

An Attempt At The Classification Of A Quarter Of A Century Of (Non-Critical) Corporate Social Reporting

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INTRODUCTION

Whilst corporate social *responsibility* (CSRes hereafter) perhaps has a long history, corporate social *reporting* (CSRep hereafter) is probably of more recent origin. Thus although Guthrie and Parker (1989) were able to show in their longitudinal study of Broken Hill Proprietary evidence of CSRep activity (as revealed via the company's annual reports), going back to the last century, such studies remain a rarity (although see also Hogner 1982; and Niemark 1992).

The major early developments in the field of CSRep seem to have occurred in the USA in the early 1970s, with the emergence of two parallel initiatives.

Firstly, there was the development of what might be called generalised models of CSRep. These were in some cases highly theoretical and exhibited great difficulty of application to real life organisations. Within this group may be envisaged:

- * Corcoran and Leininger's (1970) 'environmental exchange report'
- * Linowes' (1972, 1973) 'socio-economic operating statement'
- * Abt's (1972) 'social audit' (also called the 'constituent impact approach')
- * Bauer and Fenn's (1972, 1973) 'process audit'
- * Dilley and Weygandt's (1973) 'social responsibility annual report'
- * Seidler's (1973) 'social income statement'
- * Estes' (1976) 'social impact statement'
- * The American Institute of Certified Public Accountants' (1977) 'ideal' and 'initial' systems
- * Burke's (1984) 'social accounting information system'

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From an examination of Appendix 1, where all the models are summarised, it will be seen that even the most recent of them was now developed more than a decade ago. However, age should not necessarily be taken as indicating irrelevance, and the fact that no further such generalised models have been developed since the mid-1980s may be interpreted as suggesting they cannot be 'bettered' (although alternative explanations are, of course, possible)

The second development occurred with the evolution of company-specific CSRep systems. Again, these were virtually all the product of the US, the sole exception being Deutsche Shell. The most significant US corporations involved (there were many less significant companies that also made attempts at CSRep - see Dierkes and Bauer, 1973) were:

- * R G Barry Corporation
- * Bank of America
- * Eastern Gas and Fuel Associates
- * Scovill Manufacturing
- * Atlantic Richfield
- * First National Bank of Minneapolis
- * Abt Associates, Inc.

A summary of the various approaches appears as Appendix 2. It will be noted the Abt approach appears here as well as in the earlier (Appendix 1) grouping, since in addition to being developed as a theoretical model, Clark C Abt also applied the definitive model to his own consultancy organisation.

As with the first group of initiatives, most of these company-based models are now somewhat dated. Most of them had a maximum life of only a few years, and none of them is still in use. Whilst there is currently some limited evidence of a resurgence of interest in the production of company-specific models of CSRep, this appears largely to be restricted to the domain of environmental reporting - witness ICI, Bodyshop, and the 'mass balance' approach of Danish Steel Works Ltd (Jorgensen, 1993). The case of Tradecraft (Dey *et al.*, 1995) perhaps represents the most ambitious recent attempt to return to the comprehensive social reporting style of yore, concentrating as it does upon the information requirements of a variety of stakeholder interests.

Other early initiatives that occurred seem equally limited in scope, such as the concern round about the 1980's in the UK with value added reporting (Morley, 1978a, 1978b, 1981; Dickinson, 1979; Burchell *et al.*, 1981; Bougen, 1983) and employee reporting (Marques, 1976; Maunders, 1981; Gray *et al.*, 1987, Chapters 8 and 9; Hussey, 1991).

In addition to the two broad types of CSRep model identified above, there is a third strand of CSRep development which is still very much alive, being represented by the host of content-analysis-based studies which have been undertaken of companies' actual CSRep activities, principally in the USA, the UK and the Australasia. These fall broadly into three main groupings:

- * Attempts to correlate social performance with accounting performance (see Table 1)
- * Attempts to correlate social performance with stock market performance (see Table 2)
- * What might be termed non-financial-results-oriented CSRep. These studies are too numerous to list (although for a summary see Woodward, 1993b), but may be perceived as commencing with Churchill (1974). Most recent examples are probably contained in the work of Guthrie and Parker (1989), Gray (1990), Zeghal and Ahmed (1990), Hall and Jones (1991), Yamagami and Kokubu (1991), Gorman (1992), Lynn (1992) and Gray *et al.* (1995).

Insert Tables 1 and 2 here

These three strands of CSRep (generalised, company-specific and content-based analyses) may be seen as representing different ways in which both theorists and observers have viewed the issue of CSRep. The present paper will propose a number of different classification schemes that can be used to categorise the various models that have been developed.

A classification scheme has, indeed, already been proposed by Strasser (1973, p. 228), who visualised the various approaches as spanning many spectra:

- * from the macro to the micro approach
- * from deductive to inductive reasoning
- * from methodology development to case studies
- * from emphasis on content to emphasis on specifics
- * from one discipline to another
- * from emphasis on the present to emphasis on the future
- * from direct to indirect effects
- * from tangible to intangible considerations

Whilst this is in many ways an interesting set of distinctions, it does not provide a very good 'fit' to the approaches that have actually been developed. Alternative classifications are therefore required as a way of 'making sense' of the evolution of CSRep over the last quarter of a century, or thereabouts, if only as a way of assisting companies that might be contemplating entering the CSRep arena in making their choice of format.

To this extent, the paper may be perceived as offering an alternative orientation to that of Mathews (1997) - so far as the present author is aware, the only other attempt that has been made to analyse CSRep developments over the last quarter of a century. It should be noted, therefore, that Mathews' approach represents merely a classification of the literature according to the somewhat different themes of: empirical studies, normative statements, philosophical discussion, non-accounting literature, teaching programmes and text books, regulatory frameworks, and other reviews.

For present purposes, it is proposed that classification can occur according to the following dimensions:

- * desirable characteristics of the reporting
- * nature of the conceptual dimension employed
- * level of reporting complexity displayed

It should be noted that no attempt at this stage is made to categorise that branch of CSRep research which is limited in scope to the single dimension of employee interests, or environmental considerations, or value added reporting, as the case might be. Such investigations are considered too narrow in scope to be worthy of consideration or to possess any potential benefit from such a treatment. Additionally, the contributions of 'critical' theorists such as Tinker *et al.* (1991), Puxty (1986, 1991), Lehman (1992), Cooper and Sherer (1984) and Power (1991) are ignored on the grounds that, whilst they are all in their own way interesting and significant, they are far more concerned with developing new approaches to CSRes than they are in translating their developed concepts into prescriptions for CSRep. Since this essay is explicitly concerned with CSRep, such 'critical' perspectives find no place within its suggested typologies.

Before the proposed classification can occur, a brief history of the concept of CSRes is undertaken, together with a summary of the associated development of CSRes theory, by way of providing a backdrop against which the evolution of the various CSRep approaches may be seen in perspective.

2. A SHORT HISTORY OF CORPORATE SOCIAL RESPONSIBILITY

There is no consensus whatsoever upon when the phenomenon of corporate social responsibility first appeared. For many UK writers, the starting point is *The Corporate Report* (ASSC, 1975), and this document commenced, for example, Gambling's (1977) consideration of the relationship between business and society, as it also did for Jeuda (1980), as well as figuring substantially in Macve's 'conceptual framework' (Macve, 1981; Burchell *et al.*, 1982). It is also considered important in the history of some specific aspects of social reporting, particularly that of reporting to employees (see, for example, Owen, 1981; Cooper, 1984). For many US

authorities the genesis of CSRes is the surge of interest in the concept that occurred in that country in the early 1970s. Estes and Zenz (1973, p. 33), for example, whilst indicating an acceptance of the first mention of CSRes in the US as being considerably earlier than 1970, claimed *that* year marked the commencement of the first serious attention being paid to the topic both in the literature and amongst professional and business organisations.

Parker (1986) thought that for most western countries, social accounting was "very much a child of the 1970s" (p. 68).

Burke (1984, p. 25) identified the 1960s as being a watershed, when a clash of social values with economic priorities was felt by all institutions. For business, the *external* result was distrust and a growing disequilibrium between society's expectations on the one hand and perceived corporate performance on the other, which was translated, amongst other things, into demands for a wider accountability - something (implicitly) to which businesses might be expected to subsequently respond, even to the extent of including social performance in managerial assessment (Williams, 1980).

