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Corporate social reporting and stakeholder accountability: The missing link

Stuart M. Cooper [a], David L. Owen [b,*]

[a] Aston Business School, Aston University, Birmingham B4 7ET, United Kingdom
[b] International Centre for Corporate Social Responsibility, Nottingham University Business School, Jubilee Campus, Wollaton Road, Nottingham NG8 1BB, United Kingdom

Abstract

Recent years have witnessed a significant degree of administrative reform, in terms of the increasing number of major companies proclaiming their social responsibility credentials, and backing up their claims by producing substantial environmental, social and sustainability reports. The paper critically evaluates the degree of institutional reform, designed to empower stakeholders, and thereby enhance corporate accountability, accompanying these voluntary initiatives, together with that potentially ensuing from proposed regulations, later rescinded, for mandatory publication of an Operating and Financial Review by UK quoted companies. It is concluded that both forms of disclosure offer little in the way of opportunity for facilitating action on the part of organizational stakeholders, and cannot therefore be viewed as exercises in accountability.

Introduction

Recent years have witnessed a significant increase in the number of major companies in Europe, the USA and Australia proclaiming their social responsibility credentials, and backing up their claims by producing substantial paper, or web based, environmental, and more recently, social and sustainability reports (see, for example, KPMG, 2005). Perhaps not surprisingly in view of the fall-out from Enron and similar affairs, reputation building appears to provide a primary motivating factor for companies going down the Corporate Social Responsibility (CSR) path. Thus, for example, Business in the Community's (2003) 'business case' for CSR notes that it offers:

> "...a means by which companies can manage and influence the attitudes and perceptions of their stakeholders, building their

* Corresponding author. Tel.: +44 (0)115 846 6798; fax: +44 (0)115 846 5667.
E-mail address: David.Owen@nottingham.ac.uk (D.L. Owen).

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> trust and enabling the benefits of positive relationships to deliver business advantage.'' (p. 3)

The degree of administrative reform has certainly been substantial in terms of the production of new accountings which heighten levels of organisational transparency, potentially in the interests of improved accountability (Power, 1994).[1] However, questions arise as to whether exclusive reliance on the 'business case' to encourage such initiatives is capable of promoting institutional reform sufficient to empower organisational stakeholders, so that this potential heightened accountability may be realised (Owen, Gray, & Bebbington, 1997). Influential standards and guidelines which increasingly inform leading edge reporting practice, notably the Global Reporting Initiative (GRI) and AccountAbility's AA1000, unequivocally suggest that it can. The former, for example, notes that:

> ''A primary goal of reporting is to contribute to an ongoing stakeholder dialogue. Reports alone provide little value if they fail to inform stakeholders or support a dialogue that influences the decisions and behaviour of both the reporting organisation and its stakeholders.'' (GRI, 2002, p. 9)

For AA1000, a quality reporting process is quite simply governed by the principle of accountability, which is itself underpinned by the principle of inclusivity, i.e. accountability to all stakeholder groups.

> ''Inclusivity concerns the reflection at all stages of the...reporting process over time of the aspirations and needs of all stakeholder groups – those groups who affect and/or are affected by the organisation and its activities. Stakeholder views are obtained through an engagement process that allows them to be expressed without fear or restriction.'' (AccountAbility, 1999, p. 7)

AccountAbility's subsequently issued Assurance Standard further underlines the stakeholder accountability credentials of the reporting process in promulgating the principles of materiality, completeness and responsiveness. The materiality principle requires the assurance provider to state whether the reporting organisation has included in its report information required by stakeholders to enable them to make informed judgements, decisions and actions, whilst the completeness principle calls for an evaluation of the extent to which the organisation can identify and understand material aspects of performance. Finally, and most fundamentally, the responsiveness principle requires that,

> ''...the Assurance provider evaluate whether the reporting organisation has responded to stakeholder concerns, policies and relevant standards and adequately communicated these responses in its report.'' (AccountAbility, 2003, p. 18)

Notwithstanding the democratising potential of corporate social reporting claimed by the GRI and AccountAbility, severe reservations have been expressed in the academic accounting literature as to the degree of participatory role played by stakeholders in the process. In particular, it has been suggested that prevailing stakeholder engagement practices have little to do with extending accountability and amount to nothing more than exercises in stakeholder management and corporate spin (see, for example, Gray, 2000; O'Dwyer, 2003, 2005; Owen, Swift, Humphrey, & Bowerman, 2000; Owen, Swift, & Hunt, 2001).

Recent developments in the United Kingdom suggest that the time is now opportune to re-visit these claims and counter claims. Firstly, there has been a dramatic quickening of pace of administrative reform in terms of companies producing stand alone social and environmental reports, with KPMG's latest (2005) triennial survey of reporting practice indicating that 71% of the FTSE 100 produced such reports, whilst slightly later (2005) figures from the consultancy organization Salterbaxter suggest that the number now exceeds 80%. Secondly, the prospect of mandatory reporting

[1] It should be noted here that some researchers, whilst acknowledging the increase in reporting per se, have expressed severe reservations over its quality, particularly in terms of demonstrating an ecologically and eco-justice informed approach to 'sustainability' issues (see Gray, 2006).