Remembering Thirty-five Years of Social Accounting: A Review of the Literature and the Practice

Ugur Kaya and Hilmi Erdogan Yayla

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KAYA, Uğur, Ph.D.
Assistant Professor
Karadeniz Technical University
Faculty of Economics and Administrative Sciences
Department of Business Administration
61080 Trabzon - TURKEY
Tel : +90 (462) 377 29 18
Fax : +90 (462) 325 72 81
E-mail: ukaya105@yahoo.com

YAYLA, Hilmi Erdoğan, Ph.D.
Research Assistant
University of Giresun
Faculty of Economics and Administrative Sciences
Department of Business Administration
28200 Giresun - TURKEY
Tel : +90 (532) 773 23 90
Fax : +90 (454) 215 08 70
E-mail: h_yayla@hotmail.com

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Abstract

The purposes of this paper are to briefly review the past thirty-five years of social accounting literature and to examine social accounting practices within the choosen time period. Further, this paper contributes to the limited literature of researchs exploring social accounting literature and literature's effect on social disclosures and corporate reporting. We use three time periods of Mathews (1997) as 1970-1980,1981-1990, 1991-1995 and adds one more period as 1995-2006 to undertake a general review of the literature within social and enviromental accounting. As concluded, we find that, in spite of growing interest for social accounting practices and literature, there are still major problems related social accounting practices that researchers may undertake.

Keywords: Social accounting, social reporting, environmental accounting

> *"The impacts of the scientific and technological development in the last three decades have stimulated changes in all walks of life. We can now begin to recognize that a new historic era has begun. We are experiencing a combined economic, political, sociological revolution, frequently termed "the post-industrial era", comparable to the agricultural and industrial revolution. These impacts have resounded through all aspects of management and have resulted in new demands on and expectations from accounting" (Rabun and Williams, 1974:3).*

I. Introduction

One of the major growth areas within accounting in the last decades has been "accounting for the environment", which has generated interest well beyond the confines of accounting academics and professional accountants of "developed" countries (Mathews,1997:481; Bebbington *et al*., 2006).

Social responsibility, as it relates to business, has been a part of societies for hundreds of years. It has existed "at least since the era of the ancient Greeeks. Even in the early days of the Empire, all trade activities of the ancient Greeks were supposed to be of social service to the entire community (Raymond and Dan,1972:iii). Social responsibility issues were also present during the time of the Roman Empire. The Romans, like the Greeks before them, had a low regard for the Professional merchants and developed elaborate schemes to insure that business activities were conducted for the good of the community. Just what this "community good" was, however, was hard to discern. This ambiguity contributed to the establishment of a variety of definitions of "social good" and "social responsibility" (Hurley,1982:10).

The European middle ages began with the fall of the Roman Empire and the beginning of Church rule. About this time in history, the concept of the social responsibility of business underwent a fundamental change. The Greeks, Romans, and especially the Roman Catholic Church had primarily regarded business social responsibility to keep citizens away from business endeavors to the extent possible. The Greeks and Romans had relegated necessary business activities to persons who did not enjoy full citizenship. These merchants were regarded only slightly higher than slaves and were not accorded any significant social protection (Hurley,1982:11).

The period of time from 1500s to 1800s A.D. that followed the era of Church rule has been referred to as the mercantile period (Madema,2003; Wallerstein,1980). Mercantilism has been defined as "an economic system of the major trading nations during the 16th, 17th, and 18th centuries, based on the premise that national wealth and power were best served by increasing exports and collecting precious metals in return" (infoplease.com). A good example of the social responsibility of business during this period is found by studying the 17th century recession in England. When it become obvious that the recession could result in high unemployment, business was ordered to maintain certain employment levels and not to lower wages. However, during the late 1950's and 1960's an anti-business sentiment again surfaced in the United States. Corporations were getting larger and society began to take note of the separation of corporate ownership and management. Finally, issues of sociability, environment and human sources has been started to taken into consideraiton for business reports by the 1970's business environmet in westren countries.

The purposes of this paper are to briefly review the past thirty-five years of social accounting literature and to examine social accounting practices within the choosen time period. Further, this paper contributes to the limited literature of researchs exploring social accounting literature and its effect on social disclosures and corporate reporting. We use three time periods of Mathews (1997) as 1970–1980,1981–1990, 1991–1995 and adds one more period as 1995–2006 to undertake a general review of the literature within social and enviromental accounting.

The paper proceeds as follows: the second section explores the literature of the thirty-five years of social accounting history, the third section states the development of social accounting applications among the different instutions in the last thirty-five years. Finally, some concluding comments are made in the fourth section.

II. A Brief History of the Thirty-five Years of Social Accounting Literature

Although some says that corporote social reponsibility's first touch had started with Berle and Mean (1932)'s work, the contemporary history of social accounting can be traced back to the 1960s - a period of time characterized by a marked increase in public awareness regarding social responsibility or quality of life issues. Since then, social accounting has evolved into its present embryonic stage of development with future prospects for continued evoluation considered likely (Elias and Epstein, 1975:36).

The earliest period (from 1971 to 1980 as mentioned by Mathews [1997]) of the literature of social and enviromental accounting considers the literature from a time when the subject was introduced (Barnett and James, 1974; Bauer, 1973; Bauer and Fenn, 1973; Benjamin et al.,1972; Corson, 1972; Dilley, 1975; Dilley and Weygant, 1973; Elias and Epstein, 1975; Epstein *et al.*,1976; Estes, 1976; Gambling, 1974; Marlin,1973; Mason, 1971; Mobley, 1970; Ramanathan, 1976; Ross, 1971; Schwartz, 1979; Selto, 1978; Spicer, 1978; Steeds, 1976, for example).

As also noted by a witness of the period, Dilley (1975:17), reflective of changing enviromental conditions, descriptive terms associated with the concept of social accounting are loosely defined and noticeably varied in the earliest literature. For example social accounting (Rabun and Williams, 1974; Ross, 1971; Schwartz, 1979) was a favored expression which can interchanged with the terms social responsibility accounting (Anderson, 1977) and socio-economic accounting (Belkaoui, 1980; Mobley, 1970). Another term, phantasmagoric accounting, has appeared as the result of some research studies (Jensen, 1976:1). Phantasmagoric signifies "a constantly shifting, complex succession of things seen or imagined" in support of the considered opinion that "social accounting is like a kaleidoscope in that the same pieces turned a little differently form a whole new pattern" (Roser,1979:3).