Manne and Wallich (1972) talked about the "modern introduction" (p. 1) of CSRes being in the early 1930s as an attempt to counteract the public hostility towards business, whilst Gale (1978, p. 58) attributed the earliest contribution in the field to Howard R Bowen (1953). Davis and Blomstrom (1975, p. 11) expanded the 1950s list to include Selekmán and Selekmán (1956), Eells and Walton (1961), and McGuire (1963). However, there was no attempt amongst any of these authors to delve back into history to the extent of Bauer and Fenn (1972), who considered the *concept* of socially responsible business has existed at least since the era of the ancient Greeks.

Bauer and Fenn (1972, pp. 4-6) developed the idea of a continuum of social responsibility stretching from Ancient Greece to modern times. The Greeks found offensive the notion that wealth could be used as its owner pleased without regard for "the interests of humanity and of social consequences" (Arenson 1971, quoted in Bauer and Fenn, p. iv).

By the Mediaeval period, the Church had been substituted as the watch-dog of the businessman. If he was primarily concerned with making money for himself, he was sinfully occupied. If, on the other hand, he was fulfilling his own immediate needs and then occupying himself with his neighbour's welfare, then he was conducting himself according to the teachings of the Church.

In the seventeenth century, with the appearance of merchantilism, all this changed. Wealth was seen as a positive good in itself, and direct concern with the well-being of society declined.

With the Industrial Revolution emerged the concept that competition should serve as the regulator and determinant of proper business conduct - if you survived and prospered you must, by definition, be doing the right things.

Post the Second World War there was a return, particularly in America, to a situation of the business community becoming extremely active in 'selling' the idea of free enterprise, but this was associated with a spread of the ideas of 'corporate citizenship', 'business responsibility' and 'business statesmanship'.

"Ralph Nader, consumerism, ecology, minority problems, women's liberation, South Africa, misleading advertising, Campaign GM, student and church activism all tumbled over one another seeking attention, to the point where the businessman of the seventies (was) caught up in a confusing turbulence of demands and charges and concerns, all marching under the umbrella of 'social responsibility'" (Bauer and Fenn, 1972, p. 8).

Support for the Bauer and Fenn view is provided by Galbraith (1967), who argued that control in economic society has passed through three noticeable stages. First came the landowner. Then, with the coming of the Industrial Revolution and the need for (and returns to) capital, economic control passed to the capitalist. During the twentieth century, control has passed or is passing to the technostructure - an industrial state dominated by mature organisations, emancipated from the market and run by a technocratic *elite* aimed at planning and control, and which incorporates the state as guarantor of demand, provider of education and research, and lender of last resort. Within that technostructure, Bowman (1973, p. 27) suggested that many sectors of industrial society influence (constrain) the activities of business with a 'neoinvisible hand' - any organisation must maintain a 'visible coalition' of all its constituents- whilst Harvey *et al.* (1984, p. 6) thought Galbraith's scenario provided a background against which the idea of corporate social responsibility could be grasped, attacked or dismissed:

- grasped* by those who accept the inevitability of a dynamic relationship between business and society;
- attacked* by those who regard the corporation as a specialist economic institution not competent to judge the social interest
- dismissed* by those who regard CSRes as an irrelevant or rhetorical concept.

Further support for the idea of CSRes being something other than a modern 'invention' comes from a number of quarters. Thus Manne and Wallich (1978, p. 4) traced the roots of the concept back to the 1930s, when big business in America was

under unusually severe political and social attack and saw, as a means of relieving that pressure, the proclaiming of social welfare (rather than profits) as the real goal of large enterprises. Subsequently, pressures came from different sources, such that the content of what is supposed to constitute CSRes at any point in time has changed with considerable regularity:

- (a) at the inception of the doctrine it meant service to the local community;
- (b) it was then expanded to include support of basic research, scholarships, and general unrestricted support of universities;
- (c) even later, corporations became the principal patrons of the arts;
- (d) then came product safety, employee safety, and not trading with countries on some person's 'least-favoured-nation' list;
- (e) subsequently, concern moved to racial and sexual hiring practices and environmental issues

We now seem to have reached the position where, "Whether you regard it as an unchecked epidemic or as the first blast on Gabriel's horn, the trend towards focusing on the social impact of the corporation is an inescapable reality that must be factored into today's managerial decision making" (Nash, 1981, p. 80). Certain aspects of the area of concern can be traced back further than others. It was possible, for example, for Lewis *et al.* (1984, cited in Guthrie and Parker, 1989, p. 343), to reveal the existence of a body of literature concerning corporate financial reporting to *employees* dating back to at least 1919. Longitudinal studies of both US Steel (Hogner, 1982), Broken Hill Proprietary (Guthrie and Parker, 1989) and General Motors (Niemark, 1992) have indicated a long and rich history of CSRep stretching back in one case to before the turn of the century. This led Hogner (1982, pp. 249 - 250) to suggest that, "corporate social accounting should not be seen simply as a new planning and control technique." It is therefore not something emanating from an attitude towards business ethics which Peter Drucker once described as 'chic' (as reported by Hoffman, 1989, p. 46). Indeed, Guthrie and Parker's (1989) analysis of Broken Hill led them to conclude (and thereby agree with Manne, 1978), that the corporate reporting of social information has an extensive history of growth, decline, and change rather than representing simply a short period of growth and development.

3. THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY THEORY

An examination of the theoretical development of CSRes can, perhaps, not help but start with the widely-publicised views of Milton Friedman. The usual quotation drawn upon to illustrate Friedman's views (even as recently as 1993-Brittan, 1993) is the following:

"Few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible. This is a fundamentally subversive doctrine" (Friedman, 1962, p. 133).

Goldston (1973, p. 66) provided an alternative quotation (from "The Social Responsibility of Business is to Increase Its Profits", *The Sunday Times Magazine*, 13 September, 1970):

"In a free-enterprise, private-property system a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in the law and those embodied in ethical custom."

This is the policy of *sic utere tuo ut alienum non laedas* ("so to act that you don't hurt anybody else" - Wates, 1973, p. 11). Even during recent years Friedman has clearly still not shifted his position (although another arch-capitalist has - who would ever have thought Jimmy Goldsmith would turn 'green' [Johnston, 1991]). Even as recently as the late 1980s (Johnson, 1989, p. 15), Friedman was still maintaining that executives would be violating their fiduciary responsibility to shareholders if they did not seek to maximise their return on investment.

Den Uyl (1984) drew upon the work of Howard Sohn to present a typology of corporate social responsibility approaches, presented in Figure 1 (Appendix 3 indicates the essence of each of the approaches shown).

Insert Figure 1 here

Within this framework, the Friedman approach represents an *individual agreement theory*, which suggests business has a responsibility to constituents who voluntarily enter into exchange agreements with it. Its responsibility to those who are not its constituents is simply to avoid violating their individual rights.

Friedman's ideas found support in the writings of Clarkson (1978), who thought 'social engineering' would reduce economic activity and leave both owners and workers worse off, and Theodore Levitt (1958), who talked (p. 44) about the "frightening spectacle" of businesses which, in the name of social responsibility, impose their narrow ideas about a broad spectrum of unrelated non-economic subjects on the mass of man and society. Levitt is, if anything, even more extreme in his views than Friedman, and in his claim that, "The essence of free enterprise is to go after

profit in *any* (emphasis added) way that is consistent with its own survival" (p. 44). pays no heed even to Friedman's caveat of at least "staying within the law and within the appropriate ethical standard" (Johnson, 1989, p. 14).

Within the Den Uyl framework referred to, Levitt occupies a *functional theory* position, which tends to conceive of the CSRes debate in morally neutral terms. Corporations are believed to have certain functions or structural principles that dictate their *rôle* in society. The argument is that the very integrity and nature of a corporation is its responsiveness to changing circumstances and demand. Those that respond properly will survive, while those that do not will perish. To that extent, the Levitt approach is similar to the population ecology model of organisational survival expounded by Aldrich (1979), McKelvey and Aldrich (1983), Hannan and Freedman (1977), and Freedman and Hannan (1983).

To complete the picture presented by Figure 1, it should be mentioned that in the case of all the variants of *social permission theory*, the fundamental assumption is that society has entrusted to business large amounts of society's resources to accomplish its mission, and business is expected to manage those resources as a wise trustee. Such a theory depends largely upon notions of organisational legitimacy (see Woodward *et al.*, 1996 for a contemporary view).

