Professionals' Perspectives of Corporate Social Responsibility

Samuel O. Idowu · Walter Leal Filho
Editors

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Springer

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This book is dedicated to all professionals who are genuinely striving to be socially responsible wherever they are on planet Earth.

Foreword

Corporate Social Responsibility (CSR) is a matter of great concern and relevance in today's world. Especially now, when the world is experiencing a difficult economic crisis which is unprecedented since the 1930s, the vision of promoting business accountability to the various stakeholders engaged in a given sector has never been more important.

But CSR is not only about satisfying stakeholders. In order to succeed, it needs to holistically take into account aspects relating to environmental protection, sustainability and good governance in ways not seen before. At Hamburg University of Applied Sciences, we are aware of the relevance of and the need for CSR approaches to be inculcated into all our activities. In our faculties (Sciences, Engineering and Computer Science, Design, Media and Information, Business and Social Sciences), we see CSR as a multi-disciplinary issue. With the creation of our new Competence Centre on Renewable Energy and Energy Efficiency (CC4E), a considerable emphasis is given to both the technological as well as the social aspects of energy efficiency and the use of renewable energy.

This book 'Professionals' Perspectives of Corporate Social Responsibility', edited by one of my colleagues, Prof. Walter Leal Filho (who directs the Research and Transfer Centre 'Applications of Life Sciences' in our Faculty of Life Sciences) and Samuel O Idowu, from London Metropolitan University Business School is a timely publication. It is timely in the sense that it conceptualizes CSR from various professions, sectors and countries, hence demonstrating that, even in times of economic hardship more and more businesses are embracing the principles and ethos of CSR. Much can be gained by recognising the contribution that a diversity of perspectives is able to provide towards the generation of new ideas and innovative approaches to performing business activities in a transparent and ethical way. Many of the excellent papers in this book document examples of good practice with some recommendations of practical character which researchers, practitioners and other stakeholders would find most appropriate in their professional callings. Some of the papers also highlight future research directions, showing some potential research needs that would have to be addressed in the future.

I hope that this book will influence both today's and tomorrow's professionals in following CSR strategies which would enable companies, universities, international organizations, NGOs and others across the world to make our society a more socially responsible place for us all to conduct our day to day activities.

Hamburg, Germany Michael Stawicki

Preface

Corporate social responsibility (CSR) is a field that impacts on all aspects of human existence. Professions and professionals in both advanced and emerging economies have a lot to consider in the quest to ensure that their activities do not adversely affect society or if they do; how they can best reduce the adverse impact should be of paramount importance to them in our world today. It was realized that there is a pronounced absence in the market of a book that explores how various professions and those that represent these professions in organizations have absorbed CSR's requirements in what they do.

Being socially responsible on the part of corporate entities; some scholars and practitioners have argued is one of the sine qua non of success in modern markets. If this is so, then it is in the best interest of these entities to source out what actions they need to take in order to act responsibly. Responsibility is demonstrated by actions and deeds; not by words or information inserted in some glossy magazines or corporate websites.

It is believed that a book on how different professions and those practicing these professions have interpreted the field of CSR would not only provide some useful insights into how the requirements of CSR are being met by corporate entities but it would also provide a framework for a better understanding of how the field is shaping out as it continues to evolve since its general acceptance worldwide. The world today is radically different from what it used to be several decades ago or even some 12 months ago. As the effect of the unprecedented current global financial crisis continues to affect everyone, it becomes even more important that corporate entities demonstrate the highest order of responsibility in their dealings. Corporate entities function through individuals which therefore makes it imperative for these individuals to fully understand what is expected of them in order to be socially responsible.

This book has been fortunate in its ability to have attracted interests from scholars of both traditional and modern professions. It is therefore hoped that the information it contains will be useful to our readers from any sector of society for example education, industry and commerce, practitioners, international organizations, governments, non-governmental organizations and those who are concerned about the adverse impacts of corporate activities on mankind, the environment and also the future of our planet.

London, UK Samuel O Idowu
Hamburg, Germany Walter Leal Filho
Summer 2009

Acknowledgements

Publishing an edited book by several contributors is a team effort of several committed individuals; this book is no exception to that general belief and understanding. Our first 'thank you' therefore goes to all our fantastic contributors who are spread around the world; without whose commendable efforts; there would have been no edited book to publish on how 20 or so professionals have seen their roles in propagating and inculcating the ideas of CSR into their day to day operations! The two Editors appreciate these individuals' hard work and would remain indebted to them all for a very long time if not for ever for making the publication of this book a reality.

There are also some individuals we both want to thank either individually or together.

