



Driving Factors and Path Optimization of Sustainable Accounting Practices from the Perspective of Corporate Governance Structure

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Abstract. In the context of global emphasis on sustainable development, sustainable accounting practices have become an important part of corporate governance. This paper explores the driving factors and path optimization of sustainable accounting practices from the perspective of corporate governance structure. Based on the theoretical framework of stakeholder theory and institutional theory, it analyzes how internal governance mechanisms such as board characteristics, ownership structure, and management incentives, as well as external institutional pressures and stakeholder demands, drive the implementation of sustainable accounting. The study finds that a sound corporate governance structure can effectively promote the integration of sustainable accounting into corporate operations. However, there are still some problems in the current practice, such as the lack of independence of the board, the concentration of ownership, and the imperfection of incentive mechanisms. In response to these issues, this paper proposes path optimization strategies, including improving the composition of the board of directors, optimizing the ownership structure, strengthening management incentives, and enhancing external supervision. This research provides theoretical and practical guidance for enterprises to promote sustainable accounting practices and improve corporate governance efficiency.

Keywords: Corporate governance structure, Sustainable accounting, Driving factors, Path optimization, Stakeholder theory, Institutional theory.

1 Introduction

In recent years, with the continuous advancement of global economic integration and the increasing awareness of environmental protection and social responsibility, sustainable development has become an important theme for enterprises. Sustainable accounting, as an important tool to measure and report corporate sustainable performance, has attracted more and more attention from the academic and practical circles. Corporate governance structure, as the institutional basis for enterprise operation and management, plays a crucial role in promoting sustainable accounting. Corporate governance structure can ensure the scientific decision-making of enterprises,

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effectively coordinate the interests of various stakeholders, and promote the implementation of sustainable accounting practices.

From the perspective of corporate governance, the board of directors is the core of corporate decision-making. The composition and characteristics of the board, such as the proportion of independent directors, the professional background of directors, and the diversity of the board, will affect the company's attitude towards sustainable development and the implementation of sustainable accounting practices. An ownership structure with reasonable dispersion and effective supervision can prevent the abuse of power by major shareholders and promote the company to consider the interests of all stakeholders, including environmental and social aspects. Management incentives, such as performance evaluation systems that include sustainable indicators, can motivate managers to actively promote sustainable accounting practices.

However, in the current corporate governance practice, there are still some problems that restrict the development of sustainable accounting. For example, in some companies, the board of directors is dominated by internal directors, and the independence of independent directors is insufficient, which makes it difficult to effectively supervise the management and promote the implementation of sustainable strategies. The concentration of ownership may lead to major shareholders focusing too much on short-term economic interests and ignoring long-term sustainable development. In addition, the lack of perfect management incentive mechanisms that integrate sustainable performance indicators also reduces the enthusiasm of managers for sustainable accounting practices.

Against this background, this paper aims to analyze the driving factors of sustainable accounting practices from the perspective of corporate governance structure and explore the path optimization strategies to promote the better implementation of sustainable accounting in enterprises. By conducting in-depth research on this issue, it is hoped to provide theoretical support and practical suggestions for enterprises to improve their corporate governance structure and promote sustainable development^[1]

2 Theoretical Foundation

2.1 Stakeholder Theory

Stakeholder theory believes that enterprises are not only economic entities pursuing profit maximization but also have responsibilities to various stakeholders, including shareholders, employees, customers, suppliers, the environment, and society. Sustainable accounting practices need to consider the interests of all stakeholders and provide relevant information to meet their needs. In the corporate governance structure, different stakeholders have different influences and demands. The board of directors, as the representative of stakeholders, should balance the interests of all parties and promote the company to carry out sustainable accounting practices to meet the information needs of stakeholders.

2.2 Institutional Theory

Institutional theory emphasizes the role of institutional environment in shaping organizational behavior. The institutional environment includes regulatory requirements, social norms, and cultural values. Enterprises are influenced by these institutional factors and will adjust their behaviors to adapt to the external institutional environment. In the field of sustainable accounting, external institutional pressures such as environmental regulations, social responsibility standards, and stock market requirements for sustainable disclosure will drive enterprises to implement sustainable accounting practices. The corporate governance structure needs to respond to these institutional pressures by formulating corresponding policies and procedures to ensure that the company complies with external institutional requirements.^[2-6]

3 Driving Factors of Sustainable Accounting Practices from the Perspective of Corporate Governance Structure

3.1 Internal Governance Mechanisms

3.1.1 Board Characteristics.

The composition of the board of directors is an important factor affecting sustainable accounting practices. A board with a higher proportion of independent directors is more likely to maintain objectivity and independence in decision-making and can better supervise the management's behavior. Independent directors, who are not directly involved in the company's daily operations, can bring more diverse perspectives and expertise, especially in the fields of environmental protection and social responsibility, which is conducive to promoting the company to pay attention to sustainable development and implement sustainable accounting practices. In addition, the professional background and experience of directors also play a role. Directors with relevant experience in sustainable development or accounting are more likely to recognize the importance of sustainable accounting and promote its implementation within the company.

