyn, 1994) provides a framework within which to view the activities within the organisation associated with the reduction of uncertainty. It is also helpful for explaining and understanding the interrelationships between the organisation and its external environment. In particular, it allows for reflection on the processes of 'coordination and control' (p. 19) and the inter-relationship of this with 'power and authority' (p. 19). In the following section, the impact of change on the environmental disclosures made is further explored using Burns' (2000) model of power mobilisation.

9.5.3 Burns and the mobilisation of power

Inspired by Llewellyn's discussion of the importance of managing the boundaries within and between organisations, the institutionalised assumptions and practices operating within those boundaries are now considered. The four conceptions of power identified by Hardy (1996, as cited in Burns, 2000) – power over resources, decision-making, meaning and institutional context – are used as a means of examining the power and politics surrounding those assumptions and practices.

Using the terminology favoured by Burns (2000), the assumptions and beliefs that are taken for granted within an organisation and are common to members within an organisation are referred to as 'institutions' (p. 570). Articulation of the institutions operating within the organisation prior to change and the operation of power and politics, acting as both 'facilitator and/or barrier to change' (p. 570), added meaning and improved understanding of the dynamics of the decision-making processes influencing the production of environmental disclosure. Analysis of the management procedures implemented as a result of organisational change, using Burns' framework, clarified the significance and influence of changes in the power over resources, decision-making and meaning on the process of environmental disclosure.

The change process undertaken by the organisation had originated from its desire to realise the founder's vision. There was some understanding by the original managers that growth would require a change in management style, and evidence showed that this was, on the surface, wholeheartedly supported by managers. Initial changes to the institutions, or design archetypes, of management practices took place, with changes to meeting structure and documentation, improvements in information technology, and introduction of workplace agreements, all of which were welcomed. There was a new company strategy of becoming business-oriented. It was agreed at the BOD level that the new focus of the company was fundraising and the generation of operating cash flow.

Appointment of new management brought a shift in the shared assumptions of the organisation. Two groups, each with their own set of beliefs and assumptions about the operations of the organisation, were emerging. Evidence that sanctuary managers had not developed an innate understanding of such accounting terms as yields, profit margins and contributions became apparent as the organisation became more focussed on the implementation of budgets and other methods of accountability.

In the period leading up to listing on the ASX, power over decision-making and resources (Burns, 2000) was dominated by the founder. He was an intelligent and accomplished individual, holding a PhD, who was a self-made millionaire and had been a prominent academic prior to moving full-time into the business of conservation. His commanding presence was well known to all within and many external to the organisation. He was the major shareholder (owning a significant portion of the issued share capital of the organisation at 30 June 2006) and was a founding director on the BOD. His decisions were supported by his partner, also a major shareholder and founding director on the BOD. His physical presence in the office was noticeable because of the open plan set-up. He was plain speaking, had a strong personality and commanded allegiance from his employees. He had the authority to hire and fire staff. He was present at all BOD meetings and, if he opposed any decisions, he made his opinion clearly felt.

The founder's power over meanings was evident from the clear articulation and continued reinforcement of the vision in all documents produced for external stakeholders under his authority. The vision formed the basis for all decisions made in relation to resource allocation. Decisions which the founder viewed as inconsistent with the vision were strongly opposed by him and his supporters (comprising the environmentalists) on the BOD.

Overall, the founder's power over resources, decisions and meaning was clear in the period leading up to the ASX. It was his leadership that had developed the model for change that was implemented by listing on the ASX and ultimately led to the change in direction for the company.

The implementation of a change in the structure and documentation of the managers' meetings as a result of the influence of new senior management did not immediately translate to a change in the outcomes associated with those meetings. Barriers or 'buffers' to change were present in the form of individuals who were not aligned to the new aims and objectives of the changes. The physical presence of the previous managers, the environmentalists, combined with natural resistance to change, meant that apparent changes were only marginal in terms of overall company direction. Questioning and resistance to new practices, which appeared to prioritise economic above environmental results, was one such barrier to change. While outwardly supportive, there was a core of environmentalist managers who demonstrated resistance and suspicion to the new way of doing things.

The implementation of change within 'a system in which a certain distribution of power is already entrenched' (Hardy, 1996, p. 9, cited in Burns, 2000, p. 584) is problematic. Unless each of the dimensions of power already identified are modified by the change, then it will not be successful. It had been presumed by the new management team that as the founder had initiated and supported the changes in organisational direction, he would be supportive, but evidence indicated that this was not the case. The dominant institutions and routines were slow to change. Using Hardy's (1996) terminology, the 'power of the system' did not change (cited in Burns, 2000, p. 583).

The failure of the organisation to attract institutional investment provided another major barrier to change. This led to a downturn in optimism within the organisation, which was both catalyst and consequence of poor performance. Desperate attempts were made to improve the financial performance of the organisation with strategic planning meetings and rewards for good performance, but this ultimately proved to be too little too late.

