Corporate Social Responsibility: A Few Issues

by

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Corporate Social Responsibility (CSR) activities are growing at their pace and are undertaken by the corporates as mandate under the law. But there lays scope for discussion on a few topics which are still in the nascent stage and requires calibration. The issues like accountability through reporting, moral disclosure, social disclosure, and its relationship with CSR. These issues were widely discussed in the seventies and early eighties and then dropped out of sight. The current re-energized focus includes social, environmental, and ethical reporting by corporations.

The notion of corporate social disclosure arises from a view of social theory which holds that the corporation owes a duty to the society; or has a social contract. The past decade has also seen a call for environmental accounting and reporting, one subset of social responsibility reporting (for example the Accounting Horizons, **Beets, 1999**, as well as the British and European literature reviewed by **Bebbingtonet al. 1999**; **Gray et al., 1995; Gray 2002; Mathews, 1997). Elkington (1997)** has made popular the notion of the triple bottom line, combining economic, social, and environmental reports. With the debate on type, direction and verification of environmental information actively joined there has also been a return to the earlier, broader discussion of social responsibility and it's reporting.

From accountability perspective, a significant research question can be raised as whether the current reporting practices truly reflect corporate social and environmental behaviour **(Unerman, 2000)**. Several studies have revealed that it is highly doubtful that current CSR disclosure provides the stakeholder with a fair view of a company's CSR performance. This doubt mainly originates from the fact that companies predominantly provide narrative CSR information (e.g**., Adams et al., 1995; Al-Tuwaijri et al., 2004; Beck, Campbell, & Shrives, 2010; Guthrie, Cuganesan, & Ward, 2008; Wiseman, 1982). Neu, Warsame, and Pedwell (1998)**, for instance, argue that managers often disclose narrative information because such disclosures can be tailored to manage public impressions and improve brand visibility. Similarly, **Hopwood (2009, p. 437)** states that these disclosures can be used to increase the company's legitimacy and, as such, may "even reduce what is known about the company and its environmental [CSR] activities."

To further the correspondence between reporting and actual performance, several prior studies have suggested a form of CSR reporting, which we will call comprehensive reporting. According to **Robertson and Nicholson (1996),** the 'ideal model' of CSR disclosure combines three hierarchical disclosure levels to close the gap between rhetoric and action. These disclosure levels are (i) 'General Rhetoric', which covers the

corporate recognition of the value of CSR; (ii) 'Specific Endeavour', which consists of CSR activities and (iii) 'Implementation and Monitoring' of CSR programs. In order for making CSR reports to be useful in making corporate activity transparent to stakeholders, the veracity of the information contained in the reports must be assured. There is evidence that financial markets have disciplinary mechanisms which, overtime, penalize firms that communicate in accurate information. Such mechanisms do not yet exist and may never be possible in the CSR realm due to the broad range of activities and consequences that can be addressed in CSR reports. Direct validation of the information contained in these reports can therefore be helpful in guaranteeing the truthfulness of claims made.

Another emerging issue in CSR is the relationship between moral discourse and CSR. Moral discourse focuses on issues of ethics and value. The study of ethics is synonymous with the study of morality. More precisely, it refers to the study of moral principles of a particular group, as, for example, the professional ethics of evaluators. Habermas **(Reynolds, 2008)** in his study argues that moral norms gain validity not through their adherence to external universal criteria, as is often claimed. Instead, norms are valid if they are developed through an open and fair discourse among all parties affected by them. **Kettner (1993)** distils Habermas' arguments about ideal speech into **five propositions**:

• Generality – the discussion should be open and accessible to all interested parties,
• Autonomous evaluation – participants must have opportunity to fully express interests,
• Role-taking – participants must attempt to view the situation from others' perspectives,
• Transparency – participants must reveal their goals and intentions relevant to the issue,
• Power neutrality – the discussion must be free from coercion.

Each of these principles can be applied within the context of CSR. The generality proposition suggests that corporations have the responsibility to allow all stakeholders to participate in discussions about matters that can affect their welfare. Before ethical discourse about social responsibility can take place, corporations must identify those constituencies who hold a stake in corporate decisions. Autonomous evaluation requires that participants in moral discourse must have the opportunity to express their interests and objectives, to make assertions, and to question assertions made by others. In a practical sense, this requires corporations to identify relevant stakeholders and invite them or their representatives to participate in a discussion about the actions that might affect them. This principle requires corporations to go beyond the common practice of considering how their actions might affect stakeholders. The stakeholders must be allowed to speak for themselves.

The role-taking proposition requires all participants in the discourse to attempt to understand the perspectives of other participants. Mutual understanding cannot be achieved when participants act strategically; working to negotiate to achieve their own desired ends. In a CSR setting, this requires companies to move far beyond strategic stakeholder management, and even past stakeholder consultation, to true stakeholder

engagement. Transparency requires that parties in the discourse make their positions, goals, and interests known to other members. Although full transparency is unrealistic in the corporate realm in which companies hide information from competitors and others for strategic purposes, it can nonetheless serve as an ideal for stakeholder engagement.

The final condition, power neutrality, is little discussed but critically important in the CSR realm. As discussed above, participants in moral discourse must fully disclose their own interests, as required by the transparency constraint, and be allowed to make assertions and question those made by other parties, as required by the autonomous evaluation constraint. In order for this to take place, efforts must be made to provide for a democratic setting, in which all participants have equal opportunity to speak and be heard. This is perhaps the most difficult condition to achieve in stakeholder engagement due to the strong power relationships that exist outside the engagement and because the resources and capabilities possessed by stakeholders can vary so dramatically. Moral discourse requires a perspective in which all participants search for common content as seen in the theory of pragmatism. This discourse is possible to the extent that participants can break free of material and ideological influences.

As reporting on CSR performance encourages performance improvements, it is believed that the same holds for moral discourse. As companies move toward greater transparency in the processes and outcomes of stakeholder discourse, we expect movement toward ideal speech and moral communicative outcomes.

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