Only limited support for the Friedman/Levitt attitude is found in the literature. Manne (1978) considered that corporate officials who try to shoulder social responsibilities are acting like non-elected officials - allocating social costs and benefits, or levying taxes and distributing subsidies, all without the legitimacy of a political mandate. However, the general consensus of opinion would appear to be that companies *do* have social responsibilities and *ipso facto* an obligation to discharge them - hence all the work that has been undertaken in the field of CSRes/CSRep over the last twenty-five years.

It has also been suggested, however, that Friedman has been misinterpreted, and that he was not against the exercise of a socially responsible attitude by companies *per se* - only that its exercise should not negatively affect profits. In other words, the implementation of a socially responsible attitude which benefited the 'bottom line' would be acceptable (Bauer, 1973). This is merely one of a number of ambiguities in the Friedman argument identified by Den Uyl (1984, p. 23):

- (a) the most obvious ambiguity is that the concept of 'profit maximisation' is not given a time frame;
- (b) one might question the assumption that owners seek to maximise profits. It could be suggested that owners do not seek to maximise, but rather wish only to achieve a certain rate of return. (Simon's, 1957, pp XXV-XXVI 'administrative man', looking for a quiet life, would probably settle for a return that is 'good enough'; Baumol, 1959, p. 52 considered that what organisations maximise in any event is *sales*);

- (c) there is some vagueness about what Friedman means by the "rules of the game" and "open and free competition";
- (d) Friedman's argument does not preclude the pursuit of moral goals - only the pursuit of those goals at the expense of profitability. Furthermore, there is some question as to whether morality and profitability are necessarily in conflict. It may be possible to see morality and profit-seeking as being compatible and mutually interdependent concepts.

Support for the last of these points is forthcoming from both Humble (1973, p. 1) who thought that even Friedman supported some socially desirable business actions provided they contributed to profitability; and Brooks (1986) who argued: "Although Dr Friedman apparently did not perceive the point, it can be argued that the achievement of social goals contributes to long-run profit and is therefore compatible with his assertion that a corporation's goal is to maximize profits" (p. 11). One of the earliest contributors to the CSRes debate, Clark Abt (1972), was also quick to see that enhanced social responsibility on the part of companies did not conflict with the desire for profits; whilst more recently it has been indicated that achieving responsibility, at least on the environmental front, can occur with only marginal increases in costs (Dodwell, 1992; Pearce, 1991, p. 7) whilst non-compliance can be disastrous (Oldfield, 1989). Actual disclosure costs may be minimal (Nader, 1978, p. 30).

There is clearly support here for the recognition of CSRes as going beyond mere owners' interests. The three approaches to CSRep that have previously been identified represent different interpretations of quite what form the reporting of that perceived responsibility might take, and an attempt will now be made to classify them.

4. AN ATTEMPT AT CLASSIFYING CSREP

4.1 Introduction

Given the huge array of CSRep approaches, some attempt at grouping them would seem appropriate, yet the problem remains that there are many potential ways of doing this. In the sections which follow, an attempt at classification is made using the different approaches indicated in the Introduction of:

- (a) desirable characteristics of the reporting;
- (b) nature of the conceptual dimension employed;
- (c) level of reporting complexity displayed.

4.2 Desirable Characteristics

This categorisation looks at the suggested attributes of corporate social reports from the point of view of their acceptability to their recipients in terms of adequately reflecting activities at the company/societal interface. A number of approaches can be identified although they tend to exhibit many similarities. A summary of the more significant approaches appears as Table 3. It is obviously only possible to incorporate in this summary those contributions to the literature which actually mention this particular aspect. The list is therefore restricted to four generalised models and three CSRes/Rep commentaries.

Insert Table 3 here

Whilst the sample is small, it is nevertheless possible to identify those aspects which have most frequently been cited as providing evidence of a CSRes attitude on the part of the reporting companies. The three most popular features that corporate social reports are required to possess are therefore:

- * Objectivity, or freedom from bias
- * Understandability or clarity
- * Comparability of results.

Two other features considered of 'second rank' importance are:

- * Relevance or usefulness
- * Timely delivery.

The Gray *et al.* (1987) approach to the qualitative characteristics that corporate social reports should possess is a useful one, and their description of terms will now be presented.

Relevance and completeness

This should be judged by reference to the company's statement of the general objectives of its social report. Such a statement should allow the reader to assess:

- (a) what selectivity of data has been made and why; and
- (b) why the particular method of presentation was chosen.

Comparability

Whilst this characteristic is considered "appropriate only to the extent that two or more organizations are subject to the same responsibilities and share the same objectives" (p. 84), it is suggested that assessment according to a 'compliance with

standard' approach would allow comparison of the extent to which different organisations had complied with legal and other standards *applicable to those organisations*.

Timeliness

It is suggested that an (arbitrary) requirement that all information be made public in less than a year of the event to which it relates is the best provisional way forward.

Understandability

The report should not assume any level of expertise to the reader. "If a report requires careful and intelligent reading but the reader is neither careful nor intelligent then information intermediaries ... could step in" (p. 84).

Reliability directness freedom from bias

'Directness' suggests that the information provided should correspond reasonably with the events it purports to describe. Freedom from bias is also desirable, although more difficult to achieve. It is proposed these two features are best obtained by reporting raw data. "That is, information is not costed, valued, netted off, aggregated and reinterpreted unless any of these actions can be performed objectively" (p. 84). The reliability characteristic is posited by Gray *et al.* (1987) only to be achieved by audit.

Estes' (1976, pp. 152-155) approach is far more comprehensive than any of the others summarised in Table 3, and is presented in Table 4.

Insert Table 4 here

Given the present state of knowledge, one would have to say that none of the models of CSRep presented in the Appendices, either generalised or company-specific (content approaches, being mere analyses of 'what is', do not qualify), can satisfy the total requirements of *any one* of the lists of attributes given in Table 3, let alone something as rigorous as the Estes' requirements. This is primarily because of the need for the characteristic of objectivity/freedom from bias, which is currently impossible of attainment given the truly horrendous measurement difficulties involved in CSRep. Who, for example, should undertake the auditing that ensures reliability (one of the issues considered in Woodward, 1997)?

4.3 Conceptual Dimension

DeFillippi's (1982) paper was an attempt to analyse the strategic choices reflected in CSRep (his expression was actually corporate social *involvement*) research. The discussion proceeded in four parts by:

- (a) describing four dimensions of research conceptualisation;
- (b) discussing three dominant conceptual frameworks within the literature that represent different patterns of conceptual choice;
- (c) characterising some alternatives in research design and their illustration by reference to the research designs used by exponents of the three conceptual frameworks;
- (d) identifying three constraints on conceptual and methodological choices and suggesting ways of overcoming them.

From the point of view of classifying CSRep approaches, aspect (a) of DeFillippi's research is the only relevant one, and Table 5 attempts to summarise this part of his analysis.

Insert Table 5 here

The DeFillippi approach represents a useful framework for analysis. Whilst he himself applied his categorisation system to hardly any of the CSRes/Rep models mentioned in the Introduction, it certainly would appear to offer the facility for such a treatment.

4.4 Level of Reporting Complexity

Consideration of a classification according to this typology requires an understanding of two underpinning concepts - the method of measurement to be applied; and the difference between 'inventions' and mere 'extensions'.

4.4.1 Method of Measurement

This analysis is based on a typology of approaches to social measurement suggested by Churchill and Toan (1978), and compares single unit measurement with the use of both natural units to measure social performance, and measurement by indexing.

Single Unit Measurement

The logic of this approach is that:

- (a) since monetary amounts are units with which we are all familiar, understanding should be facilitated, and
- (b) since social and economic consequences are expressed in the same terms, it should be possible to relate them to each other; then
- (c) it should be possible to combine both economic and social results to produce an overall net result.

Abt (1977) was given by Churchill and Toan (although see criticism of Abt's model in Appendix 1) as an example of this approach. Other 'generalised' approaches probably also belong here.

As Churchill and Toan indicated, the problems of such an approach are formidable. "Great complexities are experienced in applying the approach to complex operations, and the justification for considering certain items to be social and the basis for assigning certain dollar values to them often seem tortuous and questionable" (p. 7). This probably explains why single unit systems have been advocated less frequently as a practical approach to CSRep, even though their innate theoretical attractiveness remains.