It appeared that in the period subsequent to listing on the ASX, there had failed to be an effective transition in the power over decisions and resources from the old environmentalist managers to the new economic rationalist managers. Underlying the effective transition of those elements of effective management were problems in transferring the power over meanings.

The significant differences in business qualifications and experience between the environmental and economic rationalist management teams posed a significant barrier to effective change in the manner in which actions and procedures were understood. Although they appeared to be striving for a common goal (the successful operation and expansion of the organisation), the differing viewpoints exercised by each group resulted in fundamental differences in their understanding of the nature and purpose of the new systems of accountability implemented within the organisation.

Elaboration of the conceptions of power identified by Hardy (1996) as cited in Burns (2000) provides an explanation for the breakdown of the change process and also a mechanism for understanding particular aspects of the disclosure process. Limited resources (money and management experience) and the complexities of power mobilisation resulted in drivers and impediments to the implementation and prioritisation of tasks and procedures within the organisation, including those associated with the communication of information to external parties. Attempts to overcome particular problems were thwarted by a convoluted interplay between the experimental nature of the organisation, poor communication both within and between the organisation and other parties and lack of acceptance of the organisation by external parties. Some of these factors could, to a degree, be considered to be self-evident in terms of the challenges they represented. Further challenges, such as the mobilisation of power and underlying politics of the various factions operating within the entity, were revealed only as a result of the intensity and duration of the investigation in accordance with the processal approach promoted by Burns (2000), Dawson (1994) and Dawson and Huang (2003).

9.6 Identifying the motivations for environmental disclosure

In the previous section, the process of organisational change was examined in terms of the environmental disclosure actions and outcomes that were implemented. Observation of the process was an important component in fully understanding the complex cause and effect relationships that existed. In this section, the motivations and key influencing factors that impacted on the disclosure actions undertaken by the organisation are discussed.

Observation of the actions undertaken by managers within the organisation when preparing environmental disclosure provided an opportunity to understand the process more fully. To make sense of the reasons why certain actions and disclosures were made, however, required further consideration of the motivations for disclosure. Building on Wood's (1991) model of CSP, motivations for environmental disclosures were identified as 'principles of [environmental] responsibility' (p. 694). 'Principles' were defined as 'basic value[s] that motivate people to act' (Wood, 1991, p. 695). 'Responsibility' referred to undertaking or refraining from undertaking certain acts, duties and obligations. Principles of environmental responsibility were referred to in this study as the basic values that motivate the actions, duties and obligations of an organisation in relation to its interaction with and impact on the environment. Using the model of Wood (1991) to delve further into this concept to identify the components that impact on the formulation of those motivating values, influencing factors were identified at the institutional level (legitimacy), the organisational level (public responsibility) and the individual level (managerial discretion).

As noted in Wood (1991):

> business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behaviour and outcomes. (p. 695)

This notion is expanded further to explain that, at the institutional level, expectations are placed on businesses in general because of their role as 'economic institutions', specific businesses in particular at the organisational level because of 'what they are and what they do', and at the individual level on the 'managers (and others) as moral actors within the firm' (Wood, 1991, p. 695). Consideration of all three levels of influence was vital to fully understand the motivating factors that influenced and impacted upon the disclosure of environmental information.

The influences placed on the disclosure process at the organisational and individual level were considered earlier in this chapter in the discussion of organisational change. It was discovered that changes in the look and feel of the environmental disclosures made by the organisation had resulted primarily from changes to those individuals with the power to make decisions. This in turn affected the internal management mechanisms operating within the organisation. The actions undertaken by those with power and influence operating within the organisation were affected partly by the knowledge, experience, value systems and beliefs of the management team and partly by their consideration of the organisation's relationship with their surrounding community.

In the next section the notion of 'legitimacy' is explained, and the motivations for external disclosures made by the organisation are considered in the light of this theoretical framework as specified by Suchman (1995).

9.6.1 Identifying a gap in legitimacy

Legitimacy is defined as:

> a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is part. (Dowling & Pfeffer, 1975, p. 122, cited in O'Donovan, 2002, p. 345)

The sharing of a common value system by an organisation with the community in which it operates is considered necessary for its long-term survival. Where a gap exists between the ideals of an organisation and those in the society in which it operates, there can be terminal consequences for the organisation as a result of the withholding of resources. The investigation of a conservation organisation in this study revealed a gap in their legitimacy which differed from those previously described in the literature. In addition, the actions taken by the organisation in an attempt to close the gap revealed a more complex relationship between the organisation and its external stakeholders than previously imagined.