More specifically, in the 1970s the concept of social accounting accepted by a most cited paper by Mobley (1970:762):

> *"social accounting refers to the ordering, measuring and analsis of the social and economic consequences of governmental and entrepreneurial behavior. So defined, social accounting is seen as encompassing and extending present accounting. Traditional accounting has limited its concern to selected economic consequences – whether in the financiali, managerial, or national income areas. Socio-economic accounting expands each of these areas to include social consequences as well as economic effects which are not presently considered".*

During the period 1971-1980, the social and environmental accounting literature was underdeveloped and the leading North American accounting research journals were almost as inaccessible to social and enviromental accounting literature then as they are now (Mathews,1997:484). A list of social and enviromental articles' publisher journals of the period is below.

Accounting, Organization and Society
Accounting Review
Business and Society
California Management Review
Canadian Chartered Accountant
Cost and Management
CPA Magazine
Harvard Business Review
Journal of Accounting Research
Journal of Contemporary Business
Management Accounting
Mississippi Business Review
National Public Accountant
Nation's Business
The Accounting Review
The Journal of Accountancy

So, although *Accounting, Organizations and Society* was not, therefore, the first journal to publish systematic investigations into and explorations of social accounting, it *was* the first to undertake any kind of systematic *encouragement* of the field and to explicitly recognise it as an important part of its mission (Gray,2002).

As indicated by Mathews (1997:484), early empirical studies were not specific in focus (Dilley and Weygant, 1973, for example). It was a matter of attempting to develop methods to measure the incidence of information disclosure by organizations which was voluntary, tentative, frequently unreliable and unorganized. The typical outcome of many studies was a "yes" or "no" to the existence of a disclosure of information related to the social dimension of accounting, most frequently connected with employees or product. There was also no sound theoretical base.

Among the most frequently cited contributions, Ramanathan (1976:519) identified concept include the following: A social transaction, a social overhead, social income, social constituents, social equity, and net social asset. Dilly and Weygandt (1973) offered four approaches to the reporting of social activities dominate the literature. These four approaches, reported on by Dilly and Weygandt (1973:63) are:

1. The inventory approach
2. The cost approach
3. The program approach
4. The cost-benefit approach

The four approaches to reporting social responsiveness are presented as an introduction to SRA models to be include in Ratchliffe and Munter (1980). Bowman and Haire (1976) was one of the earliest studies which looked for a relationship between social impact disclosure and annual corporate reports. Furthermore, it is seen in the litereture that there are various studies looked for significant relations with social accounting such as the accountant's role (Rabun and Williams, 1974), accounting for pollution (Marlin, 1973), and information content (Ingram, 1978).

An attempt to break down or classify social accounting into major content areas is promoted by Dilley (1975:17-21) who suggests that there are five possibly overlapping categories.

1. *national social income accounting (macro accounting),* which has existed since 1930s, and it pursues the measurement of national quality of life on a macro basis.
2. *social auditing,* approach at the level of the firm by attempting to assess an entities responsiveness to its social responsibilities over such matters as pollution control, minority employment, and employee welfare.
3. *financial/managerial social accounting for non-profit entities,* is similar to social auditing except that performance evaluations are restricted to not-for-profit organizations.
4. *financial social accounting,* which is primarily concerned with external disclosures by firms in social responsibility areas including human resource asset accounting and compliance with Securities Exchange Commission regulations concerning enviromental impact standards.
5. *managerial social accounting,* Emphasizes the development of social responsibility measurements and a reporting system geared to internal decision-making purposes.

As Mathews (1997) noted, the second period (1981-1990) of the literaure of social and enviromental accounting is complex, with the first part of the decade showing increased sophistication within the social accounting area, prior to an apparent transference of interest to environmental accounting in the second part of the decade (see Dierkes and Antal, 1985; Glatzer, 1981; Gray et al.,1988; Guthrie and Parker; 1989; Heard & Bolce; 1981; Hopwood and Burchell, 1980; Meyer, 1986).

During the 1980s, the public stature of environmentalism had increased significantly and this was reflected in some authors broadening of the term 'social accounting' to 'social and environmental accounting'. For example, Gray *et al*. defined 'social accounting' as:

> *'...the process of 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. Such an extension is predicated upon the assumption that companies do have wider responsibilities than simply to make money for their shareholders.'* (1987:ix)

Although there were a number of attempts at developing theoretical models during the 1970s, there were no such developments published during the 1980s. There were only 16 SEA empirical studies published during the 1980s, and only three studies (Hogner 1982?Pang 1982 and Guthrie & Parker 1989) used data gleaned from corporate annual reports during the 1980s (O' Connor:11). On the other hand, specific approaches to social audit have attracted considerable attention in the literature (Brooks 1980; Filios 1984; Filios 1985; Filios 1986; Heard and Bolce 1981;Wokutch and Fahey 1986) during the 1980s.

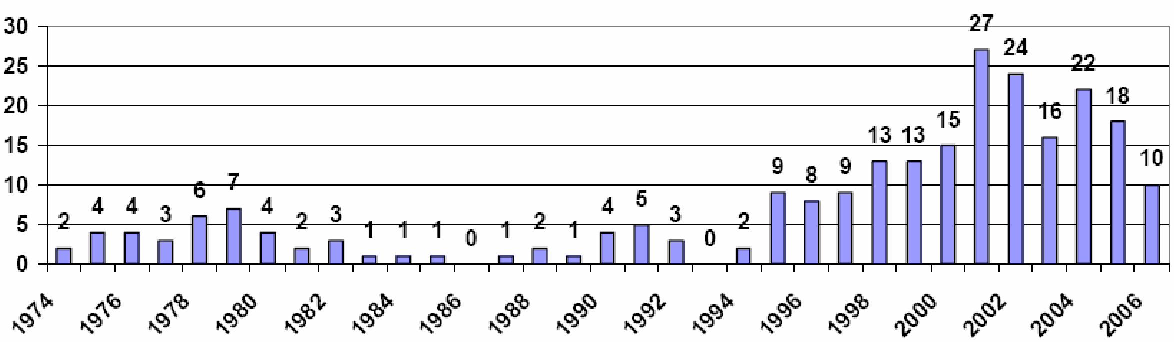


Figure-1: Social Accounting Emprical Studies by Year (O'Connor,2006:11)