Samuel O Idowu would like to thank the following friends and colleagues who have assisted him either directly or indirectly to ensure the publication of this second book in the series, Danny O'Brien, Brendan O'Dwyer, Denis Haffner, Andrea J Dunhill, Carol Tilt, Royston Gustavson, Richard Vardy, Timothy J Cleary, Caroline J Evans, Charlotte Housden, Pat Wood, Michael Soda and Samson Nejo. His thanks are due to his brother and sister; Michael A Idowu and Elizabeth A A Lawal, the same are also due to members of his direct clan who have been his confidants and 'impregnable rock of Gibraltar' during the entire process of this volume and who have once again shared with him both the pleasures and travails of the whole exercise: Olufunmilola O Idowu, Rachael T Idowu, Mary T Idowu, Abigail O Idowu and Olaniyi J Idowu. You are all dearly loved and appreciated.

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Walter Leal Filho wants to thank Prof. Michael Stawicki, Rector of the Hamburg Universities of Applied Sciences (HAW Hamburg), the Dean of Life Sciences, Prof. Claus-Dieter Wacker and his team at the Research and Transfer 'Applications of Life Sciences' at HAW Hamburg, for the support provided.

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Professionals' Perspectives of CSR: An Introduction

Samuel O. Idowu

We live in an era where corporate entities and those at the helm of managing their affairs – managers are not judged only by their financial performance anymore but also by their positive actions towards their stakeholders and the natural environment; in other words, how socially responsible they are. Reckless and irresponsible actions on the part of corporate leaders are no longer tolerated by citizens. Sadly, there is still a very small minority of people who are either indifference to the adverse impacts of some corporate actions on humanity and the environment or are totally oblivious to the impending catastrophe which these actions or inactions might bring on the natural environment if we fail to change our behaviours or take corrective actions to reduce the adverse impact.

Societies around the world are gradually coming to terms with the understanding that we all have to behave responsibly and change our behaviours in dealing with certain issues which affect mankind regardless of whether we live in an advanced or the less advanced part of the world. Some of the consequences of past corporate actions are gradually unfolding and being felt either with similar or the same level of intensity by us all in terms of climate change or global warming, food crisis; (even in the first world which was thought unthinkable a few years back; talk less of the third world, this is now almost a reality in both parts of the world!), even though the reverse should actually be case (because of the advancements in modern technology in the science of agriculture), drinkable water is also posing some problems, some of man's natural resources endowed by nature are gradually becoming extinct. Scientists are suggesting that things would have to change not just for the sake of the present generation but most importantly for the sake of future generations. Man's natural resources are exhaustible; therefore we can no longer afford; any more to use these resources irresponsibly or behave recklessly with them either as individuals or corporate entities.

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Over the last few years, corporate entities around the world have identified the value creation ability of CSR and have started to weave the so called triple bottom line idea - economic, social and environmental (ESE) considerations in to their strategy. Of course, what constitute CSR actions we argue in the *Global Practices of CSR* (the first book in a series of books on CSR, Sustainability (S), Sustainable Development (SD) and Corporate Governance (CG) depend on a series of factors and circumstances. Interestingly, several scholars and authors have identified – different issues that fall within the domain of CSR for instance, Kotler and Lee (2005) have categorized the following initiatives as issues falling within CSR activities:

- Issues that contribute to community health
- Issues that encourage safety
- Issues that enhance education
- Issues that improve employability
- Issues that enhance the quality of life in the natural environment
- Issues that enhance community and economic developments
- Issues that facilitate the provision of basic human needs and desires

These aforementioned issues fall either under internal or external CSR, needless to say internal CSR, relates to actions taken by an entity to address CSR related issues of its internal stakeholders whilst external CSR are issues relating to an entity's external stakeholders. Corporate entities of today have realized that both classes of stakeholders have enormous power to affect their success or failure in both the marketplace and community; they therefore no longer take issues which affect these stakeholders lightly.

The current economic turmoil and financial meltdown around the world in the form of credit crunch and high commodity prices which has led to several painful strategic decisions being taken on the part different corporate entities have affected every aspect of our lives. We were made to understand through the media that nothing of this scale had been seen worldwide since the 1930s. It is hoped that corporate entities would not take the current climate as an excuse to either cut back or abandon their CSR projects. It is a general belief that during a period of hardship in an individual's life, decisions are made about those things they could survive without; insurances are cancelled or allowed to lapse and not renewed, cutbacks are made in leisure activities and so on. The individual just exists to survive. Corporate entities are not individuals! This is in fact a period when CSR should be seen as a vehicle for social opportunities which provide the impetus for innovation and placing an entity at a competitive advantaged position over its rivals in its line of business or industry by its actions on CSR related issues.

