

SCIENTIFIC PAPERS
OF THE UNIVERSITY OF PARDUBICE
Series A
Faculty of Chemical Technology
12 (2006)

**ENVIRONMENTAL COMMUNICATION
OF COMPANIES WITH EXTERNAL INTERESTED
PARTIES WITHIN THE FRAMEWORK OF EMS**

Jaroslava HYRŠLOVÁ^{a1}, Miroslav HÁJEK^b and Jan VÁVRA^a

^aDepartment of Economy and Management of Chemical and Food Industry,
The University of Pardubice, CZ-532 10 Pardubice

^bMinistry of Environment, CZ-110 10 Prague

Received September 27, 2006

An important part of environmental management systems (EMS) is formed by the duty to establish, implement and maintain procedures for environmental communication of the company. In several recent years, especially environmental communication with external interested parties has become the object of attention. The purpose of the paper is to analyse the present state in the field of external environmental reporting of the Czech companies which have implemented an EMS. The attention focuses, in particular, on how the individual interested parties are important for the process of establishment of external environmental communication, and on the fact whether the companies are trying to ascertain their information needs. A big room is devoted to the method of publication of environmental information — i.e., the environmental reports. The paper is based on results of the research carried out in the Czech Republic in 2005.

¹ To whom correspondence should be addressed.

Introduction

An important part of environmental management systems (hereinafter "EMS") is formed by the duty to establish, implement and maintain procedures for environmental communication of the company with the interested parties. This concerns both ensuring internal communication among various levels and functions of the organisation, and ensuring reaction to essential impulses from external interested parties. Method of the environmental communication depends on the organisation.

Within the framework of the *internal communication*, it is necessary to ensure collection, recording, analyses and reporting of relevant information (i.e., information on environmental performance, environmental aspects and impacts, etc.) to internal users, i.e., to the management on various management levels, in order that this information serves to support their decision-making processes and helps to meet the company objectives.

In several recent years, especially environmental *communication with external interested parties* has become the object of attention. On the basis of legal regulations in the environmental field, the companies have to keep prescribed records on air pollution caused by them, their waste and water management, hazardous chemical substances and preparations management, etc. Based on the data from these records, many companies have begun to publish first reports focusing on environmental impacts of their activities — so-called environmental reports (i.e., reports on environmental impacts of the company). The term *environmental reporting* is broadly used for designating this activity [2]. Within the framework of the environmental reporting, it is possible to communicate with interested parties on the subject of environmental performance of the company. The main advantages ensuing from this are as follows [1]:

- Better cooperation with local public administration authorities and their control bodies (for example, the Czech Environmental Inspectorate) - there exists a number of issues which the companies should (or, sometimes, must) report to, or discuss with, the local authorities;
- Attraction for the investors - the potential investors may easily obtain important information on environmental performance of the company;
- Increased confidence of the customers - the customers (especially in certain sectors) mostly prefer business partners who manage environmental impacts of their activities, products and services;
- Better cooperation with the “neighbours” - entities “neighbouring” with the company are less afraid of possible threats.

In order to meet the objectives set by the organisation in the field of external reporting, it is necessary to identify recipients of the reports, their interests,

concerns, and information needs. On this basis, it is then possible to define the content and scope of the report and the way of its publication (i.e., transmission to the users). The purpose of this paper is to analyse the present state in the field of external environmental reporting of the companies in the Czech Republic which have implemented an EMS. The attention focuses, in particular, on how the individual interested parties are important for the process of establishment of external environmental communication, and on the fact whether the companies are trying to ascertain their information needs. A big room is devoted to the method of publication of environmental information — i.e., the environmental reports. The paper is based on results of the research carried out in the Czech Republic in 2005 (see below).

Characterisation of the Research

In the middle of 2005, the Czech Environmental Management Centre and the Czech Environmental Information Agency carried out a research focusing on EMS importance in incorporation of the sustainable development concept in the corporate practice. The research was carried out within the framework of solving the research and development project No. VaV-1C/4/13/04 *Application of environmental accounting on microeconomic and macroeconomic levels*, and it was financed by the Ministry of the Environment of the Czech Republic. Co-author of this paper (J. Hyršlová) participated in solving the project. The issue of environmental communication with external interested parties formed part of the research. Written questioning was used for obtaining primary information. 1265 organisations were contacted, especially companies which had implemented an EMS before the research. 224 companies returned the completed questionnaire (return rate 17.7%), from them 222 organisations had implemented an EMS. Basic results of this research in the field of external environmental communication are summarised below. Only companies which had implemented an EMS were included in the examined sample (thus, in total 222 organisations were included into the evaluation). Especially large and medium-sized enterprises, having annual turnover more than 100 million Czech crowns, are represented in the examined sample (see Figs 1 and 2). Companies of processing industry (52 % of the companies) and of civil engineering (25 % of the companies) were mostly represented. The respondents were both representatives of the top management (55 % of respondents) and of the middle management (34 % of respondents).