Natural Unit Measurement

Churchill and Toan proposed an eclectic system should use whatever units are most natural or useful in particular areas, given the difficulty associated with measuring all aspects of corporate social performance in money terms, and that the reporting entity should turn to qualitative descriptions when quantitative measures are unavailable or incomplete. Such a system "measures actions and impacts related to selected areas with the aim of providing a fair and reasonable profile of the corporation's performance" (p. 8). The AICPA (1977) approach to CSRep was categorised by Churchill and Toan as being of this type, although it would seem many of the company-specific approaches also made use of it.

Measurement problems persist even under this system, since most of the philosophical problems (what is economic?; what social?) still remain. Many problems are avoided, however.

Measurement by Indexing

This approach represents a combination of the other two, since results obtained under the second approach are subsequently converted to a single unit via a

conversion factor, "in accordance with a scale of values that reflects some determination of the relative value of achieving certain social results" (p. 10).

Advantages claimed for such an approach are that:

"A multiple-unit system avoids the dilemma of choosing a value system. Recognizing that value systems can differ substantially based on factors such as age, sex, race, income, health, and geography, for example, it presents information in a somewhat rarer form. Those who choose can apply their own scale of values to it. Such a system recognizes that the competition over scales of values is unending, and that no one scale of values can possibly be acceptable to all persons or groups. The system accepts the weaknesses of this approach, primarily, that readers will be unable or unwilling to make the effort to make their own judgements. Providing the opportunity to do so is preferable to imposing one's own, usually hidden, value scale. The solution may be a hybrid (system. Under such a system, information developed as the end-product of a multiple unit system should be presented to the reader in its rarer form" (p. 10).

It will be appreciated the similarity this approach possesses to the ideas expressed by Gray *et al.* (1987), on the question of freedom from bias of reported information.

Whilst evidence of the application of the indexing technique was claimed by Churchill and Toan, no examples were cited. It certainly cannot be applied to the CSRep models that have been discussed since it would appear to lie so very much in the eye of the beholder, so to speak.

4.4.2 'Inventions' versus 'Extensions'

This approach has been proposed by Johnson (1979), and is based on the proposition that there is great diversity within corporate social disclosure, arising from the different versions or models of reporting system. Thus, whilst "Some researchers and companies propose extensive innovations in accounting structures, ... others opt for limited extensions of existing practice" (p. 55), Johnson proposed a categorisation of the general format for CSRep as will now be explained.

Inventions are 'big picture' innovations, and include the contributions of Abt (1977), Linowes (1973, 1974), and Estes (1976). However, as Johnson commented, "CSR as actually pursued by American business has been much more pedestrian, partial, and selective than these 'big picture' models of social performance

measurement" (p. 60). This brings the more humble 'extension' approaches into the frame.

Extensions range from 'footnoting' to a 'probabilistic flow' technique. Their various attributes, and examples of their application, are indicated in Table 6.

Insert Table 6 here

A home in this framework is found for several of the 'generalised' approaches, but only for one of the 'company-specific' approaches. No place at all is recognised for empirically-based content approaches, since these can only measure the positive of 'what is' rather than normative prescriptions for 'what ought to be'.

Footnoting

A relatively modest approach of this type is that produced by Beams and Fertig (1971), which proposed a system of accruals and deferred liabilities to recognise the social costs experienced by the company in the past, present or future. More thoroughgoing extensions of the technique have proposed a connecting of social performance data to traditional financial reporting information.

In more general terms, the approach accepts the necessity for narrative discussion to complement quantitative information, and suggests "that a simple choice between multiple and one-dimensional reporting need not be taken with CSR. Each category of social performance is presented in relevant measures, that is, pounds for pollution and participation ratios for black and female employment" (p. 72). There is a clear correspondence here with the 'natural unit measurement' approach of Churchill and Toan (1978) reviewed earlier.

Constituency Formats

This approach recognises the interests of the various constituencies with which the organisation is in contact: "present and future generations affected by the environmental policies of enterprises; those, particularly consumers, influenced by business actions on nonrenewable resources; employees; suppliers; and local communities" (p. 72). In other words, it is an example of a stakeholder approach to CSRep (for a modern approach to which see Woodward, 1993a, which provides a list of potential reported items of interest to each stakeholder group).

Johnson considered much of the information necessary to compile an appropriate report would be available from company records, whilst other aspects might require survey information or comparison with other firms in the industry and community.

Comparative Rating Formats

How do organisations compare in their social performance relative to societal expectations? Such a question can only be answered by the development of appropriate rating or comparison systems. Johnson surveys one such developed by Sater (1971). This

"involves a three-dimensional matrix looking at firms in an industry, areas of social concern, and comparison with other companies on a varied set of grounds including fulfillment of local legal requirements, and encouragement and cooperation with trade associations and government. Composite ratings are developed for each factor, which in turn has been weighted by significance. The companies in a given industry are thereby assigned social responsibility rankings" (p. 82).

A big problem with any comparative approach is the inevitable subjectivity involved in weighting the system's components and in grading the behaviour of subject companies, although this is not strong enough to totally invalidate the exercise.

Program Management Formats

This approach utilises a multi-dimensional view of C\$Rep, with no effort being made at finding a common monetary denominator on which to base a comprehensive evaluation.

Examples of application of the approach are goal-oriented, and focus on corporate objectives sought through a company's specific social policies. "Thus, program management looks at a tally of social programs' costs and benefits, though not in any fully quantitative sense. It monitors over time how the corporation is doing in terms of its social purposes" (p. 83).

In addition, "Evaluations inevitably take place in a social context, thus reducing the possibility that the intended critique of business activity and the external critique by society-at-large will diverge, that the company managers will set goals far removed from social requisites" (p. 86).

A Probabilistic Flow Technique

Such an approach moves away from the static feature of previous presentations within the overall 'extensions' category.

The Churchill and Shank (1975) approach used a Markov-chain model of mathematics to devise a system for analysing affirmative action progress with respect to minorities and women. "Using data on actual firms, transition probabilities can be calculated to reflect the likelihood of promotion of women versus men or minorities versus goals, for example" (p. 86).

Johnson considered the approach amenable to computer simulation, thus making it possible, for example, to ascertain whether given goals can be met through present policies. Such simulations then become useful in appraising both the realism of corporate objectives and the effectiveness of policies.

4.4.3 A Practical Attempt at Classification

A number of writers have suggested that a distinction can be made in terms of the degree of sophistication of the different CSRep approaches that have been attempted, and have accordingly proposed rankings of the different levels exhibited. Table 7, by way of illustration, gives Abt's (1977, p. 39) ranking.

Insert Table 7 here

Table 7 provides an illustration of the advantages and disadvantages of the different levels of precision identified by Abt, whilst Table 8 is an attempt to bring together the models of various authors to the extent they have suggested such a ranking. It obviously does not include all the approaches mentioned in the Introduction, since not all of them proposed such an interpretation of CSRep. The inclusions are mainly from the 'generalised models' category (for example, Dillely and Weygandt, 1973; Abt, 1977), with the addition of literature dealing with interpretations of the meaning of CSRes/Rep (for example, Anderson, 1978a, 1978b; Brooks, 1986; Deverson, 1986).

Insert Table 8 here

Overall, it may be posited there are substantial similarities between the rankings since they generally represent a progression from the (relatively) simple to the (increasingly) complex. Nevertheless, differences in the various approaches can also be detected, principally in the number of tiers they suggest are necessary to encompass all levels of CSRep activity, ranging from three to five, although four is the most popular suggestion. In addition, it should be noted that the Bauer and Fenn (1972) study is probably the 'odd one out' in all this, since these investigators were concerned only with environmental reporting, which perhaps thereby lends to their model a particular bias not evident in the others, which were all of a more general reporting nature, and recognised the importance of many stakeholder groups.

Drawing all the proposals contained in Table 8 together into some sort of overall summary is not an easy task. Despite the risks, Figure 2 is a (hopefully) valiant attempt at doing this.

Insert Figure 2 here

Figure 2 specifies four levels of reporting as the 'norm', and suggests examples of reporting at each level from the generalised and company-specific models previously introduced. In the present state of knowledge, it would appear (to borrow from Boulding's, 1971, classification of systems), that whilst theoretical knowledge may extend adequately up to the third level, the fourth level is an altruistic dream, and empirical knowledge is deficient at all levels.

Locating the myriad of content-based approaches that have appeared over the last twenty years within a Figure 2 framework is relatively easy, since this group provides overwhelming evidence of concern on the part of organisations to merely report their CSRes activities in a descriptive format (Level 1). Rarely if ever are costs attached to any of these qualifying activities (Level 2), and a cost-benefit approach, where outputs are also valued (Level 3) is unheard of. Level 4 then becomes irrelevant.

