

The Newsletter

From the Social Responsibility Research Network

www.socialresponsibility.biz

Time is passing quickly and it is already time for the second issue of the Newsletter for 2009. As we write this we are also busy preparing for this year's conference which will take place in September in Cape Town – hosted by UNISA, the premier university in South Africa and chaired this year by Professor Stella Vettori. It promises to be even more successful than our previous conferences and we hope to meet as many of you there as possible in September.

This issue of the Newsletter contains some interesting news about the activities of the Network and our members. We hope that you find this information helpful. Also this time we are including a short history of the Network – to put our evolution in perspective for newer members. We also include some articles as usual. You will see that the financial and economic crisis and its effects features prominently among these articles, just as it did in the last issue. This indicates the importance of the crisis as a global phenomenon. It also shows that, as socially responsible people, it is important to engage with the issues raised by the crisis, discuss the failings which have led to the crisis and contribute towards the global solution which will prevent this from happening again. At least that must be our aim. Mere debate and discussion if not sufficient.

At the same time of course there are many other issues which are pressing and are of importance to our members. We must not forget these and the contents of this issue reflects some of these also – the ones which members consider significant to want to write or speak about and to promulgate views about. If there are others then tell us and we can include your activities or views in the next issue.

The Newsletter is of course one of the voices of the Network and the main reason for the existence of the Network is to enable all of us, as scholars concerned with various aspects of social responsibility, to communicate with each other, share information, join together in research projects, develop courses and course material and various other activities. Hence it is important for us to share news and opportunities. This is the purpose of the email list of members. This too is the purpose of this newsletter – which will promote our interests and activities to a wider body of people than the 500 members of the Network who receive emails.

The strength and vibrancy of the Network is of course only the same as that of its members. So we are inviting you to share news and opportunities both through the email communication system and through this Newsletter by sending contributions.

Chair of the Network: Professor Dr. David Crowther, De Montfort University, Leicester Business School, The Gateway, Leicester LE1 9BH, UK davideacrowther@aol.com
Vice Chair: Professor Dr. Güler Aras, Yildiz Technical University, Institute of Social Science, Yildiz Besiktas 34349, Istanbul, TURKEY guleraras@aol.com

The Social Responsibility Research Network Constitution

For each Newsletter it is considered to be appropriate to print the constitution of the Network. This was agreed at an open meeting during the 2005 conference in London. But note that no Board has ever been elected. So volunteers are welcome...

The Social Responsibility Research Network (SRRNet) is a body of scholars who are concerned with the Social Contract between all stakeholders in global society and consequently with the socially responsible behaviour of organisations.

1. Mission

The mission of the SRRNet is to promote collaborative, cross-cultural and international research on any aspect of its social responsibility agenda, to improve knowledge by such research and to disseminate such research globally.

2. Strategy:

The strategy to accomplish the mission will be based on:

- The exchange of research through its website;
- The promotion and organisation of a series of international research conferences, ideally in various parts of the world and each under the leadership of a named individual;
- The production and dissemination of an academic journal;
- The production of such other publications as are deemed appropriate and for which sufficient funds exist;
- The promotion and organisation of a series of international visits and collaborations (depending upon funding) to work on special projects.

3. Organization

Membership of the network is open to anyone. It is a formally constituted organisation governed by this constitution and managed by an elected / nominated board. The management of the network will be delegated to this board, which will be supplemented by a general meeting, open to all members, which will take place at each conference organised. Membership of the board will consist of:

- One member elected at each general meeting, who will serve for 3 years;
- Each conference organiser, who will serve for 2 years prior to and 2 years subsequent to the conference organised;
- The journal editor.

The board may also appoint additional members as deemed necessary, and from its membership shall nominate a chair and a treasurer.

4. Financing

To achieve the mission, the SRRNet (via its board) will seek sources of funding and sponsorship. Additionally it will receive funding via the conferences and the sale of published material.

SRRNet – A Short History

The Network was formed more than 5 years ago and so has become an established organisation which currently has around 500 members located all over the world – so we are a truly international organisation with members united by a common interest in aspects of social responsibility. While some people have been involved since the inception of the Network, many have joined us later as part of our development. So we think that it is appropriate at this stage to give a brief history of the establishment and development of the Network.

The starting impetus was the decision to organise a conference on corporate social responsibility. As a result of this decision, on three days in September 2003 around 140 delegates from 30 countries from around the world gathered in London at London Metropolitan University for a conference on the topic of Corporate Social Responsibility. Over the three days the delegates engaged in discussion on a range of issues concerning this topic and around 100 papers were presented. Topics covered ranged from business ethics to social reporting to implications for biodiversity to sustainable construction, reflecting the interdisciplinary nature of the backgrounds and expertise of the participants. Conversation about many of the important issues raised during the conference continued into the evenings at the dinners organised for delegates at a variety of London hotels and the success of the conference was continued into a variety of collaborative projects instigated among the international delegates during the conference.