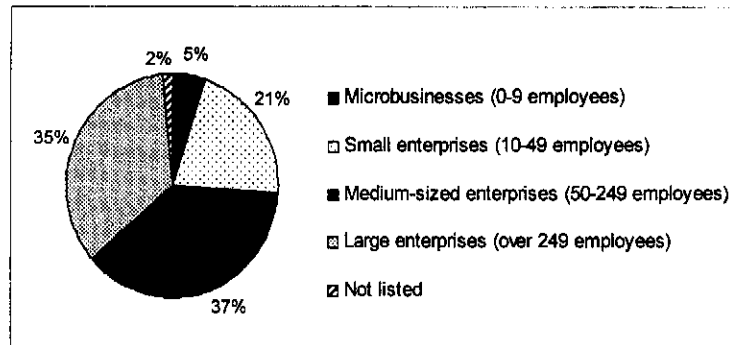


Fig. 1 The examined sample (according to the size of the companies); $n = 222$

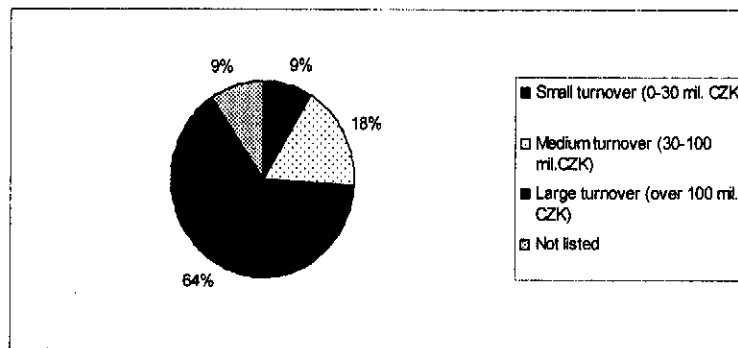


Fig. 2 The examined sample (according to the annual turnover); $n = 222$

Basic Results of the Research

Importance of the Individual Interested Parties

Thirteen % of respondents are not interested in opinions and needs of the interested parties in the field of environmental information at all. 87 % of respondents are interested in opinions of the interested parties, and evaluate them (although they are not necessarily ascertaining them actively). These respondents consider their business partners as the most important interested party (83 % of the respondents). Opinions and needs of state administration (76 % of respondents), and of the public (60 % of respondents) have come next in the order of importance. Environmental organisations and movements protecting the environment also rank among interested parties opinions of which are taken into consideration (16 % of respondents). On the basis of responses of respondents who evaluate opinions of the interested parties (194 companies), it is further

possible to state the following:

- Business partners are considered to be an important interested party by representatives of companies of all size categories and sectors.
- All respondents from the subgroup of microbusinesses consider business partners as the most important interested party.
- Representatives of companies of all size categories are aware of importance of the state administration as an interested party in the field of the company environmental performance, but this is true especially in the case of respondents from the subgroup of large enterprises (81 % of respondents from this size category consider the state administration as an important interested party; in the case of small and medium-sized enterprises this number is over 70 % of respondents).
- With growing size of the company, there is growing importance of the public as an interested party in the field of the company environmental performance. 20 % of microbusinesses, 57 % of small enterprises, 61 % of medium-sized enterprises, and 66 % of large enterprises consider the public as an important interested party.
- With growing size of the company, there is also growing interest of environmental organisations and movements protecting the environment in environmental aspects and impacts of the company activities, products and services.
- Companies of processing industry consider state administration as the most important interested party in the field of environmental information (82 % of respondents). Companies of civil engineering take into consideration, in particular, opinions of their business partners (88 % of respondents), and they less consider (in comparison with behaviour of the whole examined sample) opinions of the public (50 % of representatives of this industry).
- Representatives of the middle management consider state administration as the most important interested party. Opinions and information needs of business partners are most important for representatives of the top management.

Do Companies Ascertain Information Needs of External Interested Parties?