The argument that society and business are interwoven has been used on countless occasions by scholars and advocates of CSR. Business cannot operate without society and conversely society will find it difficult, if not totally impossible to function effectively without business. That the two are interdependent may appear too simplistic an argument, but that is the truth. It therefore follows that what is needed in order for the two to co-exist in harmony is really not confrontation or any form of coercing by NGOs or some activist groups; but an atmosphere that creates the opportunity for a deep understanding between the two. Of course some may argue that the laws of economics may make what is being suggested here difficult. They may argue further that the more business provides in order to satisfy society's social, economic and environmental (SEE) concerns, the more society will demand from business, they are probably right but this editor does not concur with this weak argument. Society owns corporate entities, whether or not they want to accept it, albeit, this ownership may not be direct in the same sense as stakeholders such as shareholders, employees or creditors. It is therefore in society's best interest for business to continue to thrive and prosper; it is through this that prosperity pervades the community. The general acceptance of CSR globally has taken the debate on the interrelationship between the two beyond the level of whether or not society has a say in what is going on inside the walls of a corporate entity in terms of how the entity deals with or interacts with its surrounding community. If one agrees with this argument, then the argument that the more is provided by business the more is demanded no longer holds. The mutual understanding between the two has gone beyond this level.

This book, the *Professionals' Perspectives of Corporate Social Responsibility* provides an insight into how professionals are attempting to absorb the ethos of corporate social responsibility into their daily professional activities. Society now demands that we should all behave responsibly by demonstrating that those issues that are at the core of CSR are as equally important to us in the same way as those traditional issues that professionals are trained to practice in the community. The book has been fortunate in the sense that its contributors, who are professionals in different fields around the world, have each provided an account of how CSR has either changed or redirected thoughts in their professions.

The book has been divided into five parts, each part focusing on professions which we have been grouped together for convenience. Part I – Business and Management – encompasses seven professions in eight chapters, Part II – Engineering – looks at Industrial Engineering in two chapters, Part III – Investment and the Built Environment – considers CSR from the perspectives of Socially Responsible Investment and the Built Environment in three chapters, Part IV – Not-for-Profit Organisations and Leisure – focuses on NGOs, Social Work, Local Authority and the Hotel & Leisure industry in four chapters and Part V – Education, Research and Human Resource Management – completes the book with four chapters from Academia, Consultancy and Human Resource Management dimensions of CSR.

In the first chapter entitled '*Corporate Responsibility, Accounting and Accountants*' Carol A. Tilt argues that traditionally, financial accountability had been the main focus of accountants but for a number of years Accounting academics have been at the forefront of research activities in Social & Environmental Accounting. More recently, accounting practitioners and their professional bodies around the world have also taken a significant interest in the area. The chapter argues that accountants' interest in CSR is wide ranging; inculcating issues such as improving social justice, providing assistance to corporate entities on aspects which help them to address and report on how they have reduced the adverse impact of their activities in their local communities.

In Chap. 2 on *Perspectives of Lawyers in Practice on CSR*, Patricia Park argues that even though CSR is developed within a legal framework but providing advice to corporate entities is dominated by non-lawyers. The chapter focuses on issues relating to international legal imperatives of CSR from its human rights dimension especially as it affects employment and environmental obligations. The chapter also explores the UK's new Companies Act 2006 and its provisions on Directors duties with regard to CSR. The chapter discusses some legal risks in relation to CSR Reports and why lawyers must be actively involved in preparing these reports. It analyses a CSR survey carried out by some international law firms and the findings from the survey.

In Chap. 3 by Samuel O. Idowu entitled *Corporate Social Responsibility from the Perspective of Corporate Secretaries*, notes that members of some chartered professional bodies in the UK who are statutorily eligible to hold office as corporate secretaries have had to absorb all the challenges and opportunities that the field of CSR has thrown at them, albeit in collaboration with their other senior colleagues in organisations. The chapter also argues that modern stakeholders look on corporate entities to meet all their economic, social, ethical, legal and philanthropic responsibilities whilst remaining virtuous, even though meeting these responsibilities may at first sight appear contradictory and impossible. The chapter notes that business and society are interwoven rather than distinct entities. It provides the findings from a UK study carried out in order to identify how corporate secretaries are embedding the ethos of CSR in what they do.

François Maon, Valérie Swaen and Adam Lindgreen in Chap. 4 on *Mainstreaming Corporate Social Responsibility: A Triadic Challenge from a General Management Perspective*, conducted a study of some 75 companies in an attempt to decipher how CSR programmes are designed, implemented and monitored. The chapter identifies three interconnected challenges required to be embedded by senior managers in their organizational processes. These contributors note that mainstreaming CSR as an objective by an entity can be achieved through the development of understanding, on-going dialogue and engagement between the entity and its stakeholders.

In Chap. 5 by Royston Gustavson entitled *The Company Director's Perspective on CSR* argues that the role of a company director as a member of the board is to create value for their organization through performance and conformance. These necessitate him/her working in collaboration with other directors to set mission, values and the strategic direction of the organization in a socially responsible manner and set internal policy and procedures whilst reporting to the company's stakeholders in a transparent way. The author also argues that because directors have access to a wide range of information and resources on CSR, they are able to use this information in a positive way.