This success demanded repetition and this led to the start of the international series of conferences. Subsequent conferences have taken place in Malaysia, India, Turkey and the UK and we are currently preparing for the 8th conference which will shortly be held in Cape Town. At the time of writing we have definite plans for future conferences up until 2012. You can find full details of all past and future conferences on the website, together with some pictures from each of the past conferences. The conferences are intended to be interdisciplinary and welcome contributions from anyone who has a perspective on this important issue. This includes academics, researchers, business people, consultants and scholars – and all groups have been represented at previous conferences. Recently we have introduced a theme to each conference but other contributions are always welcome. And we continue to develop the conference just as we continue to develop all aspects of the Network activities.

One of the distinguishing features of the conferences is that for each we commission a book and all delegates receive a copy of this book when they register upon arrival at the conference. For the first conference we produced the book, Perspectives on Corporate Social Responsibility while last year we produced the book, Culture and Corporate Governance. Delegates to the conference this year will receive a book entitled Corporate Social responsibility in SMEs. If you are interested in contributing to a future book then contact either of us.

One of the important outcomes from the success of this conference was the establishment of the Network to bring together interested scholars from all over the world. The Network has been proactive in developing both the conference series and its other activities. This Newsletter is a reflection of this and every member is encouraged to become actively involved and to contribute to our growth.

The second important outcome of the first conference was the establishment of Social Responsibility Journal as an academic journal to publish work by members and others in this important and growing area. The journal is now 5 years old and continues to grow in strength and reputation. It is firmly established as the official journal of the Network and you will find further details in this issue of the Newsletter. If you have not yet studied the journal then we encourage you to do so and to submit your papers to it.

After the commencement of the Network we developed a formal constitution and mission statement and you can find these on our website. More recently we have established this Newsletter to both disseminate information and to publish short articles of relevance. We also publish books from time to time but this depends upon the availability of funds. Our latest venture – so far – has been to establish a discussion paper series as another avenue to publish refereed papers to an international readership

So we have come a long way in quite a short time largely due to the strength of our membership. The main reason for the existence of the Network however is to enable us as scholars concerned with various aspects of social responsibility to communicate with each other, share information, join together in research projects, develop courses and course material and various other activities. The strength and vibrancy of the Network is of course only the same as that of its members. So we are inviting you to share opportunities for collaboration and to contribute to any of our various publishing outlets.

Güler Aras & David Crowther

The Unfolding Financial Crisis: what next?

Güler Aras, Yildiz Technical University, Turkey & David Crowther, De Montfort University, UK

As the economic recession continues to worsen the revelations of misbehaviour continue unabated, each scarcely as believable as the previous one. After the Madoff debacle it has become apparent that a number of others were also committing fraud in order to cover up their unsuccessful gambling with other people's money with the objective of keeping their sinking financial operations afloat. Indeed Sir Allen Stanford – already vilified and forced to apologise for inappropriate behaviour towards cricketers' wives – has been charged with fraud and the violation of US securities laws. More revelations will doubtless follow.

In the UK the whistleblowers, such as Paul Moore of HBOS, who have announced that the level of risk taken in the financial world was unsustainable have been sacked, although subsequent revelations seem to be forcing the resignation of government ministers. In the US the new saviour Barack Obama has seen some of his chosen assistants withdraw after revelations that they did not bother to pay some of the taxes which they owed. And everywhere we have witnessed bankers and other failing to show contrition or even to acknowledge that the recklessness of their behaviour has been the cause of the current global economic problems.

The question which needs to be addressed is not that of who is to blame for the current problems – plainly many people are partly culpable. Instead the important question – which is not yet being addressed – is whether there is an underlying malaise which is causing all of these problems. And if so then what might it be?

For us the answer is plain: it is concerned with a lack of understanding of risk and the rewards associated with the taking of risk. Elementary financial theory teaches us that returns are a reward which is related to the level of risk undertaken. This means that in order to earn higher than average levels of reward it is necessary to accept higher than average levels of risk. This basic principle has been ignored and there has been a general acceptance that higher than normal rewards are available for lower than normal levels of risk – and that this is a situation which will continue ad infinitum. Indeed it has been so generally accepted that such good times are here forever that the regulations enacted to protect investors from misdeeds have been relaxed or more generally not enforced – thereby enabling some of the frauds revealed to continue over long periods of time.