Especially information needs of the interested parties are highly important for establishment of the system of environmental communication. Some companies themselves are actively ascertaining interests of the interested parties in the field of environmental information. In total, 39 % of respondents organise meetings with citizens or representatives of the municipality, or, optionally, carry out public opinion polls. 71 % of them carry out such meetings, or, optionally, polls, repeatedly, and 29 % of respondents have carried out this method of ascertaining once within the last 3 years (see Fig. 3). Monitoring of information needs of the

interested parties is carried out, especially, by large enterprises — 52 % of respondents from this size category. In the case of small enterprises, only 26 % of representatives of this size category ascertain the information needs.

However, more than a half of the respondents from the total examined sample (59 %) do not monitor information needs of the interested parties. It means that, in the field of environmental reporting, these enterprises only meet the duties ensuing from the legislation or from joining voluntary activities (i.e., within the framework of EMAS, or, optionally, other voluntary activities, such as, for example, Responsible Care for the companies of chemical industry), or, optionally, carry out one-way communication without knowing information needs of important interested parties. Especially representatives of microbusinesses and small and medium-sized enterprises belong in this group of respondents.

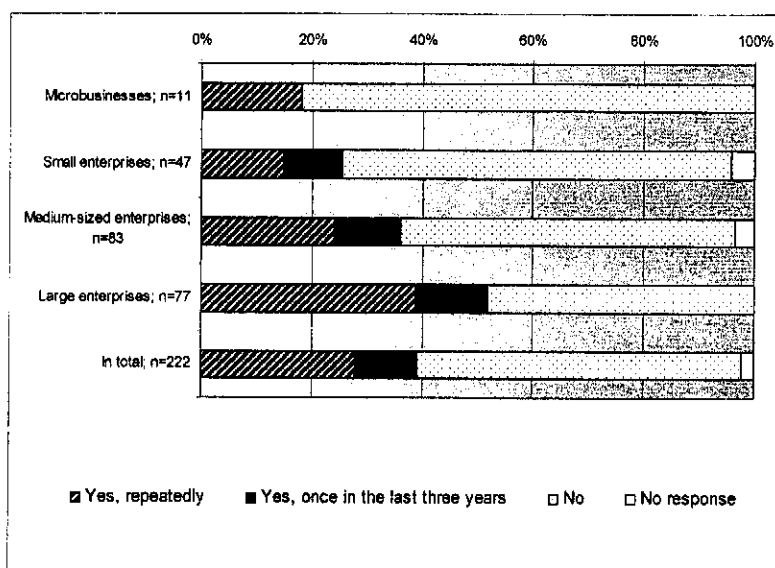


Fig. 3 Do you ascertain opinions of the interested parties?

Results of the research confirm that percentage of respondents who monitor information needs of interested parties in the field of environmental aspects and impacts of the company activities, products and services is growing with growing size of the company (see Fig. 3). The same trend is obvious also concerning the way of monitoring. The percentage of respondents who ascertain interests of interested parties regularly (i.e., repeatedly), is growing with the growing size of the company.

What Are Information Needs of the Interested Parties?

An object of attention of the research was also the type of information in which, according to the opinion of the respondents, the interested parties are especially interested. 10 % of the respondents stated that the interested parties are not interested in environmental information at all. From responses of the remaining 90 % of respondents, there follows that:

- The interested parties are interested, in particular, in information on emissions and wastes (81 % of respondents) and data on implemented, or, optionally, planned measures relating to the environmental protection (60 % of respondents). According to 45 % of respondents, they are also interested in data on consumption of materials and energy, and on the level of environmental management in the company.
- In particular, representatives of large enterprises (72 % of respondents from this size category), and companies of processing industry (66 % of representatives of this sector) confirm that the interested parties are interested in information on measures the company implemented or is planning in connection with management of its environmental aspects. On the contrary, respondents from the civil engineering emphasize the interest of interested parties in information on the level of their environmental management (58 % of representatives of this sector).
- In the case of microbusinesses, the interested parties are interested, in particular, in information on the level of their environmental management.

Thus, the interested parties show interest not only in environmental impacts of the company activities, products and services, but also in their management method — thus, in specific actions the company implements in connection with management of its environmental aspects, and with improving its environmental performance. This information should be published, in particular, by large enterprises from the processing industry and the civil engineering.

Publication of Environmental Information by Means of Periodic Reports

Out of the respondents, 47 % do not publish environmental information by means of reports, and they do not even consider doing this in the near future (see Fig. 4). Fifty three percentage of companies have been issuing regular reports containing environmental information, or, optionally, plan to issue them in the near future. These reports are used by companies of all size categories. The highest representation is in the subgroups of medium-sized and large enterprises (they form 82 % of the total number of companies which publish environmental information by means of periodic reports). The percentage of respondents issuing

periodic reports is growing with the growing size of the company (65 % of large enterprises in comparison with 34 % of small enterprises).