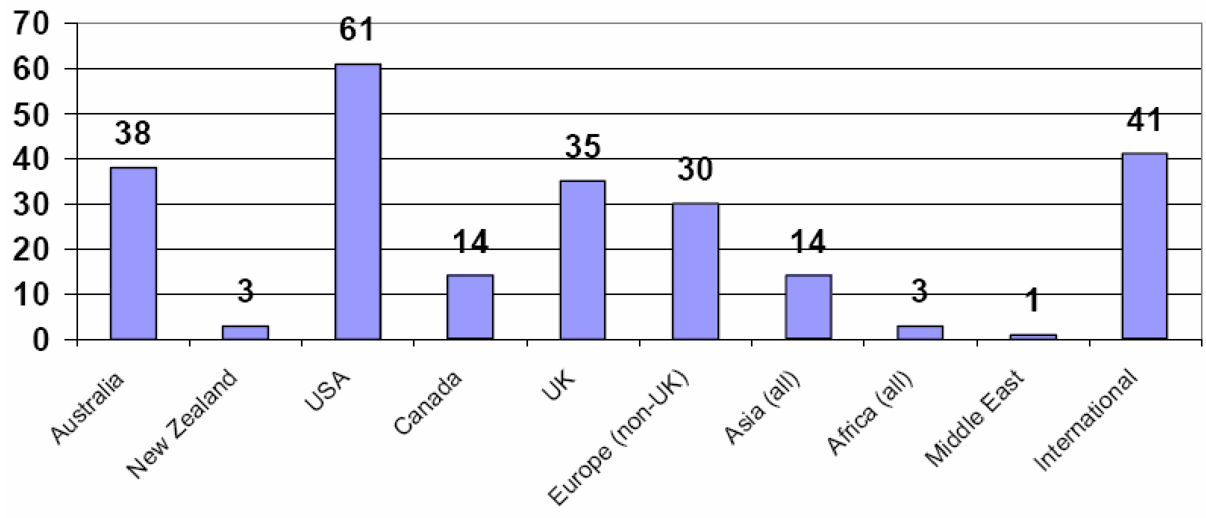


Figure-2: Country of Origin of Published Studies (O'Connor,2006:16)

Gray's (1988) article in *Abacus* entitled *Towards a Theory of Cultural Influence in the Development of Accounting Systems Internationally* was a pioneering paper in the development of the idea that culture might influence accounting practices. Gray proposed a theory linking societal and accounting values bringing together constructs from the social sciences (specifically, Hofstede, 1984; 1991) and the international accounting literatures. The value systems of accountants are derived from societal values with specific reference to work-related values. Accounting values in turn influence accounting practices, including the reporting and disclosure of information. Thus, depending on the varying degrees of external and ecological forces shaping societal values, different accounting systems develop, reflect and reinforce these values. Gray suggested that this framework might be used to explain international differences in accounting practices (Willett,2002:1).

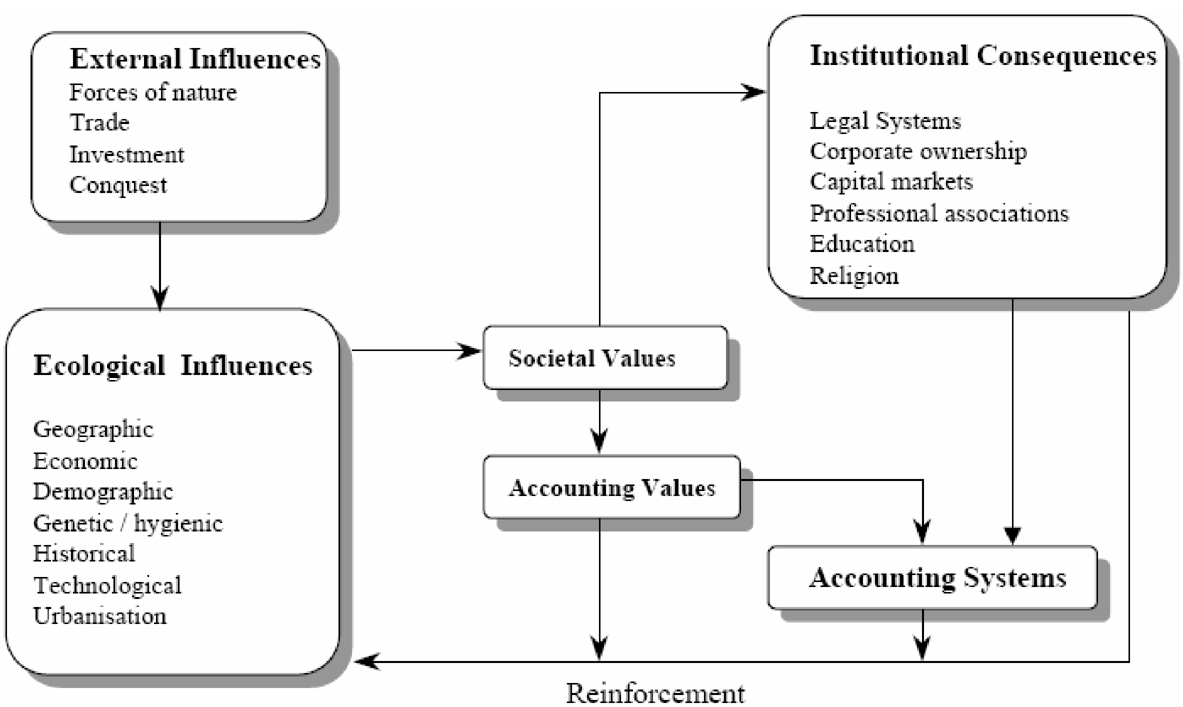


Figure-3: Culture, Societal Values and the Accounting Subculture (Gray,1988:7)

The period from 1991 to 2000 saw the advancement of environmental issues within accounting on a broad front, including interest from managers as well as accountants. This period was characterized by the almost complete domination of environmental accounting over social accounting, with perhaps the exception of Gray *et al*. (1995b, 1995c).