What is constantly surprising is that this simple lesson of the relationship between risk and rewards is taught so often but is so readily forgotten, or at best ignored. So it is only a few years since the collapse of Enron in 2001 – a company built upon fraud and a general acceptance that abnormal profits could be made and abnormal growth achieved in a power supply company. This in turn was only just after the Dot Com Bubble had shown that spectacular growth and profitability from Internet

trading was not achievable. Slightly earlier in 1995 the collapse of Barings Bank had shown that continued abnormal profits from gambling in financial markets was not achievable on a continuing basis. This collapse also highlighted the need for ensuring satisfactory regulatory oversight. This was something which had been repeated from 1991 when the collapse of the Bank of Credit and Commerce International – also founded upon fraud and misbehaviour – had shown that abnormal profit and returns were not possible in the long term and that regulatory oversight needed to be firmly and consistently enforced. Similar examples can be cited tracing all the way back in history to the English South Sea Bubble of the early eighteenth century and the Dutch tulip bulb speculation of the seventeenth century.

What is apparent from this continual re-enactment of the same events is that nothing has been learned from any of these happenings. Another way of looking at this is to suggest that memories are short and that attribution theory applies to convince people that they will not repeat the same mistakes of others – even though all the evidence shows otherwise.

The financial and consequent economic crises which we are experiencing in the present are a direct consequence of this. They are discussed frequently and have been depicted as representative of systemic failures of the market system and the lax application of systems of governance and regulation. Thus many people are arguing for improved systems to combat this. Others have been more concerned to allocate blame – to the banks, the financial markets, the regulators or to governments – according to their personal prejudices. Still others would say that it is an inevitable consequence of greed, ignorance and irresponsibility. We subscribe to this latter view.

Where we differ from the majority however is that we hold the view that this greed, ignorance and irresponsibility is not among the bankers regulators and governmental representatives – or at least not among them alone. It is among society at large – affecting and infecting each one of us. All the evidence shows that most individuals are ready and willing to believe that abnormal rewards are possible for them personally without the need to take abnormal risks and that this situation can be perpetuated. And the evidence also shows that as long as we are personally benefiting like this then we are happy to not ask questions and to accept lax regulation – after all that regulation is to protect others rather than us...

The lesson is of course readily apparent although not really being talked about. This is that it is not sufficient to blame others when we are personally culpable; and it is not sufficient to look for social responsibility in organisations. Before we can demand that we must also accept that it must be practiced by us also as individuals. In other words social responsibility demands individual responsibility.

Comments invited. Contact guleraras@aol.com and / or davideacrowther@aol.com

CSR on a Chessboard

Maria Alice Nunes Costa, Center of Social Studies of University of Coimbra, Portugal and Visiting Scholar of Leicester Business School, UK

The crisis in which we are now living is not new. In recent decades, we have spoken frequently the word "crisis", although in different contexts: crisis of the state; moral crisis, crisis in family, economic crisis and financial crisis. Since the eighties, new financial products have been created, multiplied and spectacularly sold, only with the objective of obtaining benefits which are purely speculative. We could see that something wrong was happening when we saw that many companies, managed to expand their capital and profits, without increasing investment in productive activities.

What scares us most is how the unemployment, the deconstruction of the world of work, social inequality, poverty and violence have remained, expanded, deepened, and become a permanent way of life, in many situations. Such a long-lived situation is not ephemeral and might have very uncertain consequences. Thus, we use the word "crisis" to express our discontent and our anxiety.

In contrast to producing a cynical behavior and immobilizer, the crisis may signal an atmosphere of a paradigm change to provoke and make people and institutions understand that they must assume their responsibilities. And here, we must highlight the role of business and its social responsibility.

As if in a game of chess, CSR is now under threat, put in check. As we know, for the two chess players, the final result does not depend on luck, but their decisions. On one side we have players like the corporations and its stakeholders, and the other hand, the instrumental economic rationality. Who will win this game in this current economic crisis in which we live?

The economy does not walk alone. Movements are not automatic, they have their own dynamics. The result depends on the action of men and women, and the culture that involves. Culture is the land where subjective choices will be crucial to strengthen or weaken the size and expansion of the crisis in which we live. Therefore, the social agents that put businesses on the move need to understand that the *radius of action* of a company goes far beyond of its limits. The strategic principles of CSR can help a company understand that its action goes beyond the achievement of immediate profit. In this game of chess, the opponent is limited to move in the context of crisis. The rational choice means it cannot understand the fact that the means and purposes influence each other constantly, under the influence of emotions, of desires, of feelings and of fear. The view of the adversary is restricted.