5. CONCLUSIONS

This paper has attempted to indicate how the various CSRep 'offerings' that have been developed since the early 1970s might be categorised according to a number of criteria, in an attempt to simplify what perhaps might otherwise appear as a morass of different, and therefore potentially conflicting, approaches.

It will be seen that the last approach discussed (level of reporting complexity) can fully allocate all 'generalised', 'company-specific' and empirical models of CSRes/Rep, at least so far as the sample studies included in the analysis are concerned. The other approaches are less comprehensive.

The other suggested categorisations provide, according to the examples suggested by their authors, less complete frameworks for 'sorting' the various CSRep models for the following reasons:

Desirable Characteristics

To a large extent such an approach relies on the claims made for the various models by their proponents. In reality, they all fail the test of objectivity.

Conceptual Dimension

Whilst this is potentially another useful classification scheme, more work nevertheless needs to be undertaken to use this approach to categorise the CSRep models, both generalised and company-specific, mentioned in the early part of this paper, but that should not prove an impossible task. Locating content-based analyses in such a framework, because of their empirical orientation towards what 'is', is likely to prove a more difficult exercise, however.

It is also possible to pass some comments on the place in this analysis of the method of measurement and 'inventions' versus 'extensions'.

Method of Measurement

Complete measurement seems only to be a possibility in the case of small businesses. The complexities involved in applying any CSRep measurement mechanism to large organisations are formidable. No even remotely satisfactory model seems yet to have been devised.

'Inventions' versus 'Extensions'

This does provide a useful classification, as has been demonstrated. Whilst most conceptual and company-specific models would appear to lean towards a 'big picture' or innovations concept, the reality of most companies' *actual* CSRep activities as revealed by the many content analyses undertaken over the last twenty-five years suggests more of a 'footnoting' approach is the norm, perhaps leaning towards 'constituency formats' in the tacit recognition discovered of various stakeholder interests. Approaches concerned with rating corporate performance against societal expectations, or applications of the proposed higher-level mathematical models, are entirely absent.

Overall, the indications are that a refined and relevant overall classification model remains yet to be discovered, although resort to a three-dimensional presentation perhaps offers the best way forward in terms of allowing the location of any particular 'model' of CSRep simultaneously according to the three dimensions discussed. This is illustrated in Figure 3.

Insert Figure 3 here

Appendix I

Generalised Models of Corporate Social Reporting

Perhaps because of opposition to the Friedman (1962)/Levitt (1958) view, but more likely in spite of it, a number of theoretical approaches to CSRep were formulated during the 1970s. Wartick and Cochran (1985) traced the development of the corporate social performance model over a thirty-year period. For them, the model grew out of an initial admonishment that organisations needed to be more socially responsible into an integrative, three-dimensional model of corporate social involvement, comprising social *responsibility*, social *responsiveness* and social *issues management*.

The approaches which will now be surveyed are described as 'theoretical' since, with the exception of very few of them (principally Abt, 1972 and Burke, 1984) they were not applied in real companies. Two distinct approaches of these theoretical approaches may be identified - the first attempting to measure the entirety of the firm's activities; and the second dealing with individual areas of interest. Concern here is only with the former type. The summaries are drawn from the studies themselves and from comments passed upon them largely by Estes (1976), Epstein *et al.* (1977) and Gale (1978).

Corcoran and Leininger's 'Environmental Exchange Report'

The Environmental Exchange Report (Corcoran and Leininger, 1970) was an attempt at reflecting all the exchanges between a firm and its environment. It proposed sections on the input and output of both human and physical resources, plus selected financial data relevant to social concerns. The end result is similar to a statement of cash flows that reflects all money exchanges between an entity and the rest of society.

Linowes' 'Socio-economic Operating Statement'

Linowes was looking for a social reporting system that permitted management the widest latitude in measurement and which encouraged innovation. He proposed (Linowes, 1972) a tabulation of those expenditures made voluntarily by a business (since any social programmes required by law "are arm's-length negotiated business deals and therefore a necessary cost of doing business" [p. 58], and are therefore not considered 'social' as such), aimed at the improvement of the welfare of employees and public, safety of the product, and conditions of the environment. All such activities would be measured in monetary amounts and 'improvements' netted off against 'detriments' i.e. costs avoided, or not incurred, for necessary action brought to management's attention.

Linowes (1973) envisaged the socio-economic operating statement as containing amounts representing both capital and revenue items, with the total of both being expressed in socio-economic currency units, summed to provide a single measure of corporate social performance.

In retrospect, Linowes clearly over-rated the chances of success of his approach: "I believe that in ten years Socio-Economic Operating Statements or their equivalent will be as familiar to many business organisations as the cash flow statement is today" (Linowes, 1973, p. 176). This failure has been attributed by Gray *et al.* (1987, p. 125) to the following:

- (a) there is a large element of subjectivity involved in deciding upon what to include under 'detriments';
- (b) by focusing exclusively on costs incurred or avoided by the company, the model does not disclose the benefits or costs imposed on society;
- (c) merely disclosing expenditure incurred gives no indication of the *efficiency* of the company in areas of social performance.

Abt's 'Social Audit'

Also known as the *constituent impact approach*, the Abt (1972) approach attempted to determine the impact of the total company on its employees, customers, community and the general public. It represents one of the most comprehensive attempts to assess and quantify all aspects of a company's societal relationship in terms of both costs and benefits.

Abt suggested a format for reporting all of a firm's activities, both required and voluntary (since he disagreed with Linowes on the exclusion of involuntary beneficial social actions [Abt, 1977, p. 202], on the grounds it is irrelevant whether a social benefit is intended or not), in terms of a social income statement and social balance sheet, attempting to reflect impacts on the stakeholders involved. The social balance sheet was intended to include social assets available and committed and result in the calculation of social equity in the organisation. The social income statement would similarly reflect a range of social benefits and costs to stakeholder groups, resulting in a net social income.

Criticisms of the approach have been voiced from many quarters. Whilst a commendable attempt at integration, the accounts are difficult to follow, and Estes (1976) found the Abt Associates Inc. 1974 report ambiguous, in that some of the data were derived from the entity's viewpoint, whilst other effects appeared to reflect society's, such that overall it was "difficult to see clearly just what viewpoint was intended for the social audit taken as a whole" (p. 84). Gastil (1973), on the other hand, criticised the simplicity of Abt's assumptions, which he found "frightening" (p. 99).

Bauer and Fenn's 'Process Audit'

The Bauer and Fenn (1972, 1973) approach was built round the notion of a social audit, defined as "a commitment to systematic assessment of and reporting on some meaningful, definable domain of a company's activities that have social impact" (1972, p. 38). The company should 'inventory' its social programmes (which would include such things as pollution control, minority hiring, corporate giving and community programmes) and should then attempt to determine the 'true' cost of each activity, including overhead and opportunity cost. Any performance data available should also be collected.

The assessment and evaluation method suggested for use by Bauer and Fenn is the *process audit* which involves four steps (Epstein, 1977, p. 32):

- (a) assess the circumstances under which each social programme being audited came into being;
- (b) explicate the goals of the social programme;
- (c) specify the rationale behind the programme;
- (d) describe (quantitatively where possible) what is being done as opposed to what the rationale says ought to be done.

Whilst following these steps might help the company arrive at a logical assessment of its social programmes, Frederick (1978) has criticised the approach, when compared with that of Abt, as being "less formal and quantitative in content, highly pragmatic in tone, and inclined to soft-pedal the several explosive social, political, and organizational issues underlying the very idea of social auditing" (p. 126).

Dilley and Weygandt's 'Social Responsibility Annual Report'

Marlin had previously (1973) proposed two approaches to reporting pollution. One report would compare the company's controls with *state-of-the-art* standards; the second report would present actual pollution emissions along with *imposed* standards.

Dilley and Weygandt (1973) extended Marlin's approach to include health and safety matters, along with minority recruitment and promotion, based on a cost or outlay approach. Their conceptualisation included supplementary material to elaborate on the 'statement of funds flow for socially activities' which was its main product, utilising non-financial measures.

The advantage claimed for the model (p. 70) was that it did not attempt to judge business performance on social issues - it merely provided quantitative data that would enable the reader to compare one company with another or with the reader's own standards of required performance on a given social issue.