In the objective of Unerman (1999)'s paper, Milne and Adler's contribution to corporate scial reporting research methods complemented, by exploring two further areas in which choices must be made when conducting a content analysis study - what documents to analyse, and how to measure disclosures. As Unerman explored, few studies have explicitly discussed the first area in any great depth, with most studies only analysing disclosures in annual reports. The second area has been discussed in many studies (see, inparticular, Gray et al., 1995a; Hackston and Milne, 1996; Milne and Adler, 1999), but no uniform method of measurement has evolved. Both of these areas are important because they affect the quantum of corporate scial reporting captured by a study, and a key assumption underlying much corporate scial reporting research using content analysis is that quantity of disclosure signifies the importance of the item being disclosed (Deegan and Rankin, 1996; Gray *et al.*, 1995a; Krippendorff, 1980; Neu *et al.*, 1998). Thus, while Milne and Adler (1999) explore issues of reliability in the identification and classification of corporate scial reporting disclosures.

Table-1: Characteristics of Selected Papers which Have Used a Form of Content Analysis As a Research Method (Unerman,1999:668).

Paper	Documents analysed	Measurement method					
	Annual report and accounts only	No. of documents	No. of words	No. of sentences	No. of pages	% of pages	% of total disclosure
Adams *et al.* (1995)	•	•				•	
Adams and Harte (1998)	•	•					
Adams *et al.* (1998)	•					•	
Ball *et al.* (forthcoming)		•					
Buhr and Freedman (1996)		•					
Buhr (1998)	•			•			
Cowen *et al.* (1987)	•	•			•		
Deegan and Rankin (1996)	•		•		•		
Deegan and Gordon (1996)	•		•				
Ernst and Ernst (1978)						•	
Gray *et al.* (1995a)	•	•				•	
Gray *et al.* (1995b)	•	•				•	
Guthrie and Parker (1989)						•	
Guthrie and Parker (1990)	•					•	
Hackston and Milne (1996)	•			•			
Harte and Owen (1991)						•	
Ince (1997)			•				
Neu *et al.* (1998)	•		•				
O'Dwyer and Gray (1998)	•					•	
Roberts (1991)	•	•					
Simmons and Neu (1996)		•					
Thomas and Kenny (1996)	•	•					
Trotman and Bradley (1981)	•						•
Tsang (1998)	•	•		•			
Zéghal and Ahmed (1990)			•				

The latest studies have discussed corporate environmental and social disclosure practices within the theoretical framework of political economy, legitimacy and stakeholder theories (Wilmhurst and Frost, 1999; Deegan, 2000; Deegan, 2002; Campbell *et al.*, 2002; Tilt 1994). The economic incentives viewpoint is consistent with research that explains CSR disclosure in the context of agency theory (Adams 2002; Campbell 2000). Instead political economy theory considers the political, social and institutional framework within which the economic takes place (Gray, Kouhy and Lavers, 1995c: 52). As such, political economy theories seem to beter explain why corporations appear to respond to government or public pressure for information about their social impact (Guthrie and Parker, 1990:172). Stakeholder theory asserts that: the corporations continued existence requires the support of the stakeholders and their approval must be sought and the activities of the corporation adjusted to gain that approval. The more powerful the stakeholders, the more the company must adapt. Social disclosure is thus seen as part of the dialogue between the company and its Stakeholders (Gray, Kouhy and Lavers, 1995c:53). Dowling and Pfeffer (1975:124) suggest that legitimacy cannot be defined solely by what is legal or illegal. Society's expectations of corporate behaviour are both implicit and explicit (Deegan 2000:254).

During the post-2000 period, there have been three key developments in empirical research in the social and environmental accounting field: (i) there has been a relative proliferation of empirical studies being published in academic journals in the social and environmental accounting field 5 ?(ii) there has once again been a significant increase in the depth of empirical work being undertaken, evidenced by (a) a growing number of studies seeking to explain social and environmental reporting practice?(b) a growing number of studies which sought to investigate the faithfulness of social and environmental reporting practice?(c) the emergence of a number of studies which have sought to establish the degree to which social and environmental accounting is leading to organizational change?and (d) a significant increase in the number of studies using multiple sources of data?and (iii) a significant increase in the number of studies located outside of North America (O'Connor,2006:11).

III. The Social Accounting Practices: Works in Progress

Above sections provided an introduction and historical review of literature related with for social accounting. As mentioned in "introduction" section of this study, reflective environmental conditions descriptive terms related with the social accounting concept are loosely defined. For example, social accounting is favored expression which can be interchanged wit the terms "corporate social accounting", "social reporting", "social auditing", "social disclosure" or "sustainability reporting" (Douglas et all, 2004:389). Based on this fact, we shall be attempting to discuss development of social accounting and reporting practices together under this topic.

The nature and extent of corporate social reporting appears to vary over time, varied between countries (Gray *et al*., 1996:142) and related to both company size and industry (Adams *et al*., 1998; Cowen *et al*., 1987; Hackston and Milne, 1996; Patten, 1991; Trotman and Bradley, 1981; Deegan and Gordon, 1996; Roberts, 1992). Another conclusion which can be drawn from the studies that a company operated in a more developed country is likely to report more extensively in the developed country than in the lesser developed countries in which it also operates(Douglas *et al.,* 2004:389).

One of the effective ways to evaluate the development of social accounting practices is to consider recent reporting trends in social activities of the corporations. Based on this logic, we try to display the development of social accounting (mostly social reporting) from 1970 to 2000's.
The first study which will be examined within this context is a survey implemented by Ernst & Ernst which is a CPA firm. It had surveyed Fortune 500 company annual reports to determine the extent of social responsibility disclosures. Roser (1979) summarized the results of this research in following three tables. Table 1 illustrates the extent of the social reporting oven the seven year period from 1971 through 1977.

Table-2: 1972-1978 Ernst & Ernst Social Responsibility Compilation Survey Fortune 500 Companies Making Social Responsibility Disclosures (Roser, 1979: 22)

	Number of Companies Providing							**Percent of Companies**						
	1977	1976	1975	1974	1973	1972	1971	**1977**	**1976**	**1975**	**1974**	**1973**	**1972**	**1971**
Companies making social responsibility disclosures in annual reports	446	456	425	346	298	286	239	**89**	**91**	**85**	**69**	**60**	**57**	**48**

Companies not making social responsibility disclosures in annual reports	42	38	71	151	198	206	226	**9**	**8**	**14**	**30**	**39**	**41**	**45**
Reports not available	12	6	4	3	4	8	35	**2**	**1**	**1**	**1**	**1**	**2**	**7**
Totals	500	500	500	500	500	500	500	**100**	**100**	**100**	**100**	**100**	**100**	**100**

According to the Table 2, incidence of disclosures increased by 87 percent during those years based on the reporting by 446 companies in 1977 as compared to 239 companies in 1971. Only in 1977 did a two percent downturn in reporting trends take place as compared to the 91 percent all-time reporting peak that occurred in 1976.