The company is a social institution in that it establishes a set of social relations and culture within society. Therefore, it is part of the web of society in its broadest sense. The company is able to support a model of rationality in which what matters

is not the game of social actors, but a social link between them. Like it or not, the moral dimension and social constituent form part of each company. Thus, it is seeing the company as a constituent part of the territory, as a part which produces a specific social identity, and that presents ways to represent the world. It is through this perspective that is directed to the role of corporate social responsibility.

Companies do not exist only through their relations with the market. Each company is able to create a vital network of ties of trust and cooperation, like important values for its efficiency. They are thus a locus where human relations are in constant development. This does not mean that companies are capitalist institutions of charity and philanthropy. What I say is that some extra elements, such as loyalty and trust (even small) are essential to the functioning of a company, as they provide internal stability to live in an environment of uncertainty and immeasurable risks.

Accordingly, we have found that the threat of social risks has changed the attitude of some companies so that they include costs which insecurity does not compensate for. Unemployment and poverty are not only bad or put at risk the dignity of individuals. These problems also have a disturbing social effect that is harmful to society, to the market and to enterprises. Given the fact that companies cannot sink in the social chaos, we must try to get some social innovations that might replace the war of all against all. This is a significant strategy from the social point of view of business.

These companies know that the strategy of private social investment can achieve profit, and profit is not sin. It is implicit that these companies will ultimately strengthen the relationship between them and the community; will motivate and increase the productivity of employees who become more engaged; will increase the profitability of the business, improve the corporate image of the company and so.

If this "solidarity" of business is not a morally absolute principle (as described by Kant) not based on large national projects, there is better than indifference. We accordingly, are leaving irresponsible or of selfish and arrogant responsibility to individualism and more responsible behavior for business. Consequently, it creates opportunities for entrepreneurs to leave their corporate boundaries close and to have a broader view, assertive and participative in society. Checkmate!

Comments invited. Contact: alicecosta.rj@uol.com.br

Social Responsibility of Companies in Poland

Jerzy Bogdanienko, University of Warsaw, Poland

For a long time Poland has been in the process of significant political, social and economic changes. It is obvious that the changes must have some impact on social responsibility of business in the country. Generally, the following change processes are significant from that point of view¹:

- Introduction of market economy principles as well as re-privatisation and privatisation of companies. It creates the conflict of interest originating in the need to differentiate individual from social objectives. There is a necessity to shape proper moral attitudes of capital owners and to strike the right balance between economic freedom and responsibility for the results of that freedom in the environment of strong global competition.

- New international relations seen as increasing share of foreign capital in the economy: on one hand, foreign capital minds their own business, on the other, the integration with the European Union is advancing. This leads to depolarisation of system solutions and legal regulations, which stabilizes the code of conduct in many spheres, e.g. environmental protection or employee rights. It has important influence on social responsibility of business. Moreover, it is accompanied by the improved conviction rate among criminals or fight with corruption, etc.

- Deepening of differences in society wealth. The spheres of affluence and poverty become more visible showing extreme social inequality as a result of economic freedom. It supports the creation of the grey zones of economy that are out of control. On the other hand, thanks to political reforms, the changes of citizen awareness lead to the growth of expectations from public authorities. It is further developed by the increase in the role of media that have more freedom than years before and the freedom of speech that is effective in uncovering any irregularities.

- Volatile system of political power resulting in low trust of citizens to public authorities. The citizens are convinced that politicians are more concentrated on their own careers rather than on the social and public interest². Frequent changes in the economic authorities' structure and immaturity of local authorities burdened with socialist experience are still difficult to avoid.

Generally, the higher level of overall ethics in a given society, the higher level of business ethics. However, the process of changes in that field is very slow and long-lasting, thus, quick effects cannot be expected regardless of the pace of political and economic reforms. The research shows that rich people are generally disliked by the general public. Answering the question, '*Why don't Poles like rich people?*' as many as 45% of respondents claimed that affluence creates jealousy, 28% answered that it is associated with dishonesty, breaking the law, theft and cheating. According to the study carried out by the daily *Rzeczpospolita* only one third of Poles think that entrepreneurs follow the law and are honest in paying

¹ W. Gasparski *Wykłady z etyki biznesu*, Wyższa Szkoła Przedsiębiorczości i Zarządzania im. Leona Koźmińskiego, Warszawa 2004

² Z. Janowska, *Od etyki w polityce do etyki w biznesie. Standardy etyczne a rzeczywistość*. Biznes – prawo – etyka, 8th Conference of Business Ethics Centre, Akademia Leona Koźmińskiego 2008

taxes. Simultaneously, 60% of respondents have the opinion that entrepreneurs are not bothered with their employees.