Timothy T. Campbell and José-Rodrigo Córdoba in Chap. 6 entitled *The Need to Reconsider Societal Marketing* argue that despite the commendable contributions Marketing and Marketers have made in raising the standards of living around the globe, Marketers are often criticized for being too driven by a philosophy which advocates satisfying customer needs solely for profit. The chapter argues that Marketing has a far greater awareness and sensitivity to social and environmental issues. It notes that Societal Marketing Concept (SMC) – (a concept which extends Marketing beyond the traditional boundaries of company profits and consumer wants) has been used in the marketplace for well over 40 years. These contributors explore how SMC could further extend Marketers contributions to the field of CSR.

In Chap. 7 entitled *An analysis of CSR, Trust and Reputation in the Banking Profession* Sally-Anne Decker and Christopher Sale argue that professionals in the financial services industry are important contributors in determining the financial fortunes, stability and sustainability of modern economies. The chapter using a variety of sociological perspectives suggests that trust, reputational and regulatory risks are of particular concerns in Bankers efforts to embed the ethos of CSR into their activities. The chapter argues that albeit Bankers are perceived to have made some advancement in embedding some of the principles of CSR in their professional callings, but there is still room for the profession to improve on its current standing in the CSR 'league table' in society.

Walter Leal Filho et al. in Chap. 8 examine how the Banking sector in Greece has amalgamated environmental and social concerns into the decision making process. The chapter also analyses the various reporting strategies employed by Banks in Greece whilst simultaneously assessing the sector's sustainability reporting using the Global Reporting Initiative (GRI) scoring systems and Deloitte Touché Tohmatsu reporting scorecard.

In the 9th chapter of the book, entitled *Industrial Engineering's Perspective of CSR*, Luis Velázquez et al. argue that albeit industrial engineering seeks to improve society's quality of life but the production processes and activities required to meet this objective often result in unanticipated adverse impacts on human's health and ecological degradation. The chapter puts forward a case for a new order in the curriculum required for training future engineers; including industrial engineers. This should enable these engineers to be interdisciplinary in their focus and in dealing with issues that alleviate the adverse impact of their profession on the environment.

In Chap. 10; a second chapter on industrial engineering entitled *An Exploratory Study of the CSR Practices in the Greek Manufacturing Sector*, Panayiotou et al. describe the level of CSR practices in the Greek manufacturing sector. The chapter argues that there is a pronounced absence in literature on studies which analyse the level of CSR practices in the Greek manufacturing sector. In order to address this anomaly, the chapter uses an empirical study to identify CSR practices in the most active companies in the Greek industrial sector using an eight category framework based around three issues – economy, environment and society.

In Chap. 11 by Céline Louche entitled *Corporate Social Responsibility: The Investor's Perspective* on Socially Responsible Investment argues that both individual and institutional investors are realizing that firms which adopt a proactive approach in managing their social and environmental risks stand to derive immeasurable benefits in terms of financial and sustainable value creation. The chapter provides information of SRI from three dimensions namely; a general background to SRI, current practices on SRI and issues that are likely to shape the future of the industry.

The twelfth chapter by Olatoye Ojo entitled *Corporate Social Responsibility: The Estate Surveyors and Valuers' Perspective* notes that in the Estate Surveying and Valuation sector, ethics, the environment, sustainable development, infrastructure, capacity building and manpower development and good governance are the CSR issues that are presently of concern. The chapter also argues that strategic and altruistic CSR are glaringly noticeable in the sector. It suggests that educators in the sector need to review the curriculum of real estate education in order to adequately prepare new entrants into the profession to cope with the challenges which the field of CSR would throw at them.

Berna Kirkulak in Chap. 13 entitled *Corporate Social Responsibility and Ethics in Real Estate: Evidence from Turkey* argues that the current global economic crisis could perhaps be traced back to unethical appraisal practices (worldwide) and a limited base of real estate industry skills in Turkey; the author's country of focus.

The chapter argues that the economy of any country which relies too heavily on its Banking sector exposes itself to too much systematic vulnerability which was the case in Turkey and was probably the reason why Turkey's economic meltdown started in 2001 well before the current global meltdown. The chapter discusses the roles of real estate agents and appraisers in Turkey highlighting the serious consequences of fraudulent practices in real estate appraisal in the country.

In Chap. 14, Elizabeth Hogan takes on the issue of CSR in the Non-Governmental Organisations (NGOs) sector with a chapter she titles *Does 'Corporate' Responsibility Apply to Not-for-Profit Organizations?* The chapter explores differences in approach to CSR by multinational corporations (MNCs) and non-governmental organisations (NGOs). It notes that despite some similarities in the resources available to large NGOs and MNCs, the expectations of these NGOs are not well defined. The chapter focusing mainly on three large international NGOs examines the incentives behind their CSR initiatives and considers whether their goals are best met by current practices. The author argues that by integrating socially responsible initiatives into their day to day operations these NGOs greatly enhance the chances of successfully attaining the objectives of their core activities.