3.1.2 Ownership Structure.

The ownership structure reflects the distribution of ownership rights in the company. A dispersed ownership structure with multiple large shareholders can form a system of checks and balances, preventing any single shareholder from dominating the company's decision-making. This balanced ownership structure encourages shareholders to consider the long-term interests of the company, including sustainable development, because they are more concerned about the company's long-term value creation. On the contrary, in a highly concentrated ownership structure, major shareholders may focus more on short-term financial returns and may be less willing to invest in sustainable accounting practices that require long-term investment and may have uncertain short-term benefits.

3.1.3 Management Incentives.

Management incentive mechanisms are crucial for promoting sustainable accounting practices. If the company's performance evaluation system only focuses on financial indicators such as profit and revenue, managers may be more inclined to pursue short-term financial goals at the expense of sustainable development. However, when the incentive mechanism includes sustainable performance indicators, such as environmental protection performance, social responsibility fulfillment, and sustainable resource utilization, managers will have more motivation to promote the implementation of sustainable accounting practices. These indicators can be integrated into the management's compensation system, promotion evaluation, and other aspects, so that managers' personal interests are closely linked with the company's sustainable development goals.

3.2 External Institutional Pressures

3.2.1 Regulatory Requirements.

Government regulations and policies are important external driving forces for sustainable accounting practices. For example, environmental protection laws and regulations require enterprises to disclose environmental protection costs, emissions, and other information, which promotes enterprises to establish corresponding accounting systems to measure and report these data. In addition, regulatory requirements for social responsibility disclosure, such as labor protection, product quality, and community relations, also force enterprises to pay attention to non-financial information and integrate it into their accounting practices. Compliance with these regulatory requirements is not only a legal obligation but also helps enterprises maintain a good reputation and avoid legal risks.

3.2.2 Market Competition and Social Norms.

In the market economy, enterprises face fierce competition. Consumers, investors, and other market participants are increasingly concerned about the sustainable performance of enterprises. Consumers are more likely to choose products and services from enterprises that have good environmental and social performance, and investors are more inclined to invest in enterprises with sustainable development potential. This market demand drives enterprises to implement sustainable accounting practices to provide relevant information to meet the needs of market participants. At the same time, social norms and values that advocate sustainable development also put pressure on enterprises to adapt to social expectations and integrate sustainable concepts into their business operations and accounting practices.

3.3 Stakeholder Demands

Stakeholders such as employees, customers, suppliers, and the community have their own demands for sustainable accounting information. Employees are concerned about the company's social responsibility and sustainable development policies, which affect their sense of belonging and career development. Customers want to know whether the

company's products are produced in an environmentally friendly and socially responsible way, which affects their purchasing decisions. Suppliers may be interested in the company's sustainable supply chain management to ensure long-term cooperation. The community is concerned about the company's impact on the local environment and society. Meeting these stakeholder demands requires enterprises to implement sustainable accounting practices to provide accurate and comprehensive information about their sustainable performance.^[7-10]

4 Path Optimization of Sustainable Accounting Practices

4.1 Improving the Composition of the Board of Directors

Enhancing the composition of the board of directors represents a pivotal strategy for fostering sustainable accounting practices within corporate frameworks. A key starting point lies in increasing the proportion of independent directors, which not only serves as a safeguard against potential management overreach but also provides a platform for unbiased oversight. To be truly effective, these independent directors should possess a diverse range of expertise, with a particular emphasis on sustainable development, accounting, and law. For instance, an independent director with a background in sustainable development can offer valuable insights into emerging environmental and social trends, enabling the board to proactively integrate sustainability considerations into corporate strategies. Similarly, legal expertise can ensure that the company's sustainable accounting initiatives are compliant with regulatory requirements, minimizing legal risks. Accounting proficiency, on the other hand, guarantees the accuracy and reliability of sustainable accounting reports, enhancing their credibility among stakeholders.

In addition to expertise, board diversity is another critical element. By promoting gender, age, and professional background diversity, companies can cultivate a more inclusive decision-making environment. Diverse perspectives challenge the status quo, encourage innovative thinking, and help identify potential blind spots in sustainable accounting strategies. For example, female directors may bring unique insights into social sustainability issues, while directors from non-business backgrounds, such as academia or civil society, can introduce fresh ideas and alternative approaches. This diversity also reflects the company's commitment to broader societal values, enhancing its reputation and legitimacy in the eyes of stakeholders.