Seidler's 'Social Income Statement'

According to Estes (1976, p. 86), this approach (Seidler, 1973), was the most advanced of them all, representing a comprehensive report of all benefits and costs to society of an entity's activities. Seidler proposed a social income statement wherein the socially desirable outputs for which no money is received (external economies) were summed, and from the total were deducted the costs the entity imposed on society but did not pay for (external diseconomies). The result would be a net social profit or loss, reflecting the net contribution of the entity to society.

Seidler noted the difficulty of assigning money values to all items in his statements, but argued that money measurements are what most people understand and they would thus be the most useful reflection of reality.

Estes' 'Social Impact Statement'

This is another exchange approach, representing a refinement of the Corcoran and Leininger model. The model proposed by Estes (1976) was one presented in mathematical form, and represented the summation over the period in which benefits/costs were expected to accrue, of all social benefits less all social costs, discounted at an 'appropriate' discount rate. As Gray *et al.* (1987) have indicated, the approach "takes the view of society looking at the entity, with social benefits equal to the values or utilities received by society and social costs reflecting the full detriments to society, paid and unpaid" (p. 121).

The disadvantage of such an approach is the extreme difficulty of the measurement problem - something so severe that one wonders whether indeed Estes himself fully appreciated it. The following quotation illustrates the point:

"... value materials with short replacement cycles at their exchange prices minus estimated producers' surplus, while adjusting the value of those with longer cycles to reflect world supply and long-term prospects for development of substitutes" (p. 101).

Wherever would the information necessary to carry out this sort of subjective exercise come from?

As a further example, one could take:

"It may be reasonable to simply value employee services at the amount paid for them, with some adjustment for underemployment and underutilization, nepotism, favoritism, producers' surplus, and the like" (p. 101).

These represent mind-boggling proposals to the present writer's mind.

The American Institute of Certified Public Accountants' 'initial System'

The AICPA (1977) suggested both an 'ideal' and 'initial' system of corporate social reporting. The ideal system was sophisticated, but by the AICPA's own admission unlikely to be achievable in the foreseeable future because of problems such as (p. 16):

- (a) technical - the inadequacy of measuring devices;
- (b) economic - the high costs of obtaining data;
- (c) corporate executives' reluctance to get involved;
- (d) the extraordinary complexity of society, and our inadequate understanding of human responses to social conditions;
- (e) the ethical and moral issues involved.

An initial system was therefore proposed as a compromise, dealing with the environment; non-renewable resources; human resources; suppliers of purchased goods and services; products, services and customers; and the community (which thereby became very similar to the 'social responsibility program statement' developed by Brandon and Matoney, 1975). Measurement methodologies in respect of each social area were discussed, and suggested social measures for each area proposed, which "are probably most suited for internal reporting, and thus an appropriate consolidation, abridgement or selection would be anticipated for most public disclosures" (p. 54).

Burke's 'Social Accounting Information System'

As a model to aid in the management of corporate social performance, Burke's (1984) study had the following objectives (summarised by Brooks, 1986, p. 164), to:

- (a) identify information of a social nature needed for effective management given the environment that exists and is anticipated to evolve over the next ten years and beyond;
- (b) develop a framework for an operational social accounting information system that could meet those needs by linking information gathering with the process of

managerial decision making in general and strategic goal setting, analysis and the evaluation of policy options in particular;

- (c) demonstrate through the development and use of methodological tools and techniques how aspects of this framework might be applied in actual practice.

Whilst the approach represents a conceptual development, this is supplemented in Burke's work with an extensive, practical application.

Appendix II

Company-specific Models of Corporate Social Reporting

R G Barry Corporation

This company developed a 'total concept' human resource accounting system, in which the balance sheet combined the current financial assets with the net investment in human resources to yield a total net investment (as explained by the company's vice president - Woodruff, 1970). Brooks (1986, p. 29) indicated that personnel expenditures for training and staff benefits were capitalised and then amortised over their estimated useful life or the estimated employment period, whichever was less.

An attempt was made (Brummet *et al.*, 1968, p. 221) to identify human resource costs and separate them from the other costs of the firm. Techniques and procedures were formulated to distinguish between the human and expense components of human resource costs, and the resulting human assets were then classified into functional categories such as recruiting, hiring, training, development and familiarisation.

The experiment was terminated in 1975 when only about one-half of the shareholders surveyed indicated they thought the cost of upgrading to a computerised system would be worthwhile, and in any event the value of the exercise was considered to be limited by its concentration on only human resource aspects (Abt, 1977, p. 132).

Colantoni *et al.* (1973) viewed Barry's approach (along with that of Abt Associates - see later) as an example of an extension of the boundaries of accounting to include certain types of economic events not then recorded - what they called "dollar adjustments and accruals in traditional financial statement form" (p. 292).

Bank of America

For several years during the 1970s, Bank of America published an annual report dealing with its social policy. The contents included a description of the bank's public policy, its social policy committees and social policy department, and the cost/benefit analyses used for evaluation, and contained sections on consumer issues, urban programmes, agricultural area activities, environmental concerns, employee issues, employee volunteer programmes, education and charitable contributions.

Benefits were analysed (Abt, 1977, p. 133) in terms of the number of people benefited and the inputs by the bank to secure those benefits in terms of costs or non-monetarised efforts. As Grey *et al.* (1987) have pointed out, however, "the report is ... partial and unaudited. As with most reports, there is no statement of objectives and the reader can only guess at what is

missing... The report neither discharges accountability nor informs the reader of the totality of the organization's social performance" (p. 95).

The Bank of America type of approach was categorised by Colantoni *et al.* (1973, p. 288) as "the inventory of representative actions" i.e. a mere listing of events or transactions that characterise the involvement of the corporation in the community.

Eastern Gas and Fuel Associates

The company's 1972 report contained a four-page insert *Toward Social Accounting*, presenting statistical information on the company's social performance in the areas of industrial safety, minority employment, charitable giving and employee benefits. Shareholder comments and recommendations were subsequently solicited via questionnaire, the results of which suggested that the shareholders were generally impressed by the company's honesty and openness in voluntarily revealing disappointing results. As one respondent commented: "Congratulations! Despite my loss of \$2000 on your stock, it is heartening to note your humanitarian approach to life" (reported in Epstein *et al.*, 1977, p. 37. See also Hetherington, 1973, p. 46 for further comment on the idea of shareholders accepting reduced monetary rewards for the satisfaction they derive from knowing that the organisation is acting in a socially responsible fashion).

Scovill Manufacturing

This company's *Social Action Report* presented a list of social assets and liabilities in four categories - employment opportunities, environmental controls, community involvement, and consumerism - in, as a corporate executive admitted, an "admittedly imperfect attempt to report on our corporate social action" (Beresford, 1974, p. 41). However, as Abt (1977, p. 138) commented, the report did not make clear the *net* of social assets less social liabilities, and without any quantification of assets and liabilities there would be no information available to management on the relative return on investment from alternative social actions.

Atlantic Richfield

This company's publication *Participation* which appeared in 1975 and 1977 described the company's activities in the areas of transportation, environment, cultural affairs, education, social, financial and sexual equality.

An interesting initiative was the retention of Milton Moskowitz to prepare a critique of Atlantic Richfield's social responsibility performance. He created a list of assets and liabilities "that stung in places, gratified in others, but elucidated in all" (Bradshaw [an Atlantic Richfield corporate executive], 1978, p. 23).

Dierkes and Preston (1977, p. 7) found both the Eastern Gas and Fuel and Atlantic Richfield reports disappointing in that, although they represented essential first steps in an evolutionary process, they tended to be much too highly selective in both coverage and detailed reporting. They failed to include even data that was being collected and reported on a regular basis to government agencies.

Deutsche Shell

Deutsche Shell's 1975 report set out to assess its activities in the year measured against explicitly stated corporate objectives. It differed from previous German reports of its kind by integrating the 'social account' into the annual report and by using corporate objectives as a basis of accounting. Both Van den Bergh (1976) and Dierkes (1979) provide useful commentary on the Deutsche Shell approach.

The report began by putting the year into perspective, and was divided into six parts:

- (a) supplying the consumer in line with market conditions;
- (b) development of new processes and products;
- (c) achievement of an adequate return on capital;
- (d) consideration of the interests of employees;
- (e) attention to public concerns;
- (f) the financial statements.

The last section of the descriptive report (part [c] above) is perhaps of most interest from a CSRep point of view. It included public affairs (youth work, which had been a continuing Shell interest since 1950; and special activities); environmental protection; support provided to business partners; and transactions with the state.