Diana Luck and Jean Bowcott in Chap. 15 on *A Hotelier's Perspective of CSR* argue that hoteliers' like their counterparts in other industries have embraced the concept of CSR in their activities. The extent to which the concept have been embraced and engaged with by companies in the industry has varied. The chapter discusses how a key employee of a particular hotel chain sees it absorbs the concept of CSR into its activities both in the UK and internationally. The chapter does not profess to represent CSR practices in the hotel industry but merely an individual's view of how one company has inculcated CSR into its activities.

In Chap. 16 on *Emphasizing the 'Social' in Corporate Social Responsibility: A Social Perspective*, Dyann Ross argues that social work is a profession that seeks social justice and human rights protection for all. Focusing on the lessons derived from a study funded by a multinational mining company in Western Australia to resolve the conflict between the company and its impacted neighbouring community, the chapter notes that through dialogue, mutual respect and respect for social justice; CSR has all the ingredients needed to effect fairness. The field of CSR the chapter argues can facilitate the finding of common ground and ways through dialoguing in order to create the right atmosphere for business and society to coexist in harmony with little or no conflict.

In Chap. 17 entitled *Democratic Gains in Public Administration at Local Level in Terms of CSR: Theory and Practice Based Approaches at Izmir Metropolitan Council, Turkey* Zeriin Toprak Karaman takes on the issue of corporate social responsibility in a local government as seen by Izmir Metropolitan Council in Turkey. Zerrin argues that in an urban structuring, the existence of a diverse cultural group is paramount in ensuring the pervasiveness of social peace thus enabling the democrats in the municipal council to meet part of their CSR requirements. The chapter also notes that; to develop and sustain the ability of a given society to make decisions and collectively implement related CSR strategies; with the help of ongoing learning tools in order to facilitate the development of democratic gains; which are important ingredients that could lead to an ideal social form, several pertinent CSR related questions must be answered.

In the 18th chapter entitled *An Academic's Perspective of the Role of Academics in Corporate Responsibility* Ralph Hamann argues from two standpoints he describes as disconcertingly questionable: that business can contribute positively to sustainable development and that those in academia are in privileged position to assist towards attaining this end regardless of where they are in the world. Having said this, the chapter goes on to argue that there are significant constraints to realizing the academic ideal of open and informed debate about the issue. These constraints the chapter notes stem from the social and cultural context under which academics work and in respect of the limited resources often at the disposal of academics who work in the industry.

Karolina Windell in Chap. 19 entitled *The Proliferation of CSR from two Professional Perspectives: Academic Researchers and Consultants* which aims to contribute a theoretical discussion on the role of those who believe that corporate entities need to change their behaviours towards their stakeholders and the natural environment. The chapter basically explores how academic researchers contribute to the popularization of CSR and how they have used the field to create opportunities for themselves and others.

In the penultimate chapter on *An analysis of the Competence of Business School Teachers in Promoting Sustainable Development in Finland* Liisa Rohweder and Anne Virtanen argue that the last few years have witnessed an extensive coverage of issues relating to business promoting sustainable development (SD). This has happened as a result of the increasing awareness of both the problems and future problems of climate change. That business school teachers are charged with the responsibility to educate tomorrow's business leaders puts them in a privileged position to start the process of change in attitude towards issues relating to sustainable development, these authors argue. The study notes that Finnish business school teachers have a positive attitude and are well versed on sustainable development issues but competence is still lacking on issues relating to them choosing between pedagogical and didactical methods.

In the final chapter on *Corporate Social Responsibility and Human Resource Management: A Strategic-Balanced Model*, Ananda Das Gupta argues that corporate social responsibility and responsible capitalism pose a number of challenges for HRM and corporate leaders. HRM paradigm; the chapter notes is based on a rational strategic management framework which is consistent with rational economic analysis. However, the paradigm is limited in circumstances where corporate entities seek to behave responsibly with regard to a range of internal and external stakeholders and at the same time seek to take a longer term view of CSR issues. The chapter notes that the field of responsible business strategy and practice poses unenviable challenges to corporate entities but these challenges must be addressed in order to shape the future of our world.

A careful read through of the issues highlighted in this introductory chapter to each of the 21 chapters featured in this book should hopefully reveal that these chapters have one common theme and message; that CSR is an important interdisciplinary field to all corporate professionals. Modern corporate entities have come to realize that long term economic growth and success would be far too difficult to achieve if they were perceived by all and sundry to be socially irresponsible. Success is no longer measured only in terms of the bottom line results or share prices on the stock market; in any case a company that is perceived to be socially irresponsible would have a poor bottom line result and lower share prices at the stock exchange. It is now no longer a case (as was previously believed) that it's only society which benefits from corporate CSR actions but the entity actually helps itself to operate sustainably and consequently do well because of its triple bottom line actions Elkington (1997).