The basic regulation in the Polish law concerning the necessity to observe the rules of ethical business in the 1989 Act on Chambers of Commerce. According to its content the Polish Chamber of Commerce (Krajowa Izba Gospodarcza) 'recommends that its members and other organizations should popularise and ensure the observance of ethical rules in an economic activity, specially, an honest behaviour in business transactions'³. The Act, however does not mention any sanctions related to the non-observance of the rules. Despite the lack of the sanctions Polish companies more and more often follow ethical rules worked out by their business sector. According to the Office of Competition and Consumer Protection (UOKiK) in Poland there are at least a dozen or so ethical codes of various sectors and every year new ones come into existence. The main barrier in speeding the development of good practices codes is that entrepreneurs lack faith in their positive effects, especially in medium and small companies⁴.

For the last few years systematic analyses have been carried out in the area of social responsibility of business. In Poland the first comprehensive survey was commissioned by Foundation for Social Communication (Fundacja Komunikacji Społecznej) in 2002. The results of the survey show that customers assess the company positively on the basis of two clear factors: the quality of products and the way how the company's employees are treated. Criteria such as ethical conduct, social activities or environmental protection seem to be secondary in the opinion of the researched. Over half of the respondents claim that the objective of the company is to generate profit, pay taxes and prove jobs. The results confirm the model of social responsibility of business where the economic responsibility is more important than legal and ethical. Only every eighth respondent expects honest behaviour from the company and every tenth taking into consideration common good. Simultaneously, almost 80% of respondents agree that 'most companies do not treat seriously the activities for the benefit of the society, the lip service is paid, and little is done'⁵.

In that view the surprising fact is that staggering 70% of respondents declared the will to pay more for products that are environmentally friendly, and in case of imported goods, for products that are not produced by child labour. Over 50% claims that they would not buy the product known to be socially irresponsible. At the same time 80% of respondents want larger companies to publish annual reports on their activities for the benefit of the society and environment.

Many interesting surveys on Corporate Social Responsibility (CSR) are commissioned by Responsible Business Forum (Forum Odpowiedzialnego Biznesu) and published in consecutive editions of Annual Report available since 2002⁶. The research shows clearly, i.e. 53.6% respondents, that state-owned corporations are perceived as companies acting more responsibly. At the same time, 56% are

³ Dz. U Nr 35 item 195, Act of 30 May 1989 on Chambers of Commerce

⁴ A. Błaszczuk *Dobre praktyki przynoszą dobre efekty*, 'Ethics in Business' supplement in „Rzeczpospolita”, 27 June 2006

⁵ Foundation for Social Communication. Report: *Komunikowanie na rzecz CSR, czyli społeczna odpowiedzialność biznesu*, 2003

⁶ Forum Odpowiedzialnego Biznesu, *Raport Odpowiedzialny Biznes w Polsce 2002 – 2006*.

convinced that Polish companies are more dependable socially than foreign companies. Direct help to poor people is seen as the most important activity motivated by the care for the best interest of the society. Other forms of responsibility such as the care for the environment, sponsoring, employee development programmes or dedicating part of the profits to social purposes are seen more as minding company's own business. The comparison of the various research conclusions shows that the knowledge of CSR is very poor in Poland and employees are still very tolerant of socially irresponsible activities. According to the respondents these are the reasons why companies undertake socially irresponsible activities: fighting competition, retaining the financial situation of the company resulted from the streamlining of costs and hence the will to decrease operating costs generated by CSR activities. Those are short-term strategy objectives.

The main barriers for CSR are the lack of support from the board of directors and the lack of knowledge of the subject. Running the business ethically and the idea of social responsibility of business are becoming more and more popular in Poland. Various training and competition promoting ethical behaviour in business are helpful in reducing the barriers, these are best exemplified by the activities of Responsible Business Forum (Forum Odpowiedzialnego Biznesu), Business Ethics Centre (Centrum Etyki Biznesu), Managers Association in Poland (Stowarzyszenie Menedżerów w Polsce) and student interest groups at many economic institutions of higher education.

The current social and economic changes pose new challenges for the public sector. Institutions are under strong financial pressure, originating from market conditions, under the pressure from increasing social needs, under the necessity to ensure safety for the citizens in the face of growing risks, as well as they are pressurized by the growing expectations of professionalism, reliability and honesty along with the development of civil society⁷. There are numerous specific areas favouring the existence of interruptions and disturbance of social responsibility. The classical example of frequent irregularities is a tight framework of public tender that was introduced to reduce the conflict of interest and corruption⁸.