Table-3: 1978 Ernst & Ernst Social Responsibility Compilation Survey Method Used By Fortune 500 Companies to Report Social Responsibility Disclosures (Roser, 1979:23)

	Number of Reports	Percent of Total
Companies providing disclosures in 1977:		
Reported descriptively without quantification	186	37
Reported in quantitative terms:		
Monetary and nonmonetary quantification	124	25
Nonmonetary quantification only	75	15
Monetary quantification only	61	12
Total reports with quantitative disclosures	**260**	**52**
Total companies making disclosures	**446**	**89**
Other reports:		
No social responsibility disclosures	42	9
Reports not available for compilation	12	2
TOTAL FORTUNE 500 COMPANIES	**500**	**100**

Table 3 shows the diversity of reporting methodologies used in 1977. of the 89 percent total of all 500 companies which chose to make social responsibility reporting, 52 percent of them preferred to using qualitative measures either in monetary or nonmonetary form or some combination thereof. The remaining companies reported their social activities descriptively without quantification.

Table-4: 1978 Ernst & Ernst Social Responsibility Compilation Survey Quantification of Social Responsibility Disclosures Provided by Fortune 500 Companies (Roser, 1979: 25)

	Number of Companies Providing			
	Monetary Quantification	**Nonmonetary Quantification**	**Combined Total**	**Percent of Total**
Environment	130	51	181	29
Energy	40	101	141	23

Community Involvement	52	51	103	16
Fair Business Practices	23	72	95	15
Human Resources	13	74	87	14
Products	4	6	10	2
Other Disclosures	1	3	4	1
Totals	**263**	**358**	**621***	**100**

The last Table points on composition of 1977 quantified social responsibility data. Two main conclusions can be drawn from Table 4. The first one is that social responsibility reporting can be ranked in descending order by frequency of occurrence; the second conclusion is that because formalized standards of reporting for social accounting have not been formulated, there is a lack of consistency exists between monetary and nonmonetary quantifications when comparing one general category of disclosure to another.

Social responsibility reporting is concerned with trying to report a comprehensive picture of the full extent of the organization's interactions with society. There have been useful attempts in this direction. Two reports of the very first examples were suggested by Clark C. Abt and Eastern Gas and Fuel Associates. Both companies are from the United States, and represent very different approaches for social accounting and reporting. Appendix

Clark C. Abt was a consultancy firm which initiated and developed a set of social accounts. It attempted to determine the affect of the company on society by identifying four primary impact areas: employees, customers, community and the general public. Social changes are measured in monetary units and reported in a balance sheet and income statement format (Hurley, 1982: 55). The accounts were published be Abt throughout the 1970's. In 1981, The Cement Corporation of India** produced social accounts which were Abt-based.

According to the Gray *et.al.,* (1996:104) the two major importance of the Abt attempts were that a) the company encouraged and undertook experimentation in the area of social accounting and b) the Abt accounts attempt to link the economic and the social/environmental activities of the company.

Another company, name is Eastern Gas and Fuel Associates, offered a complete contrast report. This report*** is closer to what normally passes for social and environmental reporting, in that it is descriptive wit the intermittent use of quantitative data. Although the Eastern Gas Report gave useful information and suggested different approach, it has one quite glaring omission in that the company's greatest impact is likely to be in the area of air and land pollution-about that the report was silent(Gray *et al.,* 1996:104).

Beside these two reports, there were two more reports which were suggested by Deutsche Shell and Atlantic Richfield Company in the same period. Deutsche Shell 1975 Report is a combination of a set of social accounts and a series of more general statements. The Report relies on costs (not valuations) and relates the whole to corporate social activities via the establishment of and reporting against internally generated standards and in the Report, social accounts are a structured presentation of the costs incurred for the activities relevant to the employees. The most interesting and most detailed section of the report is the "consideration of the interests of our employees". Employees are the most strongly emphasized group in all the social reports (Berg, 1976:57).

Atlantic Richfield Company 1977 Report consisted of more 60 pages, principally of narrative but with a selective disclosure of quantitative information (Gray *et al.,* 1996:104).

Until the 1990s a greater number of examples of social accounting and reporting related to employees than to any other area of concern. Employee-rated reporting is a predominantly United Kingdom and European phenomenon. It was the decade of the 1970s that saw employee reporting appears to enter the established reporting practices of many organizations. The features of these reports can be summarized as follows:

a. They were not standardized,
b. There were a very wide range of styles and subjects
c. Abbreviated financial statements, a review of the organization's progress during the year, any changes in policies and data on staff turnover, health and safety issues were included into the Reports.

New reporting models were developed related employee reporting such as "Value – Added Statement" and "Human Resource Accounting" during the same period.

The final area of the development in social reporting is "reporting on the natural environment" or "environmental reporting". The first voluntary corporate environmental reports were published in the late1980's. Among the very first were Norsk Hydro, Norway's largest industrial group, and the U.S. chemical company Monsanto (Skillius and Wennberg, 1998:31). A useful sample of the environmental reporting is Phillips Screw Report. It illustrates two useful elements. First, the report is of environmental performance against regulatory standards. Secondly, the report is an "audit report" from an independent attester which we have seen is an essential element if the information reported is to have any credence (Gray *et al.,* 1996:123).

Another comprehensive survey was implemented by KPMG, in 2005. The survey involved parallel analysis of the CR reporting of two groups of companies. The first set consisted of the top 250 companies of the Global Fortune 500 (G250) and was analyzed by the University of Amsterdam. The second set, consisting of the top 100 companies (N100) in 16 countries – Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Netherlands, Norway, South Africa, Spain, Sweden, UK and the USA –were analyzed by the KPMG practices in those countries. The N100 list was created by revenue ranking based on a recognized national source.