Kelly and Littman (2001) argue that 'today, companies seem to have an almost insatiable thirst for knowledge, expertise, methodologies and work practices around innovation'. In my view; which of course; is a general belief, an entity that fails to innovate in its line of business puts itself at a competitive disadvantage amongst its rivals. Kelly and Littman (2001) also note that ′Out there is in some garage an entrepreneur who's forging a bullet with your company's name on it. You've got one option now – to shoot first. You've got to out-innovate the innovators′. If we all agree that innovation is a key to longer term economic success for business, then it is relevant to ask the question – 'how are modern corporate entities dealing with the issue of innovation in the field of corporate social responsibility?' The answer to this and other pertinent issues will be found in the next book in the series on *Innovative Corporate Social Responsibility*.

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Part I
Business and Management

Chapter 1
Corporate Responsibility, Accounting and Accountants

Carol A. Tilt

In terms of power and influence you can forget about the church, forget politics. There is no more powerful institution in society than business... The business of business should not be about money, it should be about responsibility. It should be about public good, not private greed

Anita Roddick, *Business as Unusual* (2000)

Abstract Accountants have an important contribution to make to the debate surrounding Corporate Social Responsibility (CSR). While traditionally it has been financial accountability that is the remit of accountants, for many years now, accounting academics have been at the forefront of research and theory on social and environmental accounting and, more recently, practitioners, professional associations and others have taken an interest in the topic. This chapter demonstrates that accountants' interest in CSR is much more wide ranging than simply an interest in the financial impacts on society. Some writers envision a role for accountants in improving social justice and contributing to social and environmental benefits on a global level. The chapter concentrates initially on research about how firms report on social and environmental issues. It then provides a review of some of the research undertaken on the extent of that reporting and on accountants' perspectives on CSR and sustainability more generally. Finally, it outlines the involvement of the profession of accounting in adoption and promotion of corporate social and environmental responsibility.

1.1 Introduction

Accountants have an important contribution to make to the debate surrounding Corporate Social Responsibility (CSR). The major element of accountants' contribution that they have the ability to provide a mechanism for holding corporations

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accountable for what they do – holding entities accountable is, after all, what accountants do as a matter of course. While traditionally it has been financial accountability that is the remit of accountants, for many years now, accounting academics have been at the forefront of research and theory on social and environmental accounting and, more recently, practitioners, professional associations and others have taken an interest in the topic. This body of work attempts to 'broaden our thinking about the role of accounting' (Lehman, 2007, p. 35).

The term CSR encompasses a variety of issues revolving around companies' interactions with society. The sorts of issues covered include ethics, governance, social activities such as philanthropy and community involvement, product safety, equal opportunities, human rights and environmental activities. When considering CSR from the perspective of the accounting profession, such consideration is necessarily and inextricably linked with social (and environmental) reporting or accounting. Social accounting was itself a product, in part, of the early social responsibility movement of the 1960s (see Drucker, 1965), but also appeared around the same time the environmental movement emerged (Gray and Guthrie, 2007). Interestingly, while social issues were the initial research focus of accounting academics, these were to some extent overwhelmed by the emphasis on environmental issues that came later, and this emphasis is reflected in the reviews that follow.

This chapter concentrates initially on research about reporting on social and environmental issues (variously called Corporate Social Reporting (CSR – hence it is often confused with Corporate Social Responsibility), Social and Environmental Accounting (SEA) or Corporate Social Disclosure (CSD); more recently the terms 'sustainability reporting' or 'sustainability accounting' have become common). The chapter provides a review of some of the research undertaken on the extent of reporting itself, and on accountants' perspectives on CSR and sustainability. It also reviews the involvement of the profession of accounting in adoption and promotion of corporate social and environmental responsibility, and more recently its involvement in audit, assurance or verification of social and environmental reports.

The accountant's role can traditionally be classified into three areas: the financial accountant, the management accountant and the auditor. In terms of social and environmental accounting, the financial accountant could be said to be primarily interested in social and environmental aspects of assets and liabilities and to report on them in some standard way. The management accountant is concerned with costs and benefits associated with these issues, and the auditor in providing verification or assurance of the social account produced (Medley, 1997; Igalens, 2006). The next sections, however, indicate that the interest of accountants in CSR is in fact much more wide ranging. Some see a role for accountants in improving social justice and contributing to social and environmental benefits for society (Reynolds, 2007).