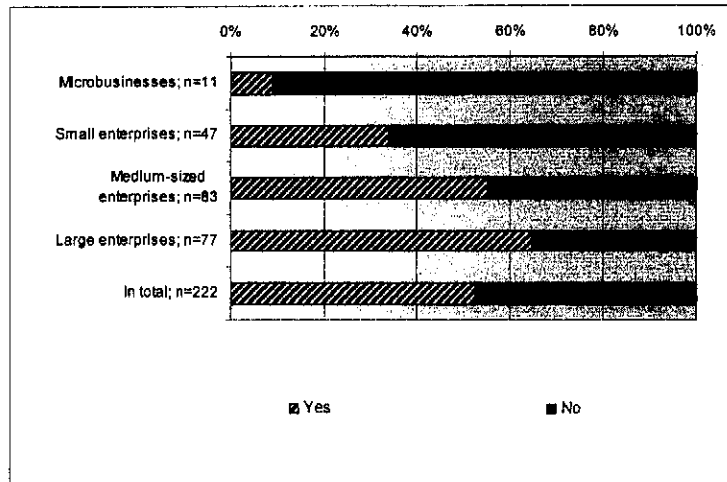


Fig. 4 Do you publish, or do you intend to publish in the near future, environmental information in the form of regular reports?

From the point of view of the form, the companies use various types of reports (some companies issue several types of reports containing environmental information):

- 39 % of respondents periodically issue reports on environmental impacts of the company (environmental reports). These reports are issued, in particular, by medium-sized and large enterprises of processing industry.
- 15 % of respondents publish summary reports on environmental protection and safety and health protection at work (health, safety and environmental reports). Again, this concerns, in particular, representatives of large enterprises of processing industry.
- 3 % of respondents issue sustainable development reports. This concerned three companies: a small, a medium-sized, and a large one; 2 of them are representatives of processing industry, and 1 of them is from the sector of civil engineering.
- 50 % of respondents incorporate environmental information into other reports issued by the company. This way of transmission of environmental information is used by companies of all size categories. Most often, environmental information forms part of the annual report as its separate chapter (44 % of respondents), and results of EMS management review are published (22 % of respondents). Some companies publish results of environmental audits, or, optionally, only their environmental policy and environmental objectives

always for the given year.

Out of companies which publish environmental information by means of periodically issued reports 74 % follow their own outlines during drawing up the reports. 25 % of respondents use various recommendations or procedures standardised in a different way (especially, environmental statements according to EMAS, ISO standards of the 14 000 series, CEFIC guidelines for the chemical industry). Especially information on environmental aspects and impacts are stated in the reports, for example, data on emissions, waste water, wastes, consumption of materials and energy, and they are expressed, in particular, in physical units. Only 39 % of respondents stated that they published also financial information (for example, data on environmental fees) in the reports. From the results, it is obvious that the priority focus of the reports is on the issue of environmental performance, and it is not interconnected with economic performance of the company. The reports are issued, in particular, in the printed form (83 % of respondents). 36 % of respondents publish environmental information by means of internet.

Does EMS Introduction Increase Credibility of the Company?

Only 63 % of companies informed external interested parties on successful EMS implementation and certification/registration. The companies used, in particular, their internet pages (82 % of respondents), and direct contacting of external interested parties (especially business partners) - 66 % of respondents. 37 % of respondents announced EMS implementation in press; this way of presentation was chosen, in particular, by medium-sized and large enterprises.

Out of respondents 78 % believe that EMS introduction increased confidence of interested parties in their company (see Fig. 5). Increase of credibility is confirmed, rather unambiguously, especially by representatives of large enterprises and microbusinesses. 20 % of respondents are not conscious of EMS impact on the company credibility.

Conclusion

The object of attention of the research was to ascertain the existing state in the field of external environmental communication in Czech companies. Only companies which had implemented an EMS were investigated; i.e., companies in the case of which very active and responsible approach to environmental protection was supposed, and which were aware of impact of environmental performance on their business success.