The reports, either separate CR or published as part of corporate annual reports, were gathered between September 2004 and January 2005.These were the most recent corporate reports published in the previous two years, with the majority covering the calendar year 2003 or financial year 2003/4. The survey included only those reports that fit the definition of CR reports. Brochures, promotional materials and other available information, including websites and communications strictly devoted to community involvement, were excluded from the research. Similarly, information from websites, other than CR reports in HTML format, was also excluded from the analysis. The majority of the reports were downloaded from corporate websites. If the report was not available online, the companies were approached individually. This resulted in a response rate of 98 percent. The remaining 2 percent was assumed not to have a report. Reports from both groups (G250 and N100) in the survey were analyzed by country, sector as well as level and type of assurance. In addition, a more detailed analysis of the content of the G250 reports was undertaken. The analyses were conducted systematically using a standard questionnaire to maximize consistency and objectivity. The commentary on four regions where CR reporting is emerging was based on desk research by field practitioners (KPMG, 2005: 8).

Reporting trend by country for N100 companies: Figure 4 presents the data on the number of CR reports published as separate reports and those published as part of annual reports for 2005. Because of the change in the nature of reporting, the trend at national level is only analyzed for separate CR reports. Japan (80 percent) and the UK (71 percent) take the lead in publishing stand-alone CR reports. The reports are published mainly as separate reports.
In all but two of the N100 countries, with the exception of South Africa and Belgium, more than 70 percent of the CR reports are published as separate reports. Since 2002, the number of separate CR reports in most countries has increased considerably with nearly a twofold increase seen in Italy, Spain, Canada and France. In South Africa the number of separate CR reports has risen from 1 to 18 in the last three years. The research also showed a significant decrease in separate reporting in Norway and Sweden. Although some of these changes can
be partially explained by changes in legislation, impetus for these trends can be complex and such analysis is outside the scope of this research.

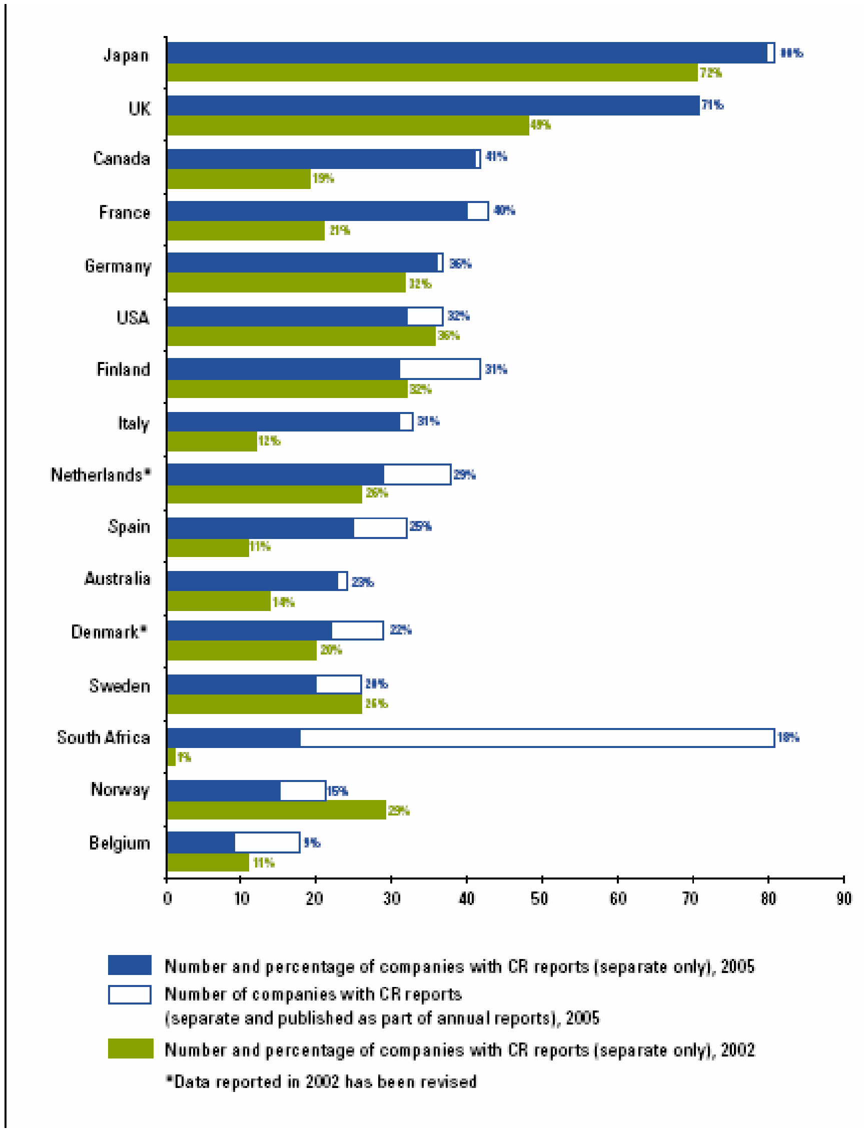


Figure-4: Corporate Responsibility (CR) reporting trend by country, Top 100 in 16 countries (2002, 2005), (KPMG, 2005:10)

Geographical distribution of reporting G250 companies: Based on the composition of the Fortune list, the distribution of G250 companies may vary over the years. Therefore, even if the G250 results illustrate the global trend of CR reporting among the biggest multinational companies, they do not represent a truly global overview. In 2005, the G250 corporations are distributed across 21 countries/regions with the largest number of companies located in the USA (100) followed by Japan (40), France (24) and Germany (21). In 2005, almost 80 percent of companies in nearly all 21 countries/ regions have CR reports compared with just over 50 percent in 2002. The only exceptions are USA (35 percent), China (33 percent) and the Scandinavian countries (60 percent). As seen from Figure 5, the CR reporting activity in the G250 countries is in proportion to the number of companies in each country, with the exception of the USA and China. This, to some extent, supports the assumption that the CR movement as indicated by reporting is led primarily by multinational (G250) corporations rather than by other national influences.