The traditional view of legitimacy adopted by Dowling and Pfeffer (1975) has been incorporated into several studies of environmental disclosure (Deegan & Gordon, 1996; Deegan, Rankin & Tobin, 2002; O'Donovan, 2002; Patten, 1995). In these studies it has been assumed that the profit-making aspects of the business have fallen within the range of acceptable behaviour and matters of 'efficiency and profits' have been considered to be 'mundane' (Milne & Patten, 2002, referring to Perrow, 1970) and irrelevant to any tactics of legitimisation undertaken. The cause of any gap in legitimacy has centred on the notion of 'social legitimacy' (Milne & Patten, 2002, p. 373; O'Donovan, 2002; O'Dwyer, 2002) where differences have been identified between the social values of society (e.g. poor waste management or fraudulent activity etc) and the perception of an organisation's ethical, social and environmental behaviour. As a result, actions, such as increasing the quantity of environmental disclosure, have been undertaken to reduce or eliminate this gap. Such strategies are aimed at improving the company's image in terms of social or environmental performance.

The unusual features of the case under investigation in this study provided an ideal opportunity to explore the notion of legitimacy as a motivating factor for environmental disclosure within a unique setting. In this organisation, it was the poor financial rather than environmental performance that created a gap in its legitimacy. As a result, the organisation undertook steps to improve its financial rather than environmental legitimacy. These were identified as factors motivating the nature and form of disclosures made during the period of investigation.

9.6.2 Legitimacy gaining strategies

The organisation under investigation was hailed as a leader in environmental performance. Despite some criticisms by government agencies (such as National Parks and Wildlife) and NGOs (conservation and wildlife organisations), public approval and acceptance of the organisation in terms of its environmental performance was generally high. Over the years the organisation had received considerable financial and emotional support from individual investors in recognition of its excellent environmental achievements, but struggled to attract institutional backing and acceptance by the wider business community. There was a view held by senior management (most notably by the economic rationalists) that unconventional business methods, questionable economic performance and the founder's outspoken comments had prevented the organisation from gaining acceptance from the business community, and that this was a threat to its long-term survival. In response to this view, the organisation acknowledged a desire to change its focus in order to address the problem and to gain acceptance in the marketplace.

The major challenge facing the organisation was to secure a financially sustainable future. It was concerned that lack of understanding and support for the business model it had adopted had created a gap in the organisation's legitimacy. The desire to reduce this legitimacy gap served to motivate the actions and disclosures made by the organisation both prior to and throughout the period of investigation.

Reflection on the strategies undertaken by the organisation to close their legitimacy gap identified them as consistent with an organisation striving to gain legitimacy (Suchman, 1995). Adopting Suchman's (1995) view of legitimacy an organisation must conform to a:

> generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions. (p. 574)

In light of this interpretation, organisations that fall outside the notion of what is acceptable suffer threats to their future survival and undertake action to conform to the expectations of resource providers. For example:

> Negotiating exchanges to ensure the continuation of needed resources is the focus of much organizational action. (Milne & Patten, 2002, p. 374, referring to Pfeffer & Salancik, 1978, p. 258)

The strategies companies employ in an effort to secure future resources vary depending on whether an organisation is striving to gain, maintain or repair its legitimacy within the community (Suchman, 1995). Strategies which involve reactions to both external and internal pressures to change were observed in this organisation and were consistent with an organisation attempting to gain legitimacy.

The most obvious and direct action undertaken by the organisation in order to gain acceptance from the business community was its listing on the ASX. The stock market was considered by the founder to be the only viable means of attracting a sufficient quantity of funds to support the organisation's plans for expansion. The success of previous capital raising activities and expansion of the shareholder base had resulted in a situation where the organisation had no option other than listing on the ASX if it were to continue to grow.

As a public company, the organisation was now competing on the stock exchange for investor attention with other listed companies. The organisation recognised that it needed to attract institutional investors who would rely on impersonal communication from annual reports and other company documents rather than communicate directly with the organisation. The appointment of experienced and well-qualified senior management was a deliberate tactic employed by the organisation to gain acceptance by the business community.

It was presumed by the new economic rationalist managers that investors would be more likely to invest in an organisation that appeared to be operating in an efficient and effective manner. The improvement in both internal and external accountability implemented by this management group was reflective of this intention. In addition, improvements were noted in the business orientation of the information included in the external disclosures made. Comments were made by managers and staff that the company had to portray a more professional and businesslike approach to the stakeholders, and there was a more formal structuring and organisation of the process of preparing the annual report and other disclosures.

Listing on the ASX in order to reduce the legitimacy gap was consistent with a 'systems-oriented' (Gray, Owen & Adams, 1996, p. 47) or 'institutional' (Suchman, 1995, p. 572) view of legitimacy. Viewed from a more management-focussed 'strategic' perspective (Suchman, 1995, p. 572), actions undertaken by management to improve its legitimacy included the introduction of more structured internal decision-making and reporting mechanisms, censoring of the founder's opinions, outsourcing of marketing activities to private consultants, and the payment of directors' fees. All of these actions appeared to have been undertaken in order to improve the image of the organisation and to gain respect in the commercial marketplace.

9.6.3 Disclosure as a strategy for legitimisation

Communication by an organisation with external stakeholders is the means by which an organisation can change its image (Deegan, 2002; Dowling & Pfeffer, 1975, cited in Milne & Patten, 2002). Examination of the nature and content of the disclosures made by the organisation throughout the period of investigation confirmed that they were consistent in their use of 'legitimisation strategies' by conforming to the expected disclosure norms of a publicly listed organisation.