1.2 Social and Environmental Accounting

There have already been a number of extensive reviews of the social and environmental accounting (SEA) literature (see Thomson, 2007 for a recent and novel approach), notably (Gray et al. 1995a) and (Mathews 1997). Mathews (1997) reviews 25 years of academic work in the area from the early 1970s, classifying it into empirical, normative, philosophical, and various other forms of research. Mathews (1997) provides an excellent history of the early work undertaken on SEA, noting that in these early stages, SEA research predominantly reported 'fairly unsophisticated empirical studies, which attempted to measure the amount of new information being produced and published by a limited number of enterprises' (Mathews, 1997, p. 484). Gray et al. (1995a) show that over the period 1979–1991 social and environmental reporting steadily increased, both in terms of the number of companies choosing to report, and the amount they reported. However, they point out that the level of social reporting was still relatively low compared with other forms of discretionary disclosure, concluding that 'social and environmental performance is still a relatively low priority for companies' (Gray et al., 1995a, p. 68). This chapter will not revisit this early research as it has been well reviewed in other papers, but rather will focus on more recent developments. However, one important element of the earlier work was its explication of the concept of SEA, leading to the definitions still used today.

Gray et al. (1987, p. ix) provide the most useful and commonly used definition of what we mean by SEA. They describe it as:

> Communicating the social and environmental effects of organizations' economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations (particularly companies), beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders.

O'Dwyer (2006, p. 233) describes social accounting scholars as a group of individuals with 'commitment to stakeholder accountability and democracy'. The work of these scholars views accounting as 'a mechanism aimed at enhancing corporate accountability and transparency to a wide range of external stakeholders, addressing the social, environmental and ethical concerns and values of individuals upon whom a business has a non-economic impact' (O'Dwyer, 2006, p. 220), hence social accounting is a major element of corporate social responsibility, linking it with corporate social responsiveness. More recent analysis of the type and extent of social accounting indicates the variety of reporting mechanisms, including assurance statements, environmental, social and economic performance reports (also called Triple P (people, planet, profit) or Triple Bottom Line reports) and reporting within annual reports and financial statements. Also noted is the variety in the extent and nature of the reporting, particularly across industry sectors and between countries (Labelle et al., 2006). These differences have been shown, however, to be unrelated to profitability, but associated with entity size and the regulatory environment (Stanwick and Stanwick, 2006).

As social accounting in its various forms increases, so too do the frameworks and guidelines devised to assist firms in producing social and environmental information. The Accountability 1,000 framework, created in 1999, is a set of standards that focus on performance indicators, targets and reporting systems. It also has stakeholder engagement as a fundamental principle (Stanwick and Stanwick, 2006). The Global Reporting Initiative (GRI) was established to provide global guidelines for the reporting of social and environmental information, and to ensure consistent reporting. In Australia, a guide to triple bottom line reporting to complement the GRI was developed in 2003 by Environment Australia (Adams and Frost, 2007).

The GRI states[1] its vision as being 'that reporting on economic, environmental, and social performance by all organizations is as routine and comparable as financial reporting'. They provide a *Sustainability Reporting Framework* 'of which the *Sustainability Reporting Guidelines* are the cornerstone' and 'provides guidance for organizations to use as the basis for disclosure about their sustainability performance, and also provides stakeholders a universally-applicable, comparable framework in which to understand disclosed information'. There are 11 reporting principles, encompassing similar attributes to those espoused for financial accounting, such as, auditability, completeness, relevance, accuracy, neutrality, comparability, and timeliness; and also includes transparency, inclusiveness, clarity and context (Stanwick and Stanwick, 2006).

Reporting under the GRI does have 'levels of application' however, so just because a company reports using the GRI framework, it does not mean it will report at the same level as another organisation using the GRI. Part of the GRI requirements is that a company must disclose what level of reporting it is using. Level A is the most comprehensive. A-level companies must respond to every core indicator, either reporting on it, or explaining why it is not material to their business. At level B, companies are asked to report on at least 20 indicators, taking at least one from each area. At the lowest level, C, companies must report on just ten indicators. Unlike the higher levels, C-level companies do not have to disclose their management approach to sustainability. Neither must they comply with some of the guidelines' principles, including 'accuracy', or commit to producing a balanced report.

The GRI is probably the most successful attempt to date, at standardising the reporting of social and environmental information globally (Adams and Frost, 2007). It does not however, come without its critics. Criticisms range from it being labelled as too complex, particularly when first introduced, to being in danger of watering down its own commitment to promoting transparent reporting, since making changes recently. It has also been criticized for having flawed assumptions and weak science when applied to some technical issues. The guidelines are also said to read as if a different group wrote each of the sections (economic, environmental, and social), which is in fact how it was first developed. Notwithstanding the criticisms however, over 3,000 environment and sustainability reports were released using GRI indicators in the 10 years to 2006 (Stanwick and Stanwick, 2006). Adams and Frost (2007, p. 10) however, note that in Australia, reporting on 'social and environmental performance by . . . companies is very low and significantly lower than for equivalent British companies'.