Whilst the Deutsche Shell report gave a more or less detailed account of how 'surpluses' were allocated in a social context, it did not attempt to show the social benefits or costs that accrued except in general verbal terms. In other words, the net societal contribution or impact of corporate activities was not assessed.

First National Bank of Minneapolis

In 1974 the Bank published its *Social-Environmental Audit* (having produced reports on a lesser scale in the two previous years). The 'audit' reported on the areas of mortgages advanced, the education programme, public safety, employee remuneration, minority employment, health assistance, transportation, community activities by employees, the environment, patronage of the arts, links with minority businesses, community investment, and consumer protection.

An attempt was made to indicate the relative importance to the community of each component; to report relevant physical and dollar amounts; provide comparison with objectives for the current year; and indicate objectives for the following year (Estes, 1976, p. 41).

Abt Associates, Inc.

The Abt Associates *Social Audit* is generally recognised to be one of the most comprehensive attempts at social reporting. The Abt approach is evaluated as a theoretical CSRep model in Appendix I; but is here considered as an example of social reporting practice.

The Abt approach attempted to integrate both social and financial effects into the balance sheet and income statement. Whilst a "laudable" (Churchill *et al.*, 1978, p. 7) and "commendable" (Estes, 1976, p. 52) endeavour, the result is often confusing.

The *Social Audit* appeared over a period of some ten years, commencing in 1971 (although on a much reduced scale after 1976), and proceeded upon the following lines (Estes, 1976, p. 45):

- (a) the four major constituencies of the company (shareholders, employees, clients and community) were surveyed to identify the most salient items of social concern. In addition, the surveys served as a basis for the estimation of shadow prices for social costs and benefits for which no market values existed;
- (b) the items were then quantified in terms of their dollar values;
- (c) net social incomes were computed by subtracting the sum of the social costs to each constituency from the sum of social benefits. These net social incomes were assumed to be distributed as they were created - they did not flow into the balance sheet since such social earnings were assumed not to be retained;
- (d) a social equity was computed on the social balance sheet by subtracting the sum of social liabilities from the social assets.

Despite the obvious sophistication of the approach, the Abt Associates report has come in for much criticism. Much of this centres on the fact that Abt Associates was (a) service based, and (b) small. Many have therefore questioned the potential of the approach for wider application to large manufacturing organisations (Brooks, 1986, p. 31).

A further criticism related to the complexity of the approach. Bauer and Fenn (1973) found the Abt form of social audit so abstract and complicated that they thought few, if any, executives, let alone laymen, would be able to understand it in its entirety. They considered the whole thing "a superfluous technical exercise" (p. 43).

There is also the question of whether it is *appropriate* to attempt to express social performance in monetary terms. Bauer and Fenn (1973) considered:

"the attempt to reduce social performance to dollar terms ... (is) ... perverse. While monetary measures are of great utility in many contexts, this utility is, finally, limited; we feel there is likely to be a fatal error in employing the dollar measures as exhaustive representations of social phenomena" (p. 43).

Finally, the Abt approach has been criticised as blatantly self-serving. Abt was a consulting organisation, offering to perform social 'audits'; for a fee. Indeed, as Estes (1976) pointed out, one of the early reports was accompanied by a promotional letter noting, "We have been developing the social audit for several years and are now able to offer a program of social measurement services to both private and public organizations" (p. 52).

Appendix III

A Typology of Corporate Social Responsibility Approaches - Definition of Terms

<i>Fundamentalist</i>	Corporations have no obligations beyond the pursuit of profits within a context of free and open competition.
<i>Functional</i>	The CSRes debate is perceived in morally neutral or amoral terms. Corporations are believed to have certain functions or structural principles that dictate their role in society.
<i>Individual Agreement</i>	The constituents of business are <i>only</i> those who voluntarily enter into exchange agreements with the corporation. The responsibility of the corporation to its constituents is to live up to the terms agreed upon, and to non constituents is simply to avoid violating their individual rights.
<i>Social Permission</i>	Corporations exist and act by permission of society at large and/or the state.
<i>Constituency</i>	A corporation's constituents are the ones who gave it permission to do business in the first place and thus it is they to whom the corporation is obligated.
<i>Citizenship</i>	Corporations who do not exhibit good business behaviour will be considered 'bad citizens' and made to conform to a model of good citizenship.
<i>Legal Framework</i>	Corporations are creations of the state (presumably, rather than of society at large).

Table 1 - Summary of Empirical Studies of Social Performance and Accounting Performance.

Author(s)	Sample	Social Performance Measure	Accounting Measure	Results
Parket and Eilbert (1975)	96 firms from <i>Forbes Roster</i> of US largest corporations	Ordinal-authors' judgement used to divide into 'more'(80) or 'less' socially involved	1 Net income 2 Net income: sales 3 Net income as % of shareholder equity 4 EPS	All measures pointed to a definite and positive relationship
Bowman and Haire (1976)	82 food processing firms from <i>Moody's Industrial Manual 1973</i>	Percentage of prose in annual accounts reporting on social responsibility	Profitability (RoI)	Medium-mentioning firms were on average more profitable than little or excessive amount reporters
Sturdivant and Ginter (1977)	23 respondents from 67 major US companies	Classification by Milton Moskowitz into 'best', 'worst' and 'deserving honourable mention'	Growth in EPS 1964-74	Best and honourable mention statistically superior to worst
Rockness, Schlachter and Rockness (1986)	21 companies from 53 from <i>Subcommittee on oversight and Investigations of the US House Interstate and Foreign Commerce study (1979)</i>	1 Self reporting by sample companies 2 <i>EPA Superfund National Priorities List 1984</i>	1 5 Operating performance ratios 2 Asset size and age of plant 3 5 Measures of financial solvency	Limited association only detected
Freedman and Jaggie (1988)	High-polluting sectors: paper and pulp: oil refining: steel: chemicals	1 Content analysis of annual reports 2 10Ks Both weighted	6 Accounting ratios	Positive correlation for oil sector No association detected for other sectors or sample as a whole
Kraft and Hage (1990)	82 companies used in Child's (1972) study	Extent of community service	1 Profitability re sector (+) 2 Assets growth (+) 3 Short-term profits emphasis (-)	Some support for a performance-causes-community-service relationship

Table 2 - Summary of Empirical Studies of Social Performance and Stock Market Performance

Author(s)	Sample	Social Performance Measure	Market Measure	Results
Folger and Nutt (1975)	Nine paper companies	Government pollution indices	P/E ratio Dollar mutual fund purchases Common stock prices for 1971-72 selected quarter	No positive relationships
Vance (1975)	45 and 50 major corporations	Ratings by students and executives in 1972 <i>Business and Society Review</i>	1/1/75 stock price as percentage 1/1/74 stock price	Average ratings of both groups negatively correlated with 1974 stock market performance
Belkaoui (1976)	Two groups of 50 companies from different industries	Pollution control expenses at least 1% of sales plus control group	Monthly closing stock prices 12 months before and after disclosures	For 4 months after disclosure the disclosing companies performed better than the market, but worse for the remaining period
Buzby and Falk (1978)	102 mutual fund managers (questionnaire)	Information relating to 9 social indicators	Information relating to 6 financial indicators	With the exception of one social item, financial information was more important when making investment decisions
Alexander and Bucholz (1978)	41 firms from Vance (1975)	Same as Vance (1975)	Risk adjusted RoE 1970-74 and 1971-73	Not significant
Spicer (1978)	18 firms in the pulp and paper industry 1968-73	CEP studies of pollution control developed into a pollution index related to productive capacity and plant numbers	Profitability; size; total risk; systematic risk; P/E ratio	Companies with better pollution control records had measures in the expected direction
Ingram (1978)	287 <i>Fortune 500</i> companies (1970-1976)	SRA disclosures, Annual reports	<i>Compustat</i> Price Dividends Earnings tape	Information content of firms' SR disclosures conditional upon market segment rather than a general cross section of firms

Table 2 - Summary of Empirical Studies of Social Performance and Stock Market Performance(Cont.)