Prior to listing on the ASX, the external disclosures made by the organisation had attracted a shareholder base of 4,000 non-institutional individual shareholders (Annual Report, 1999). Over the years they had contributed approximately $16 million to the company from capital raising. In the early reports, there had been little censoring of information disclosed to external stakeholders and the overall look and feel of the information was open, honest and simple with a rather unsophisticated 'look'. The content appeared relatively non-professional, with the focus on animal images rather than technical information. The early disclosures were written in very 'plain' English with a considerable focus on the animal successes. Discussion of dividends and financial returns was minimal, and the tone of such communication reiterated the message that profit and dividends were a secondary aim of the company. This appeared sufficient to satisfy the investor audience. Since the target investor audience throughout this time was primarily interested in the conservation rather than financial activities of the organisation, it appeared that the nature and form of the disclosures was sufficient to fulfil their requirements, as evidenced by the continued success of the capital raising activities.

Over time, the look and feel of the disclosures underwent a dramatic change. A tone of sophistication and business-orientation or corporatisation emerged in the manner and matter of the disclosures made. These changes were evidenced by such things as the introduction of a corporate colour scheme in a range of documents produced for external stakeholders, improvements in the layout and sophistication of information presented in a range of disclosure media, and the introduction of a comprehensive guides' manual to provide for consistent and accurate information transfer to customers. Also notable was the increased focus on the financial aspects of the organisation, with the introduction of projected profits in the brochures. The changing look and feel of the disclosures corresponded to a change in the targeted investor audience away from individual, private investors towards a more conventional investor group with access to a larger and more reliable supply of financial resources.

Most notable of the environmental disclosures of the organisation were the SGARAs, adopted in an attempt to secure organisational legitimisation. The introduction of these financial environmental disclosures extended the role and function of environmental disclosures and appeared to be a deliberate attempt to generate acceptance and understanding of the conservation activities of the organisation by the wider business community. Thus, the introduction of SGARA disclosures were a significant strategy for legitimisation used by the organisation in their communication with potential institutional investors.

As the organisation recognised the need to conduct communications with its stakeholders in a more businesslike manner, it faced a fundamental problem in that its core business (conservation) was not captured in the traditional accounting framework. As a result, they feared that their conservation achievements could not be recognised nor their business model understood by potential institutional investors. The unusual nature of the business operation had created a lack of legitimacy, resulting in a barrier to attracting financial support. This is consistent with Suchman's (1995) views that:

> legitimacy affects not only how people act toward organizations, but also how they understand them. (p. 575)

The actions undertaken by the organisation to incorporate SGARA information into the accounts were specifically targeted at reducing the legitimacy gap that had resulted from poor communication between the organisation and the potential institutional investor audience. The organisation's experimentation and implementation of 'alternative' reporting mechanisms and enthusiastic adoption of the new accounting standard AASB 137: Self Generating and Regenerating Assets provided evidence of the organisation's desire to bridge the gap between the traditional language of conventional reporting and a new form of 'financial' environmental reporting. Combining both financial and environmental information in the SGARA disclosures allowed the objectives of both the environmentalists and the economic rationalist groups from senior management to be combined.

In addition, there was the potential that the translation of the conservation achievements of the organisation into a language that could be easily understood by potential resource providers would entice them to understand and invest in the organisation. It was the organisation's greatest hope that this information would be embraced by potential resource providers, and as a result it became a significant focus of managerial activity. As a consequence of communicating the conservation successes in financial terms, the organisation expected the potential success and commercial viability of the organisation to be more easily understood and accepted by members of the business community. It was the organisation's hope that as a result of the SGARA disclosures:

> audiences would perceive the...organization not only as more worthy, but also as more meaningful, more predictable, and more trustworthy.
> (Suchman, 1995, p. 575)

The use of accounting information as a legitimisation tactic is acknowledged by Llewellyn (1994) in her discussion of boundary maintenance theory. In this discussion is the idea that accounting information could be used as a 'culturally sanctioned' resource which legitimises organisations both internally and externally (Richardson, 1987, cited in Llewellyn, 1994, p. 12). As a publicly listed company, the organisation was more open to 'societal scrutiny' (Llewellyn, 1994, p. 13). It was presumed by the organisation that SGARAs would 'restore thresholds which reclaim rationality and order for the organisation' (Llewellyn, 1994, p. 13). Where an organisation is facing uncertainty in terms of acceptance and outputs, it is likely to use accounting information as a means of maintaining its boundaries and restoring acceptance by external stakeholders:

> once legitimacy via internal rule structures become challenged, organisations will draw on accounting as a legitimising artifact which is congruent with the values of a society.... (Llewellyn, 1994, p. 14)

As noted by Llewellyn, such a process of boundary maintenance was risky in this case, as the organisation had traditionally been legitimised by its environmental actions. The animal numbers and conservation processes implemented had in the past been sufficient to legitimise the organisation. Investors had been attracted to the organisation as a result of the conservation successes of the organisation. Placing an exchange value on the endangered species and relying on the organisation's financial 'worth' to convince potential investors of the merit of becoming involved was unsuccessful.