It is worth mentioning that the role of public administration bodies is very specific so that not only their activity but also the lack of it can produce serious negative effects. That is confirmed by the analysis carried out by the Supreme Chamber of Control (Najwyższa Izba Kontroli) that indicates the following areas of irregularities:

- delay in issuing administrative decisions and tardiness in servicing individuals and companies,
- lengthiness of legislative processes and gaps in law resulting from that,
- avoiding openness and transparency in organisation,
- limiting access to public information,
- disregard for supervision and control over the tasks realized by subordinate units carrying out public tasks⁹.

⁷ A.Noworół, *Zarządzanie komisariatem policji na tle charakterystyki zarządzania instytucjami publicznymi*, Zarządzanie Publiczne 2/2006

⁸ K. Knedler, *Nowe wyzwania dla administracji publicznej*, in: *Zarządzanie w sektorze publicznym - Eliminowanie zagrożeń*, .A.Kłopotek ed., SGH Warszawa 2008

⁹ C.Rudzka-Lorentz, *Bezczynność administracji w świetle kontroli NIK*, Kontrola Państwowa nr 2/2008

Interesting results in the area of ethics are supplied by the research on the risk of corruption in government administration in Poland¹⁰. It was discovered that the lack of the sufficient institutionalisation of politics making process and its inconsistency is caused by the strategies of human resources selection applied by previous governments, and especially by politicization of selection principles for higher position candidates. In the human resource management area the risk of corruption has increased since 2001 and in particular since 2006 when the Civil Service reform was carried out: it abolished politically independent Civil Service Office. It has its results in the deepening politicization of the government administration employed on various managerial levels, and that practically makes the career in public administration impossible. The research shows that the mechanism mobilising the ministerial officers to work on their opinion of being honest and competent has been weakened, as the turnover of personnel on higher positions is much quicker. Such people have to take into consideration their obligations in coalition, moreover, the system of external control and monitoring is not fully effective.

The assessment of Polish companies and organizations in the area of CSR shows that they are not always sufficiently engaged in the social issues, but the awareness of its importance is increasing and more and more initiatives are undertaken in that field.

Comments invited. Contact jerbog@wp.pl

¹⁰ P.M. Heywood, J-H. Meyer Sahling, *Występowanie stref korupcji w zarządzaniu polską administracją rządową*, report Sprawne państwo, Ernst & Young 2008.

Towards Sustainability Accounting and Reporting

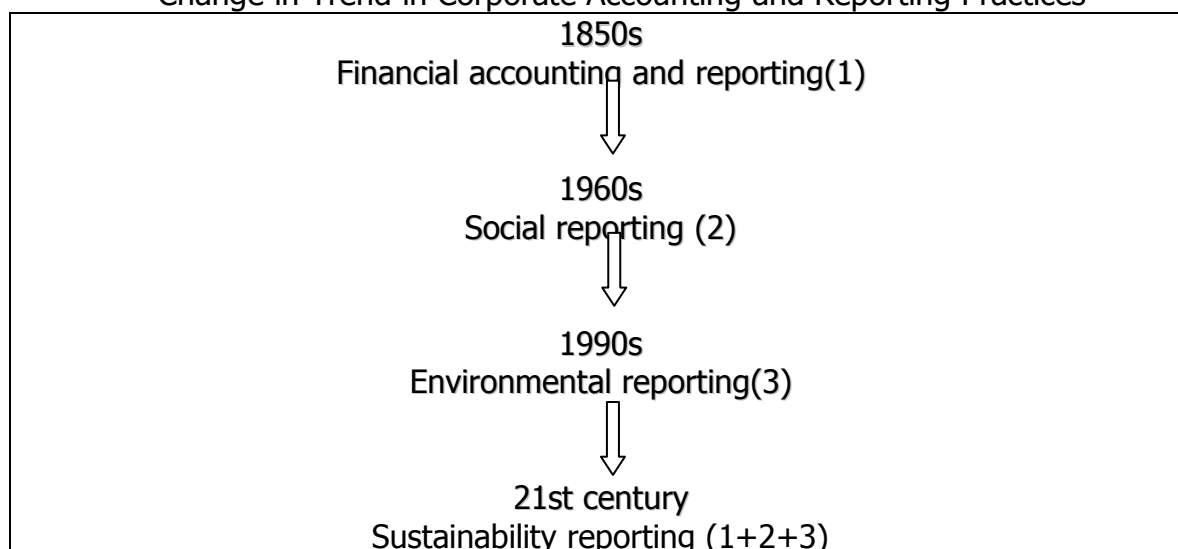
Shuchi Pahuja, PGDAV College, University of Delhi, India