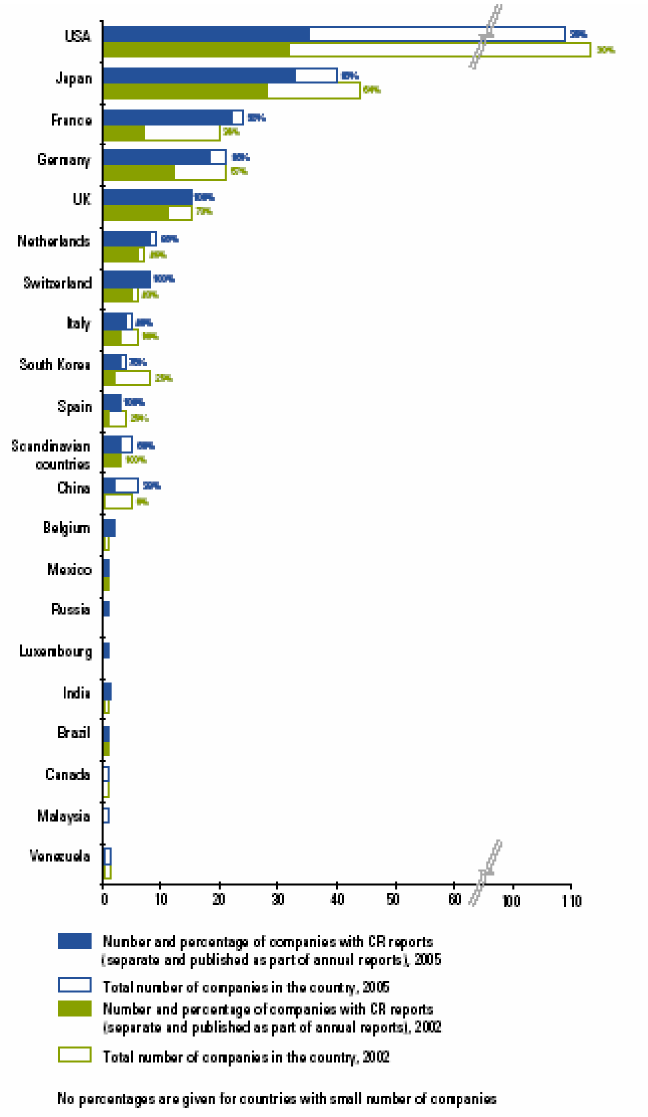


Figure-5: Geographical distribution of reporting companies, G250 (2002, 2005), (KPMG, 2005: 11)

N100 : At the national level (Figure 6), CR reporting activity has increased since 2002 in all but one sectors for separate reports11. Sectors in which more than 50 percent of companies have CR reports include utilities, mining, chemicals and synthetics, oil and gas, and forestry, pulp and paper. Similar to the G250 results, the N100 results show a 170 percent increase in the number of CR reports published by the financial sector (31 percent).

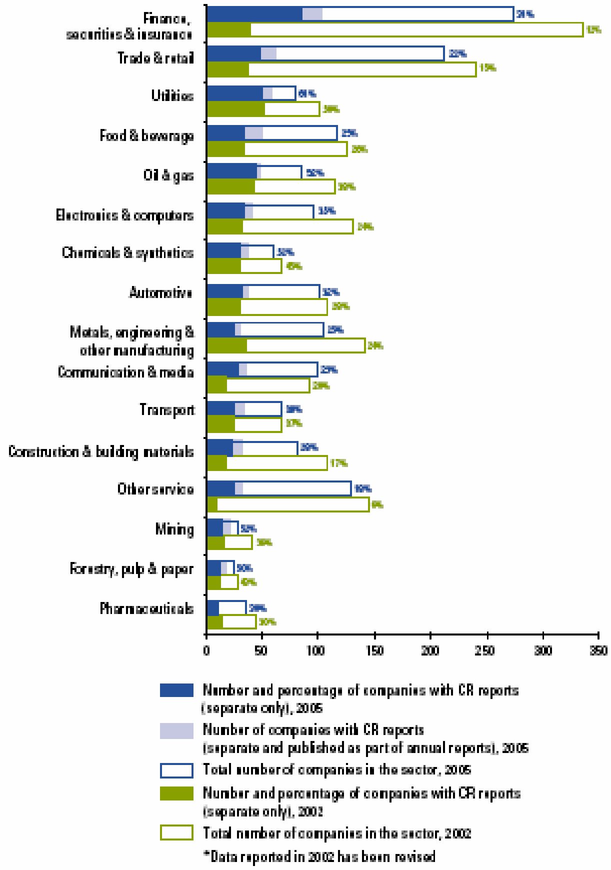
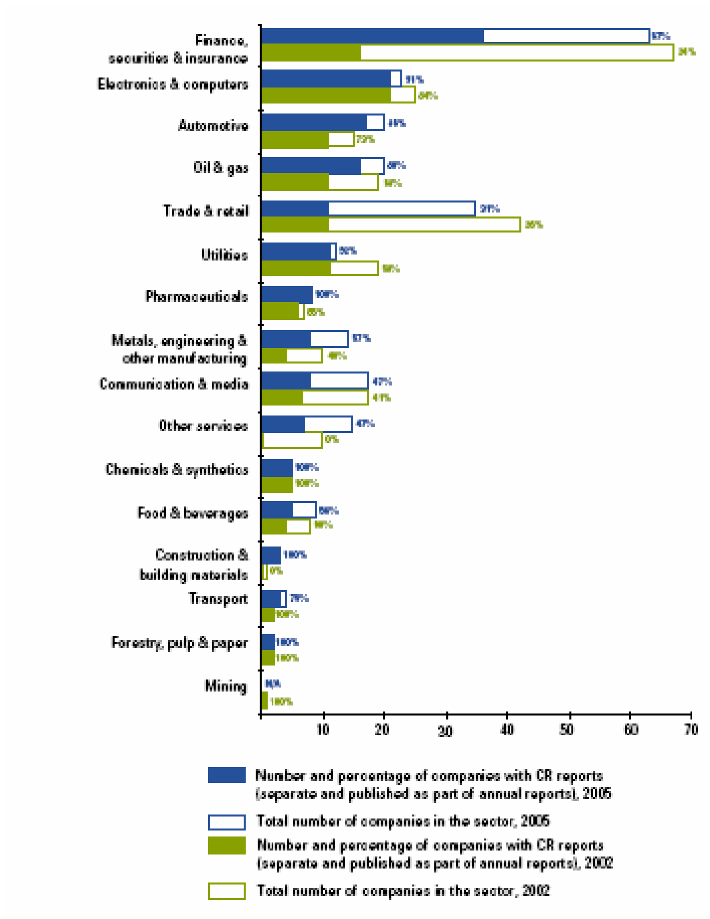


Figure-6: Corporate responsibility (CR) reporting by sector, Top 100 in 16 countries (2002, 2005), (KPMG, 2005: 12).