Despite the significant change in communication focus by the organisation, all efforts made by it to attract investment from the targeted institutional audience were consistently and repeatedly rejected. In desperation, when facing a financial crisis in 2001, the organisation appealed once more to its loyal 'mum and dad' private shareholders with a brochure and letter of request specifically targeted toward this group to take up their listing options. This group of supporters once more provided strong support to the organisation, ignoring all commercial signals of poor financial viability, and acquired share options despite their vastly inflated price, more than $2 per share higher than the current market price. Having previously established legitimacy with this group of investors as a result of strong environmental performance reflected in previous annual report disclosures, the organisation was able to again tap into this resource via the use of an alternative disclosure source.

Motivations for the disclosure of environmental information by the organisation therefore appear to stem from tactics of legitimisation devised by its senior management, both consciously and subconsciously. The identification of a gap in the business rather than environmental legitimacy of the organisation was pivotal to the change in direction of the environmental disclosures made. Despite attempts to redirect the communication of corporate information towards a new investor group, the original 'mum and dad' investors were the ones that remained loyal financial supporters of the organisation. The targeted audience of institutional investors remained unconvinced as to the financial viability of the organisation and, as a result, attempts to close this legitimacy gap were unsuccessful.

The view of legitimacy revealed in the investigation of this organisation overtakes the traditional view of legitimacy used in the prior literature. When the template of traditional legitimacy is overlayed on the evidence revealed in this investigation, the process of legitimisation is revealed to be much more complex than previously imagined.

Three layers of complexity are revealed in the process of legitimacy: the existence of two key stakeholder groups with whom the organisation was primarily communicating (private and institutional investors); the existence of financial rather than social legitimacy gap; and the utilisation of a range of reporting media in an effort to legitimise the organisation and close the gap. The identification of these distinct layers has only been possible due to the processual approach of investigation that has been adopted.

9.7 Summary and conclusions

Environmental disclosures (both mandatory and voluntary) comprised a significant proportion of total disclosures made by the organisation throughout the period of investigation. The role played by the environmental disclosures appeared to be both innovative and unique.

At the organisational level, the core aims of the organisation were directed at solving the conservation problems created by the settlement of Australia 200 years ago. Unlike more traditional organisations, this company was created with environmental responsibility integral to its core operating activities. Because the company's obligation to saving endangered species was such an integral component of the organisation's activities, it was expected that a significant proportion of the disclosures would communicate this to those external to the organisation. What was not anticipated was the evolution of those disclosures as a means of communicating both economic and environmental performance via the economic and later SGARA accounts.

As the organisation navigated its way through a period of intense change it faced many challenges, most notably the complete reorganisation of the internal structure associated with growth and listing on the ASX and an extreme shortage of cash. At the individual level, the management within the organisation were the ones responsible for the implementation of environmentally responsible performance. The relationships between environmentally responsible actions and the disclosures related to those actions was revealed to be a complex mixture of actions and reactions, each with different levels of motivation, and all subject to change throughout a dynamic period of the organisation's life. The movement away from the founder's passionate but autocratic and dominating management style towards a new, more moderate management style proved difficult to implement. The ultimate demise of the organisation was sealed with the failure of the new managers to raise funds.

Through the processual investigation of each of the motivations, actions and outcomes of the disclosure of environmental information within the organisation, the interrelationships and connected layers surrounding each of the key drivers and actions have been laid bare. The insider investigation of this unusual and complex site has afforded an understanding of the process of change and its resultant influence on the disclosures that would have otherwise remained concealed. Close examination of the mobilisation of power and associated political process that occurred throughout the period of change revealed a level of complexity operating within the organisation that was unforseen. A key to understanding a dynamic and constantly evolving disclosure process over time was the identification of two groups (the environmentalists and the economic rationalists) struggling for control of the organisation.

The identification of the pressures brought to bear on the decision-making process from internal and external sources added further to the clarification of rationale for disclosure. Emanating from within the organisation was the desire for growth. In the early years the disclosures were open and transparent as the stakeholder audience was loyal and supportive. External pressures ultimately resulted from the rigidity of the institutional investor community, which came as a surprise to both environmentalist and economic rationalist manager groups.

What began as a desire for the attainment of an environmental vision resulted ultimately in a struggle for survival, and the hopes and frustrations that were witnessed along the journey were all important contributors to the communications that were made by the organisation. Tactics were utilised to seek funding, initially with confidence and ultimately in desperation. The extreme pressures placed on the organisation as a result of lack of financial resources resulted ultimately in the demise of the organisation.