In the Czech Republic, EMS represents a broadly used voluntary tool. The companies are led to implement the systems, *inter alia*, also by the need to inform

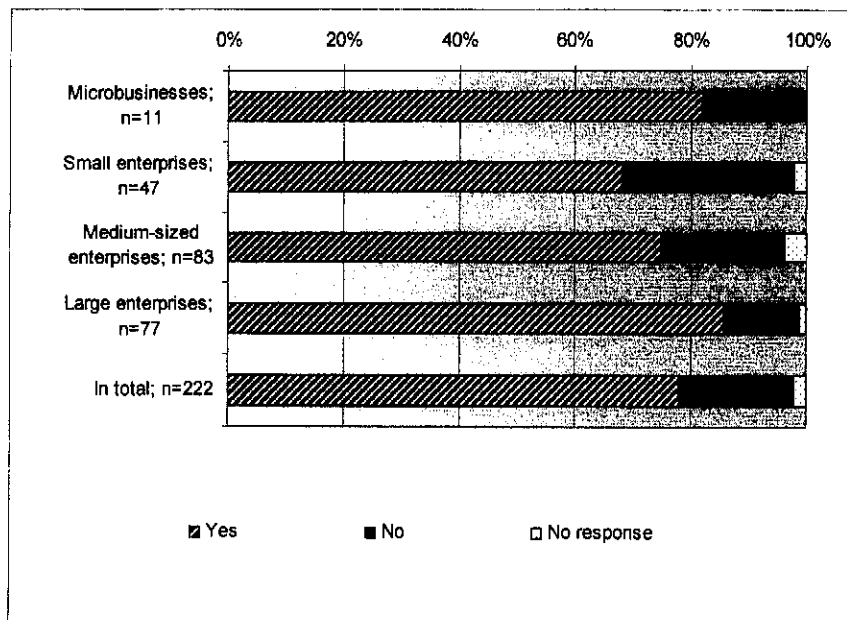


Fig. 5 Did EMS introduction increase confidence of interested parties in your company?

the interested parties on management of their environmental aspects and impacts, and, very often, also by pressure from their business partners. In spite of that, only three quarters of respondents stated that EMS introduction contributed to increase of their credibility for external interested parties.

The companies are aware of the fact that information needs of important interested parties should be satisfied within the framework of external environmental communication. The companies consider business partners as the most important interested party. Also state administration and the public play important roles. These interested parties should be provided with relevant information.

From the results of the research, it is obvious that more than half of respondents from the total examined sample do not ascertain information needs of the interested parties in the field of environmental information. A better situation is in large enterprises, which try to monitor the information needs (some companies even regularly). Not only data on environmental impacts, but, in a number of cases, also data on measures relating to environmental protection which the company has implemented, or plans to implement, should be regarded as relevant information. Also data on the level of environmental management in the company are relevant.

Only a half of the companies publish environmental information by means of regular reports. In the present conditions, the most often used way of

environmental communication is represented by periodically issued environmental reports. A number of companies which want to publish information on their environmental performance and their environmental policy, incorporate this information into annual reports, where it very often forms a separate chapter. In the present conditions, sustainability reports are a very rarely used way of publication of environmental information.

Small enterprises carry out environmental communication either by issuing environmental reports, or they publish only their environmental policies and environmental objectives for the following year. When drawing up the reports, they use their own procedures. Environmental information is periodically published by more than one half of medium-sized enterprises participating in the research (55 %). Again, *medium-sized enterprises* use environmental reports most often, or, optionally, they incorporate environmental information into annual reports. In some cases, also results of EMS management review are published. Usually, they create the structure of the reports according to their own outlines. *Large enterprises* are aware of the importance of environmental information for external interested parties; 65 % of large enterprises participating in the research regularly publish information on their environmental performance. 42 % of them issue environmental reports. A number of large enterprises (22 %) interconnect environmental information with information on safety and health protection at work, and issue summary reports publishing relevant information. Simultaneously, large enterprises incorporate environmental information into their annual reports. Large enterprises usually draw up the reports according to their own outlines, too.

The research showed that also the content of the reports is not fully in accordance with information needs of the interested parties (as perceived by the respondents). The reports include, in particular, information on environmental aspects and impacts, without relation to economic performance of the company. For sure, effectiveness of environmental communication is dependent also on the form of publication of the reports; the current reports are especially in printed form.

It could be expected that environmental communication (or, optionally, sustainability communication) will become a usual part of business activity in the future, and that companies will have to improve the quality of the process of environmental communication and to adapt it to the needs of important interested parties.

Acknowledgements

This work was supported by the Grant Agency of the Czech Republic under project No. 402/06/1100.

References

- [1] Hřebíček J., Kokrment L.: Standardization of Environmental Reporting in the Czech Republic (in Czech). *Planeta*, **XIV**, No. 2/2006, 5 (2006).
- [2] Vaněček V.: Voluntary Reports on Environmental Performance, Health and Safety Management and Sustainable Development (in Czech). *Environmentální aspekty podnikání* **2**, 9 (2005).