G250: All but one sector of G250 corporations showed increased reporting activity. Sectors in which more than 80 percent of the companies have CR reports include electronics and computers, utilities, automotive, and oil and gas. The financial sector (57 percent) shows a 138 percent increase in reporting activity since 2002. Some sectors are too small or have a considerably different composition of companies compared with 2002 to be able to draw any conclusions about the changes in reporting activity.



Figure–7: Corporate responsibility (CR) reporting by sector, Global 250 (2002, 2005), (KPMG, 2005:13)

In the 1990s, non-financial reporting was dominated by environmental concerns. The trend toward sustainable business practice, against a backdrop of recent corporate governance scandals, has increased company awareness of the need to be accountable to a wider audience for all aspects of performance. Systematic public reporting on environmental and social (and ethical issues), together with economic performance, is an important way for companies to communicate their corporate responsibility to their stakeholders, thereby improving transparency and public trust. In addition to the rising strategic importance of CR at board level, increasing standardization and new regulations, not least in the field of corporate governance, is also influencing CR reporting. The 2005 survey therefore addresses these issues in more detail, including a special section on the motivation for CR reporting, based on an analysis of information in the G250 reports. In terms of CR reporting guidelines the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), developed through a multi-stakeholder process, are now well established. Currently, 660 companies spread throughout 50 countries report6 on the basis of GRI guidelines. The guidelines provide principles and detailed indicators for reporting on all aspects of CR performance. Further refinement, such as the ongoing development of sector-specific guidelines and protocols, for example on reporting boundaries, should help companies to focus their reporting and improve possibilities for benchmarking performance.

Guidelines since 2002 as the single, global, framework for sustainability reporting highlights the need for a more robust platform to support growth in numbers of reporters, and increases in high-quality, relevant, performance-focused, and comparable reporting. This will be an ongoing reminder about GRI's constant responsibility to its stakeholders to continuously improve the Sustainability Reporting Guidelines based on user's experiences and needs.

The main standards and guidelines on corporate management and reporting can be summarized as follows (KPMG, 2005:43):

The **AA1000 guidelines** from AccountAbility provides guidance on how to establish a systematic stakeholder engagement process that generates the indicators, targets and reporting systems needed to ensure its effectiveness in impacting on decisions, activities and overall organizational performance. www.accountability.org.uk

The **Association of Chartered Certified Accountants (ACCA)** publishes a report on their website that gives guidance on how to report on the web. www.accaglobal.com

The **European Chemical Industry Council (CEFIC)** established the **Responsible Care Programme** as a worldwide commitment for chemical industry to improving EHS performance and communication. www.cefic.be

The **Global Reporting Initiative (GRI)** describes itself as a multi-stakeholder process and independent institution whose mission is to develop and disseminate globally applicable Sustainability Reporting Guidelines. Its Guidelines are for voluntary use by organizations for reporting on the economic, environmental, and social dimensions of their activities, products, and services based on reporting principles. www.globalreporting.org

The **International Standards Organisation (ISO)** has developed an extensive range of standards. Among those that are directly related to corporate responsibility are those that refer to quality and the environment through the ISO 9000 and ISO 14000 series.

The guideline **SA8000** of Social Accountability is a uniform, auditable standard for social accountability with a third-party assurance system and is based on the Core Conventions of the International Labour Organization (ILO). www.cepaa.org

UN Global Compact is an initiative that facilitates a network of UN agencies, business, labor, NGOs and governments to promote companies to adhere to ten principles in the areas of human rights, labor, environment, and anti-corruption. www.globalcompact.org

The **Organisation for Economic Co-operation and Development (OECD)** issued non-binding guidelines based on 9 recommendations. www.oecd.org

The **Global Sullivan Principles of Social Responsibility** is a code of conduct to encourage participating companies and organizations working toward the common goals of human rights, social justice and economic opportunity. www.globalsullivanprinciples.org

CERES encourages corporate environmental responsibility in a number of ways, from encouraging companies to endorse the CERES Principles, working with endorsing companies,
both on meeting their commitment and on environmental reporting through the Global Reporting Initiative and mobilizing the network in activist projects like the Sustainable Governance Project and the Green Hotel Initiative. CERES also convenes forums for discussion among diverse groups, from the annual CERES conference to industry-specific dialogues. www.ceres.org

EMAS - The EU Eco-Management and Audit Scheme (EMAS) is a management tool for companies and other organizations to evaluate report and improve their environmental performance. The scheme has been available for participation by companies since 1995 (Council Regulation (EEC) No 1836/93 of June 29 1993) on a voluntary basis.

IV. Concluding Comments

In the past, maximization of wealth was seen as a main goal of the companies. However, with the improvement in social conditions and rising standards of living, stakeholders forced their companies to disclosure their accountability to society. As a result of this demand, social accounting was born in 1970's. Social accounting which can be defined as "accounting for an entity's full impact on society" covers four main themes such as environment, human resources, energy, community involvement, products and services.

It attracted considerable and widespread attention during the early to mid-1970s. Professional and academic accounting bodies gave serious consideration to the issue, and also businesses experimented with it in many innovative ways. In the 1980's, it fell off the public agenda, but in 1990's it was rehabilitated. Most of the academic studies about social accounting and reporting so far have been in the context of developed countries such as Western Europe, the USA and Australia etc. Very few studies are available on the social accounting in the developing countries.

When we exmained the studies related to the development of social accounting practices at corporate level, we determined that some variables such as time, country, company size and industry affect the nature and extent of social reporting practices. In addition to this result, the same studies stated that a company which operates in a more developed country is likely to report more ambitious in the developed country than in the developing or undeveloped country that it also operates. For this situation, Mathews (1993) point out that cultural and country conditions were likely to affect accounting practices.

In spite of growing interest for social accounting practices, there are still major problems related social accounting practices. Those problems can be summarized as follows;

1. Disclosures of social and environmental information tend to be on a fragmentary,
2. Voluntary reporting does not produce widespread, consistent and systematic practices.
3. Attestation is crucial, but good attestation appears beyond the competence of current auditors,
4. Definitions problems of most of the social accounting terms,
5. Presenting values and intentions without supporting details,
6. Reporting only good news,
7. Making inaccurate claims
8. The difficulties in measuring social "externalities" etc.

Although technological improvements, new guidelines and standards enable solving those problems, at present, the social accounting practices are not desired level in both developed and developing (especially in developing) countries.

V. Resources

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