Illuminating the process of environmental disclosure in a conservation organisation undergoing significant change, this thesis informs the debate surrounding several key research issues associated with the disclosure of environmental information. To date there has been a lack of in-depth processual research undertaken in the area of environmental reporting, and this, combined with the investigation of a conservation organisation undergoing significant change, has provided information relating to a previously undocumented area of research. Extensive analysis of a wide range of disclosure media has provided evidence of the significance of each as a communicator of environmental information to external stakeholders and their use in the specific targeting of particular audience groups in response to funding needs of the organisation. Finally, close investigation of the nature and content of disclosures made has also enabled the identification of trends in the manner and means of legitimacy oriented communications to targeted audience groups.

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Appendices

Appendix A: Acronyms used in the thesis

Initials	Detail
AARF	Australian Accounting Research Foundation
AASB	Australian Accounting Standards Board
ACC	Audit and compliance committee
ACCM	Audit and compliance committee meeting
AGM	Annual general meeting
ARCM	Annual report committee meeting
ASC	Australian Securities Commission
ASIC	Australian Securities and Investment Committee
ASX	Australian Stock Exchange
BOD	Board of directors
BODM	Board of directors meeting
CEO	Chief executive officer
CEP	Council on Economic Priorities
CSP	Corporate social performance
CSR	Corporate social responsibility
DSP	Dominant social paradigm
EC	Education committee
ECM	Education committee meeting
EA	Environment Australia
GAAP	Generally accepted accounting principles
GPFR	General purpose financial report
GWO	Group wildlife officer
MC	Management committee
MCM	Management committee meeting
NGO	Non-government organisation
NMV	Net market value
NSW	New South Wales
SA	South Australia
SAC	Statement of accounting concepts
SGARA	Self generating and regenerating assets
VEDs	Voluntary environmental disclosures
WA	Western Australia

Appendix B: Details of documents analysed

Category 1: Notes made

Observation date	Observation description	Number of A4 pages
23/9/99	Visit to the organisation	5.2
14/10/99	Visit to sanctuaries 2 and 3	2.75
5/11/99	Conversation with founder	1
8/12/00	Conversation with employee	0.6
31/1/00	Prospectus launch	0.5
30/3/00	Conversation with employee	0.2
2/4/00	Conversation with employee	0.2
18/4/00	Management committee meeting	27
20/4/00	Staff meeting	5.5
27/4/00	Budget meeting	12
1/5/00	Conversation with employee	1
23/5/00	Management committee meeting	22.1
1/6/00	Board meeting	17.5
6/6/00	Founder's radio interview	2.8
20/6/00	Management committee meeting	26
22/6/00	Continuation of management committee meeting 20/6	9
22/6/00	Annual report committee meeting	5
27/6/00	HR meeting	12.5
28/6/00	Annual report committee meeting	3
25/7/00	Management committee meeting	29
26/7/00	Management committee meeting	13
26/7/00	HR meeting	8.5
2/8/00	Staff meeting	11
10/8/00	Audit meeting	17
22/8/00	Management committee meeting	26
24/8/00	Audit and compliance committee meeting	12
30/8/00	Staff meeting	6
5/9/00	Audit and compliance committee meeting	5
19/9/00	Management committee meeting	18
5/10/00	Interview notes	1
24/10/00	Staff meeting	1
24/10/00	Management committee meeting	23
24/10/00	Advertising/marketing meeting	6
24/10/00	HR meeting	3
24/10/00	Foundation meeting	1
25/10/00-26/10/00	Holistic management training	13
27/10/00	Management committee meeting	8
27/10/00	Personal notes	1
30/10/00	Board meeting	12.5
15/11/00	Conversation with employee	1
17/11/00	Conversation with employee	1
21/11/00	Staff meeting	1
21/11/00	Management committee meeting	11
21/11/00	Fundraising meeting	7
22/11/00-23/11/00	Holistic management meeting	18
24/11/00	Education committee meeting	8.5
25/11/00	Conversation with employee	1

Category 1: Notes made (cont)