Moreover, continuous education and training for directors play an indispensable role. The field of sustainable development and sustainable accounting is evolving rapidly, with new concepts, standards, and practices emerging regularly. Regular training programs can keep directors updated on the latest developments, enabling them to make informed decisions. These programs can include workshops on emerging sustainable accounting standards, case studies of successful sustainable accounting implementations, and discussions on the latest trends in environmental and social sustainability. By investing in director training, companies empower their boards to effectively lead and drive sustainable accounting initiatives, ensuring that the company remains at the forefront of sustainable business practices.

4.2 Optimizing the Ownership Structure

Optimizing the ownership structure is a crucial step in promoting sustainable accounting practices, as it directly influences corporate decision-making and long-term strategic orientation. One effective approach is to attract institutional investors and dispersed shareholders. Institutional investors, with their substantial financial resources, professional investment teams, and long-term investment horizons, are well-positioned to drive sustainable development within companies. These investors often have dedicated ESG investment strategies and actively engage with portfolio companies to improve their sustainability performance. Their influence can be exerted through various channels, such as voting on key corporate decisions, participating in shareholder meetings, and engaging in dialogue with management. For example, large asset managers like BlackRock have been increasingly using their influence to encourage companies to enhance their sustainable accounting disclosures and adopt more robust ESG practices.

The presence of dispersed shareholders also contributes to a more balanced ownership structure. With multiple shareholders holding relatively small stakes, no single shareholder can dominate decision-making, reducing the risk of short-term, self-interested behavior. This dispersion of power encourages a more inclusive approach to corporate governance, where the interests of all stakeholders, including those related to sustainability, are taken into account. To further enhance shareholder engagement, companies should establish effective communication mechanisms. Regular shareholder meetings, transparent reporting, and open dialogue channels can keep shareholders informed about the company's sustainable accounting initiatives and allow them to voice their opinions and concerns. This two-way communication not only strengthens the relationship between the company and its shareholders but also provides valuable feedback that can inform and improve sustainable accounting practices.

Furthermore, optimizing the ownership structure requires a focus on protecting the rights and interests of all shareholders, especially small and medium-sized ones. By ensuring fair treatment and equal opportunities for participation, companies can build trust and loyalty among their shareholder base. This, in turn, encourages greater shareholder involvement in corporate governance, including matters related to sustainable accounting. Shareholders who feel that their interests are protected are more likely to support long-term sustainable initiatives, as they recognize the potential for enhanced value creation over time. In summary, optimizing the ownership structure through the attraction of diverse investors and the establishment of effective shareholder communication mechanisms is essential for creating an environment conducive to the adoption and implementation of sustainable accounting practices.

4.3 Strengthening Management Incentives

The company's performance evaluation system should be revised to integrate sustainable performance indicators. These indicators can include environmental performance (such as carbon emissions reduction, energy consumption efficiency), social performance (such as employee satisfaction, community contribution), and economic sustainability (such as long-term profitability, innovation capabilities). The weight of these

sustainable indicators in the performance evaluation should be appropriately increased to reflect their importance. In addition to financial incentives, non-financial incentives such as recognition and career development opportunities can also be provided to managers who make outstanding contributions to sustainable accounting practices, to further motivate their enthusiasm and initiative.

4.4 Enhancing External Supervision

Enterprises should actively respond to external regulatory requirements and improve the transparency of sustainable accounting information disclosure. They can establish a special department or team responsible for sustainable accounting and reporting to ensure the accuracy and timeliness of information. At the same time, they can participate in international sustainable accounting standards formulation and certification activities to improve the comparability and credibility of their sustainable accounting information. In addition, making full use of the supervision of the media and the public is important. By disclosing sustainable accounting information through various channels, enterprises can accept social supervision and improve their sustainable performance under the pressure of public opinion.

5 Conclusion

From the perspective of corporate governance structure, the driving factors of sustainable accounting practices include internal governance mechanisms such as board characteristics, ownership structure, and management incentives, as well as external institutional pressures and stakeholder demands. A reasonable corporate governance structure can effectively integrate these driving factors and promote the implementation of sustainable accounting practices. However, there are still some problems in the current corporate governance that restrict the development of sustainable accounting, such as the lack of board independence, the concentration of ownership, and the imperfection of incentive mechanisms.

To optimize the path of sustainable accounting practices, enterprises need to improve the composition of the board of directors, optimize the ownership structure, strengthen management incentives, and enhance external supervision. By doing so, they can better meet the needs of various stakeholders, adapt to the external institutional environment, and promote the integration of sustainable development concepts into corporate operations. This not only helps enterprises improve their corporate governance efficiency and sustainable competitiveness but also contributes to the realization of global sustainable development goals. Future research can further explore the specific implementation effects of these path optimization strategies in different industries and regions and provide more targeted policy recommendations.

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