Abbot and Monsen (1979)	450 corporations in 1975 <i>Fortune 500</i>	Social Involvement Disclosure Scale (number of social action disclosures in annual reports)	Total returns to investors 1964-74	No meaningful difference in total returns for high and low involvement firms
Anderson and Frankle (1980)	314 corporations - 201 'disclosing' and 113 'non-disclosing'	Classification suggested by Beresford (1974)	<i>Compustat</i> month-end stock price data June 1972-June 1973	A short-term significant effect on monthly returns shortly after disclosure. Previous disclosers outperformed new - lagged information content
Stevens (1982)	54 firms in four industries subject to CEP reports	CEP pollution reports	Effect of disclosure on EPS	Cumulative average excess returns for portfolios of high pollution expenditure firms below those of low spenders
Shane and Spicer (1983)	72 firms in four industry areas	CEP pollution reports	Share prices ± 6 days of CEP report publication	Large negative returns on two days prior to release of CEP studies
Mahapatra (1984)	67 firms from six industries	Expenditure on pollution control	<i>Compustat</i> Price Dividends Earnings tape	Pollution control expenditure and high profitability not positively associated
Freedman and Staglino (1984 and 1991)	27 weaving, finishing and knitting mills (1984)	Dust disclosures through SEC 10k reports	Stock price movements	Disclosures on impact of new cotton dust emission do not have significant information content for investors

Table 3 - Desirable Characteristics/Attributes of Corporate Social Reports

	ASSC (1975)	Estes (1976)	Abt (1977)	AICPA (1977)	US Dept of commerce (1979)	Brooks (1986)	Gray <i>et al.</i> (1987)
Relevant/Useful	X	X	X		X		X
Objective/Free from Bias	X	X	X	X	X		X
Reliable	X		X				X
Acceptable/ Credible			X			X	
Understandable/ Clear	X	X	X	X		X	X
Informative			X				
Simple			X				
Complete	X	X					X
Timely/Frequent	X	X				X	X
Comparable	X	X		X	X	X	X
Consistent				X	X	X	
Cost						X	
Verifiable		X					
Concise		X					

Table 4 - Standards for Corporate Social Reporting

Standard	Primary Criteria	Secondary Criteria	Additional Considerations
Relevance	Must satisfy some need or interest in society	Timeliness	Significance
Freedom from Bias	Fairness Neutrality Reliability	Verifiability Independent Attestation Completeness	Conservatism Acceptability Opportunity for Rebuttal
Understandability	Neither complex nor obscure	Comparability Concision	Intertemporal Consistency Quantifiability Monetary Expression Media Propriety Matching or Evaluative

Source: Estes (1976)

Table 5 - Conceptual Dimensions of Corporate Social Involvement

Focus of Research			Focus of control			Criteria for Appraisal				Levels of Analysis
Addresses the choice of what aspects of corporate social involvement to study (Bourgeois, 1980)			The extent to which corporate strategy involvement responses are influenced by internal (organisational) or external (environmental) factors (Post, 1978)			Refer to the determination of the set of performance criteria against which corporate social involvement responses are to be compared and evaluated (Preston, 1978)				Identifies the type of entity whose corporate social involvement activities are assessed
Process Approach	Content Approaches	Impact on Social Issues	Business policy Models	Pressure/ Response Models	Public Policy Model	Internal Process Criteria	Internal Outcome Criteria	External Process Criteria	External Outcome Criteria	
Focuses on the sequence of events by which a form of corporate social involvement is proposed, decided upon and implemented	Focuses upon the form, content and occurrence of substantive responses to social issues	Most social impacts induced by corporate activities are the secondary or side-effects of actions taken for economic purposes	Conceptualise the organisation as possessing considerable discretion and autonomy from external pressures in selecting and implementing social policies	View management action as high constrained by external factors. Tactical responses to immediate social pressures	Assumes that the organisation participates in and helps shape its own environment	Attempt to measure the extent to which socially desirable arrangements are present in the observed organisation	Measure the impact of corporate social involvement activities upon business operations	Assess the types of arrangements existing between an organisation and those external groups which generate pressures for corporate social involvement	Evaluate the actual impact of corporate and economic social involvement on society	Candidates for corporate involvement research can be hierarchically arranged from micro to macro units of analysis
Murray (1976)	Sethi (1977) Epstein (1976) Ernst and Ernst (1978)	AICPA (1977)	Ackerman (1975) Bauer <i>et al.</i> (1978) Kelly and McTaggart (1978)	Vogel (1978) Lindblom (1959) Sethi and Votar (1969)	Post (1978) Wilson (1976) Pfeffer and Salancik (1978)	Holmes (1978)				Perrow (1978) Preston (1980) Epstein (1979)

Source: Compiled from De Fillippi (1982)

Table 6 - Corporate Social Reporting Extensions

Form of Extension	Footnoting	Constituency Formats	Comparative Rating Formats	Program Management Format	Probabilistic Flow Technique
Characteristics	Relatively modest footnotes and a few account schemes or expansions based on existing statements	Based on disclosures as related to the interests of constituencies or various participants in organisations	Comparison between organisations in a given industry or region on the basis of ratings which enable relative performance to be assessed	Instead of ranking enterprises in an industry, this system compares performance with company goals for social performance	A technique for studying the process or flow of change within an organisation (compared with the 'balance sheet' nature of the other approaches)
Examples of Application	1 Beams and Fertig (1971) 2 Dilley (1975)	1 Schulman and Gale (1972) 2 Shocker and Sethi (1974) 3 AICPA (1977)	1 Sater (1971) 2 Hay (1975) 3 Higgins (1977) 4 Bank of America	1 Frederick and Blake (1977) 2 Brandon and Matoney (1975) 3 Butcher (1973)	Churchill and Shank (1975)

Source: Compiled from Johnson (1979)

Table 7 - Levels of Precision in Social Measurement

Type	Advantages	Limitations
Level 1 <i>Qualitative Checklists</i> Lists of socially significant actions	Simplicity: focuses attention	<ul style="list-style-type: none"> - Misleading - Compares items of very different magnitudes - No results - No targets
Level 2 <i>Listing Inputs Only</i> Costs of social programs	Supplies budget data for significant actions	<ul style="list-style-type: none"> - Analyzes inputs only, not outputs or impacts - Contains no efficiency measure thus no basis for optimization
Level 3 <i>Assigning Performance Goals</i> Measurements of project performance	Estimates degree of goal achievements	<ul style="list-style-type: none"> - Incommensurable project measurements - Incomplete coverage
Level 4 <i>Benefit/Cost Estimates</i> Benefit/cost ratios measured in money units	Provides quantitative RoI estimates to allow optimal choice	<ul style="list-style-type: none"> - Not comprehensive - Not integrated with financial accounts
Level 5 <i>Integrated Social/Financial Audits</i> Social audit (impacts measured by standard accounting procedures)	Integration with financial accounts	<ul style="list-style-type: none"> - Requires data collection and analysis comparable to financial audit

Source: Abt (1977) p. 39

Table 8 - Levels of Reporting Complexity

	Level I	Level II	Level III	Level IV	Level V
Bauer & Fenn (1972)	Evidence of 'no harm'	Subjective impressions	Review of specific areas of activity	Sophisticated quantitative measures	
Colantoni <i>et al.</i> (1973)	Inventory of transactions	Adjustments to the traditional financial statements	Extensions to new metrics and dimensions		
Dilley & Weygandt (1973)	Inventory	Cost or outlay	Program management	Benefit-cost	
Churchill (1974)	Inventory of current activities	Measurement of efforts expended	Measurement of the transformation of inputs into outputs	Value of outputs	
AAA (1975)	Inventory	Non-financial quantification	Financial quantification		
Abt (1977)	Quantitative checklist	Listing of inputs	Assigning performance goals	Cost/benefit estimates	Integrated audit
Epstein <i>et al.</i> (1977)	Inventory of socially responsible activities	Costs and benefits of social programs	Evaluation of company operations on society	Social accounting	
Anderson (1978a)	Word summary of activities performed	Level I plus extent to which objectives met	Statement of cost or outlay	Statement of cost compared to benefits	
Brockhoff (1979)	Verbal description	Expenditure analysis	Number of recipients	Levels II and III combined	Selected components of activity
Brooks (1986)	Descriptive and numerical indicators	Expenditure analysis	Cost/benefit analysis	Utility analysis	
Deverson (1986)	Descriptive listing	Asymmetric reporting of costs but not benefits	Cost/benefit approach	Full integration with the financial accounts	
Gray <i>et al.</i> (1987)	Narrative disclosure	Statistical summaries	Social indicators	Compliance with standards	
Dobbins & Witt (1988)	Descriptive format	Quantitative format	Monetary format		

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