Observation date	Observation description	Number of A4 pages
27/11/00	Board meeting	16
27/11/00	AGM	4.5
30/11/00	Education committee meeting	3.5
30/11/00	Conversation with founder	1
12/12/00	Conversation with employee	1
12/12/00	Management committee meeting	20
15/12/00	Education committee meeting	8.5
18/12/00	Conversation with employee	0.2
18/12/00	Board meeting	18
13/2/01	Staff meeting	2
15/2/01	Management committee meeting	6.5
19/2/01	Management committee meeting	12.5
23/2/01	Education committee meeting	7.5
26/2/01	Board meeting	25
26/2/01	Audit and compliance committee meeting	5
13/3/01	Management committee meeting	3
13/3/01	Staff meeting	6
16/3/01	Reflective notes	1
18/3/01	Guides' meeting	7.5
20/3/01	Staff meeting	6
20/3/01	Management committee meeting	20
23/3/01	Education committee meeting	7.5
26/3/01	Board meeting	14.5
26/3/01	Audit and compliance committee	4.5
17/4/01	Reflective notes	0.5
17/4/01	Staff meeting	1.5
17/4/01	Sanctuary managers' meeting	24
17/4/01	All managers' meeting	7
17/4/01	International Year of Ecotourism meeting	3
19/4/01	Management committee meeting	13
19/4/01	Audit and compliance committee meeting	2
1/5/01	Board meeting	16
15/5/01	Sanctuary managers' meeting	26
15/5/01	All managers' meeting	7
18/5/01	Education committee meeting	5
18/5/01	Conversation with employee	1
18/5/01	Conversation with employee	2
22/5/01	Management committee meeting	12
28/7/01	Board meeting	16
28/7/01	Audit and compliance committee meeting	4.5
28/7/01	Platypus census	2
12/6/01	Conversation with employee	2
13/6/01	Sanctuary managers meeting	18
13/6/01	All managers' meeting	6
21/6/01	Management committee meeting	16
22/6/01	Education committee meeting	6.5
25/6/01	Strategic panning meeting	18
25/6/01	Board meeting	11
30/6/01	Guides' meeting	0.5
30/6/01	Foundation meeting	5
17/7/01	Management committee meeting	2
17/7/01	Management committee meeting	2.5

Category 1: Notes made (cont)

Observation date	Observation description	Number of A4 pages
22/7/01	Foundation fundraising meeting	27
27/7/01	Education committee meeting	6
30/7/01	Board meeting	21
14/8/01	Staff meeting	4
14/8/01	Management committee meeting	28
17/8/01	Conversation with employee	1.5
21/8/01	Management committee meeting	22
27/8/01	Board meeting	17
28/8/01	Conversation with employee	3.5
11/9/01	Management committee meeting	15
18/9/01	Management committee meeting	13
18/9/01	Conversation with employee	1
25/9/01	Board meeting	16
25/9/01	Audit and compliance committee	2.5
27/9/01	Audit and compliance committee	2.5
23/10/01	Management committee meeting	15
23/10/01	Conversation with employee	1
29/10/01	Board meeting	23
29/10/01	Reflective notes	4
3/11/01	Reflective notes	1
1/11/01	Guides walk/talk by founder	4
26/11/01	Management committee meeting	3
26/11/01	Conversation with employee	1
26/11/01	Board meeting	15
26/11/01	Reflective notes	0.2
26/11/01	AGM	10
28/11/01	Reflective notes	1.5
4/12/01	Conversation with employee	2.5
10/12/01	Management committee meeting	17
10/12/01	Reflective notes	0.2
11/12/01	Conversation with employee	0.2
17/12/01	Board meeting	6
17/12/01	Conversation with employee	1
9/1/02	Conversation with employee	2
18/1/02	Conversation with employee	3.5
24/1/02	Management committee meeting	9
8/2/02	Conversation with employee	4
20/3/02	Conversation with employee	3.5
27/5/02	Conversation with employee	1
	Total number of A4 pages of notes taken	1157.15

Category 2: Meeting minutes, agendas and other attachments

Meeting date	Number of documents	Meeting description	Number of A4 pages
N/A	3	N/A	7.2
18/04/2000	21	MCM/SMM	84.4
23/05/2000	28	MCM/SMM	113.5
20/06/2000	50	MCM/SMM	71
25/07/2000	30	MCM/SMM	99.6
22/08/2000	43	MCM/SMM	181
19/09/2000	38	MCM/SMM	139
24/10/2000	30	MCM/SMM	127
21/11/2000	56	MCM/SMM	182.7
12/12/2000	43	MCM/SMM	178.1
23/01/2001	51	MCM/SMM	195.8
12/02/2001	8	SMM	40.3
19/02/2001	33	MCM	146.5
13/03/2001	6	SMM	39.5
20/03/2001	24	MCM	66.5
17/04/2001	19	SMM	61.8
19/04/2001	23	MCM	106.1
11/05/2001	16	SMM	66.6
22/05/2001	18	MCM	109.7
13/06/2001	17	SMM	73.8
21/06/2001	27	MCM	130.5
17/07/2001	20	SMM	82.7
26/07/2001	15	MCM	113
14/08/2001	20	SMM	72.6
21/08/2001	23	MCM	136
11/09/2001	17	SMM	69
18/09/2001	11	MCM	36
16/10/2001	31	SMM	94.5
23/10/2001	17	MCM	152.5
26/11/2001	15	MCM	78.5
10/12/2001	16	MCM	78.7
24/1/02	22	MCM	99
	791	Total number of A4 pages	3233.1