While externally reporting on social and environmental issues is generally the remit of the financial accountant, as mentioned earlier, management accountants are involved in internal measurement and identification of social and environmental

[1] www.globalreporting.org

costs and benefits. This area of accounting has been most often called 'full cost accounting' (Bebbington et al., 2001, p. 8) who define it as a 'system which allows current accounting and economic numbers to incorporate all potential/actual costs and benefits into the equation including environmental (and perhaps) social externalities to get the prices right'. This then makes those social costs more visible and thus able to be considered in decision making, flows to reporting, and potentially makes the firm more accountable (Antheaume, 2007). For some examples of full cost accounting experiments, see Baxter et al. (2002), Bent (2005) and Taplin et al. (2006).

1.3 Theoretical Research on Accounting and CSR

1.3.1 Motivation to Account for Responsibility

Theoretical work on CSR accounting has produced a number of theories as to the motivation of firms to report or disclose information on their CSR activities, most deriving from the broad theory called Political Economy Theory which is defined as 'the social, political and economic framework within which human life takes place' (Gray et al., 1996, p. 47). Legitimacy theory is one such theory and suggests that reporting is used as a communication mechanism to inform and/or manipulate the perceptions of the firm's actions. Suchman (1995, p. 574) defines legitimacy as:

> . . .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.

Most research considering CSR focuses on firms that are 'defending' their legitimacy due to a real or perceived threat. Such threats most commonly include bad publicity from the media surrounding a particular event, such as the *Exxon Valdez* oil spill (Patten, 1992; Deegan et al., 2000), or are measured by proxies for public or political 'visibility' such as size or industry (Patten, 1991; Hackston and Milne, 1996; Adams et al., 1998). Other research chooses to focus on particular industries that are more likely to attract attention due to their activities in environmentally or socially sensitive areas (Milne and Patten, 2002; Campbell, 2003). The majority of studies have found evidence to support the notion that firms use communication or accounting to defend or maintain legitimacy in the eyes of society and/or their stakeholders.

The research on firms' use of communication practices to defend their legitimacy has drawn on Lindblom (1994) and (Dowling and Pfeffer, 1975) and identify four communication strategies that a company may use to defend its legitimacy:

1. To inform and educate the relevant publics about changes within the organisation.
2. To change the perceptions of the relevant publics, but does not change its own behaviour.

3. To deflect attention from issues of concern to other issues.
4. To misrepresent activities of concern to the relevant publics.

Stakeholder theory extends legitimacy arguments to consider not only society as a whole but particular stakeholder groups (Deegan, 2002), hence the two theories are said to be ‘overlapping perspectives of the issue (of reporting behaviour)’ (Gray et al., 1995a, p. 52). These stakeholders demand different information and firms will respond to their demands in a variety of ways (Deegan, 2006). Competing demands from stakeholders has led researchers to consider ‘stakeholder management’ as a driver of CSR activity and reporting (Gray et al., 1996). This is known as the positive or managerial branch of stakeholder theory, where more powerful stakeholders, that is, those with more control over resources, are more likely to receive attention from the firm (Ullmann, 1985).

Another branch is known as the ethical (moral) or normative branch (Deegan, 2006). The Ethical branch of Stakeholder Theory suggests that all stakeholders have the right to be treated fairly by an organisation. Issues of stakeholder power are not directly relevant and it assumes that management should manage the organisation for the benefit of all stakeholders. Under ethical stakeholder theory, the firm is a vehicle for coordinating stakeholder interests and management have a fiduciary relationship to all stakeholders: where interests conflict, business is managed to attain optimal balance among them (Hasnas, 1998). Each group merits consideration in its own right and also has a right to be provided with information, whether or not that information is used (Deegan, 2006).

There have been many definitions of stakeholders (see Mitchell et al., 1997 for a review of definitions used). A commonly used definition is:

> Any identifiable group or individual who can affect the achievement of an organisation’s objectives, or is affected by the achievement of an organisation’s objectives (Freeman and Reed, 1983, p. 91).

The major stakeholders of a company therefore include shareholders, employees, creditors, suppliers, customers, banks, government, community, public interest groups and the general public (Ogan and Ziebart, 1991; Tilt, 1997, 2007). Most of this research has focussed on economic or *primary* stakeholders – ‘without whose continuing participation the corporation cannot survive as a going concern’ (Clarkson, 1995, p. 106), such as shareholders. Studies on non-economic or *secondary* stakeholders, that is ‘those who influence or affect, or are influenced or affected by, the corporation, but . . .are not engaged in transactions with the corporation and are not essential for its survival’ (Clarkson, 1995, p. 107), has been more limited. The research undertaken shows that while a variety of stakeholder groups have an interest in the CSR activities of businesses, most consider their voluntarily produced reports to lack credibility and are generally skeptical of firms’ social responsibility reporting (Tilt, 1994). The firms themselves confirm the view that some stakeholders are particularly important (such as shareholders, investors, creditors) but others less so (NGOs, the media, suppliers). For a review of stakeholder influence on CSD, see Tilt (2007).