Corporate Social Responsibility (CSR) is a concept whereby organizations operate in a socially responsible manner considering the interests of society as a whole by taking responsibility for impact of their activities on various segments of the society. This obligation is in addition to the statutory obligation to comply with legislation and involves the organisations voluntarily taking further steps to improve the quality of life of their employees, local community and society at large. Thus, CSR refers to the relationship between the business and its stakeholders in an external environment. The European Union (EU) defines CSR as a "concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

Since 1990s, the terms corporate social and environmental responsibility (CSER) or Sustainability or Corporate citizenship have become more popular. The term sustainability was popularized by the Bruntland Commission's 1987 report- Our Common Future. The definition of sustainability originally emphasized ecological sustainability, but it has been expanded to mean societal sustainability. "Sustainability means that your service or product does not compete in the marketplace only in terms of its superior image, power, speed, packaging, etc. Additionally, your business must deliver products or services to the customer in a way that reduces consumption, energy use, distribution costs, economic concentration, soil erosion, atmospheric pollution, and others forms of environmental damage." Now CSR is closely linked with the principle of 'sustainable development' which says that a corporation should be obliged to make decisions based not only on the financial/ economic factors but also on the social and environmental consequences of their activities. The three pillars of corporate sustainability, also known as the "triple bottom line", are the equal weighting of social, environmental and economic factors. The triple bottom line is the concept of sustainability, defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The requirements for sustainable development come from the realization that development, centered only on economic growth paradigms is unsustainable and creating a sustainable future, economically, socially and environmentally requires governments, society, corporations and individuals to rethink their expectations, their responsibilities and their interactions.

The application of the principle of Sustainable Development through introduction of a CSR policy is often accompanied by what is called triple bottom line reporting which contains not only financial results but also the social and environmental impacts of business activities. Many large companies over the world have started producing sustainable development reports in 21st century. The change in corporate reporting practices over years is depicted in the following Exhibit.

Exhibit 1
Change in Trend in Corporate Accounting and Reporting Practices



Sustainability accounting and reporting has become an integral part of corporate accounting and reporting system in 21st century. In recent years, a number of countries have passed regulations and guidelines related to disclosure of sustainability performance of the corporations. The companies world over have also started disclosing sustainability information voluntarily in their annual reports or in separate environmental or sustainability reports. In a survey by KPMG (2002) Global Sustainability Services, in collaboration with the Graduate Business School of the University of Amsterdam in 2002, environmental disclosure practices of the top companies in 19 countries and the top 250 companies of the Fortune 500 (GFT 250) were analysed. Following similar surveys held before, the 2002 results showed that 45 percent of the GFT 250 companies produced a report on their sustainability or environmental or social performance in their annual financial report. In addition, 28 percent of the top 100 companies in 19 countries issued sustainability reports, compared with 24 percent in 1999. The survey also discovered a shift in focus from merely environmental, health and safety reports to combined environmental, social and full sustainability reports. Of companies issuing sustainability reports, 75% cited economic reasons for producing them. The database managed by Corporate Register.com indicates that the number of corporate non-financial reports has grown from less than 50 in 1992 to around 2,000 today.

However, various studies have pointed out that despite a great deal of grass root activity in the sustainability accounting area, the accounting standards setters at the international and national levels have generally chosen to avoid dealing directly with the topic of environmental or sustainability issues in financial reporting. Till date, only a few international standards talk about how environmental issues may be treated in annual reports. Research in the area also shows that in the absence of any specific regulatory framework and well developed reporting practices, majority of the environmental and sustainability reports lack in quality, consistency and legal legitimacy. There is little quantifiable substance, such as emission performance indicators or quantifiable targets or financial information on

environmental costs, benefits, liabilities and contingencies, contained in these reports.

In the absence of any specific accounting standard on the issue, companies generally refer to various guidelines issued by different types of supra-national bodies who have shown tremendous interest in environmental and sustainability reporting. The most significant and long standing initiative in the development of environmental reporting within conventional financial accounting framework has come from the United Nations Inter Governmental Group of Experts on International Standards on Accounting and reporting (ISAR). Starting from 1989, ISAR has issued a number of recommendations on EAR. The Global Reporting Initiative (GRI) is the most recognized global sustainability reporting framework. It uses a multi stakeholder process 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. In October 2006 the GRI launched G3, the third version of the GRI Guidelines. AccountAbility has developed the AA1000 standards for sustainability reporting. AA1000 is a standard for the measuring and reporting of ethical behavior in business. It provides a framework that organizations can use to understand and improve their ethical performance, and a means for others to judge the validity of claims to be ethical. The United Nations Global Compact is an initiative to encourage businesses worldwide to adopt sustainable and socially responsible policies and to report on them. Association of Chartered Certified Accountants (ACCA) has published a Guide to Best Practice in Environmental, Social, and Sustainability Reporting. The ACCA global sustainability reporting awards have been replicated in many national-level equivalents, advancing quality reporting worldwide. ISO 14031 also deals with how to report and communicate an organization's environmental performance.