Category 3: Documents prepared by the organisation

Date	Document	Number of A4 pages
1996	Prospectus	40
1997	Prospectus	40
1998	Prospectus	44
1999	Prospectus	44
2000	Prospectus	68
1998	Annual report	52
1999	Annual report	56
2000	Annual report	52
2001	Annual report	49
Early 2000	Brochure 1	4
Sept 2000	Brochure 2	4
Feb 2001	Brochure 3	5
May 2001	Brochure 4	6
October 1999	Newsletter no. 32	6
December 1999	Newsletter no. 33	6
January 2000	Newsletter no. 34	6
March 2000	Newsletter no. 34 (also numbered 34)	6
May 2000	Newsletter no. 36	6
July 2000	Newsletter no. 37	6
November 2000	Newsletter no. 38	6
February 2001	Newsletter no. 39	8
June 2001	Newsletter no. 40	6
Summer 2001/02	Newsletter no. 41	6
Accessed October 2000	Internet website (approximate number of pages)	200
Accessed February 2002	Internet website (approximate number of pages)	200
2000	Guides' manual	27
2001	Guides' manual (approximate number of pages)	90
	Approximate number of A4 pages analysed	1043

Appendix C: Interview guide

Background information from staff

1. Could you briefly outline your background prior to joining the organisation.
2. How long have you been with the organisation?
3. What are your responsibilities?

About the organisation

4. What are the key objectives of the organisation?
5. Has the organisation changed much over the past five years? How and why has it changed?
6. What specific environmental issues are of concern to this organisation?
7. Does the organisation ignore 'other' environmental issues?

Environmental decisions and implementation

8. How are decisions made in the organisation?
9. Are environmental decisions made using different methods than financial decisions?
10. Who makes the decisions about which environmental issues that you take action on?
11. Have the changes that the organisation is going through impacted on the environmental strategies?

Environmental information

12. What environmental information is gathered/generated internally?
13. Why is it gathered?
14. Who is responsible for the gathering it?

Environmental disclosures

15. What environmental information do you disclose externally?
16. Why is it disclosed?
17. Who do you think are the main users of the environmental disclosures?
18. Do you think that the recent changes in the organisation have affected the environmental disclosures of the organisation?
19. Do you think that there is any other information that should be disclosed by the organisation?

SGARAs

20. What impact do you think the valuing of animals in the financial statements has on people reading the reports?

Other

21. Is there any other information that you think might be important for me to know about in relation to environmental disclosures?
22. Would it be possible for me to ask you some more questions in the future

Appendix D: Glossary of animal species

Species Name	Description
Bilby	Bilbies are medium sized omnivorous animals with long ears, silky blue-grey fur and long black and white tails. They live in deep burrows and move around with a curious hopping motion.
Bolam's mouse	A Bolam's mouse is a small rodent.
Bridled nailtail wallaby	The bridled nailtail wallaby is a small kangaroo that scratches around small shrubs and plants. Its distinctive black and white stripe runs from the back of its neck down to the spur at the end of its tail.
Cream-striped red-necked pademelon	Red-necked pademelons are small wallabies that have a cream stripe around their hips, a characteristic reddish patch on their neck and shoulders, and a white stomach.
Eastern quoll	The eastern quoll is a tiny scavenger animal with a shiny pink nose, cat-like appearance, and distinctive white spots on its dark brown back.
Greater stick-nest rat	The stick-nest rat is the rarest rodent in the world. It builds nests out of sticks and twigs, which it lines with soft grasses and vegetation.
Long-nosed potoroo	Long-nosed potoroos are of the kangaroo family, although much smaller than the recognisable big kangaroos (just 20 cm in height). They have a short silky coat and when moving slowly they have a bunny-hop type motion, but when they move with speed they leap along on their back legs.
Numbat	The numbat is a small marsupial that eats termites. It has striking white stripes on its orange and grey back and a long bushy tail.
Plains rat (mouse)	The plains rat is a small rodent.
Platypus	The platypus is a completely unique mammal. It has mammary glands and breastfeeds its young but it also lays eggs. It has a duckbill-like beak, webbed feet, beaver-like fur and an otter tail. It spends majority of its time in the water.
Rufous bettong	The rufous bettong is small burrowing animal about 30 cm in height with a reddish-grey back. It is a part of the small kangaroo family. However, its tail is not strong enough to support it so it often leans on its side to kick competitors for its food.
Silver boodie	The silver boodie is a tiny burrowing kangaroo, almost rat-like in appearance. It is a similar animal to the woylie and the rufous bettong.
Southern brown bandicoot	Southern brown bandicoots are close relatives of the bilby. They have long noses and are very small, living in nests made up of grass, twigs and earth. They are aggressive animals and lead solitary lives.
Southern hairy-nosed wombat	A wombat is a stocky koala-like animal that moves around the ground on four legs.
Tammar wallaby	The tammar wallaby is one of the smallest wallabies in the big kangaroo genus.
Woylie (brush-tailed bettong)	Woylies are small kangaroo-like animals that scratch around shrubs and tusks of grass smelling for insects and fungi to eat.
Yellow-footed rock-wallaby	Yellow-footed rock-wallabies are small kangaroos that have beautiful colours and markings that help them to blend into their rocky habitats. They have lush grey backs, yellow/orange front and back legs, and a long orange tail, which has rings of white stripes.