If sustainability reports are to be deemed credible, they have to be underpinned by a firm set of rules preventing opportunistic behavior by the reporting parties. The recommendations of the UN ISAR group, GRI and the EU represent worthy attempts by non-accounting organizations to fill the gap and should be taken forward by various accounting standard setters. The steady growth of social, environmental and sustainability reporting is also accompanied by an increase in need for environmental and social audits. It has been observed in many studies on social or environmental reporting that the information communicated by a concern should be useful for external stakeholders in decision-making. For this, it is necessary that only relevant and reliable information is provided to them. This gives rise to the need for verifying sustainability reports, i.e. sustainability audit. There is an urgent need for the development of standards covering the scope and limitations of third party sustainability audits.

The important challenges of corporate sustainability reporting today can be summarized in three words: Continuity, Comparability and Credibility. Continuity can be ensured by publishing sustainability reports at regular intervals, by setting targets and reporting back on progress, and by using the same performance indicators over time. Comparability can be improved by using standardized disclosure requirements providing for compulsory disclosures of information on sustainable development in the Annual Report and financial statements.

Sustainability audit is necessary to build credibility and trust among corporate stakeholders. The challenge facing the business sector is to develop sustainability reports both as a useful environmental management tool, and as a means to provide stakeholders with credible information about their sustainability performance.

Comments invited. Contact: shuchi_pahuja@yahoo.co.in

News from the Network

A periodic publication:

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Culture and Corporate Governance

Edited by GÜLER ARAS & DAVID CROWTHER

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8th International Conference on Corporate Social Responsibility

**8-10 September 2009
Cape Town, UNISA, South Africa**

For the 8th conference in this series we will be visiting South Africa where the conference will be held in Cape Town and hosted by the University of South Africa (UNISA). It will be organised by UNISA in conjunction with the Social Responsibility Research Network.

Call for Papers

As usual the conference is intended to be interdisciplinary and welcomes contributions from anyone who has a perspective on this important issue. This time there will be a focus on the theme of

NGOs and CSR

Although much work has focused upon corporations there is a growing interest in the relationship between business and NGOs and how this relates to CSR. We therefore consider that it is timely to look in greater detail at this relationship, although papers addressing other areas of CSR are welcome. Thus papers are welcome on any topic related to this broad issue and suggested themes for papers include:

- Social and Environmental Accounting
- Corporate Accountability
- Social and Environmental Auditing
- Social and Environmental marketing
- Globalisation and Corporate Activity
- Protests Concerning Corporate Activity
- Regulation of Corporate Social and Environmental Behaviour
- Governmental Influences on Corporate Accountability
- CSR and Corporate Governance
- CSR and Stakeholders
- CSR and Corporate Risk
- Corporate Responsibility and Triple Bottom Line
- Socially Responsible Investment
- Social Entrepreneurship
- Business, NGOs and CSR
- Case Studies and Practical Experiences
- Microfinance

Offers to run workshops, symposia, poster sessions, themed tracks or alternative events are especially welcome. Please contact Professor Dr Stella Vettori (admin@cotswoldinn.co.za) with suggestions.

Abstracts of 200-500 words should be sent by 31st May 2009 by email to Professor Dr David Crowther, davideacrowther@aol.com.

The conference will publish proceedings and selected papers will be collected for publication. Full details will be provided at the conference.

Doctoral Colloquium

This year we will again be running a doctoral colloquium on the final day of the conference. The aim will be to give detailed feedback to doctoral researchers concerning their papers. Feedback will be specific to each person and their research, and will be given by an experienced academic in the field. The colloquium will be an integral part of the conference and all delegates will be expected to participate fully in the conference but the sessions will give extra time to presenters – to allow for discussion and formal feedback. This colloquium will be organised by Professor Dr Güler Aras and abstracts of 200-500 words should be sent by 31st May 2009 to guleraras@aol.com. In order to allow detailed feedback full papers will be required in advance of the conference – full details will be given to participants upon acceptance.

Following on from the precedent set at previous conferences, a Young Academician award will be made during this colloquium.

Venue of the Conference

The conference will be held in Cape Town. The conference fee will be announced soon and will include meals, conference materials and two excursions (extra for accompanying persons) but excluding accommodation. We will suggest accommodation in due course. We look forward to welcoming you to Cape Town in 2009 for the 8th conference in the series.

Full and updated details can be found at the conference website
www.davideacrowther.com/8csrhome.html

We hope to see you there

Professor Dr Stella Vettori, Conference Chair, UNISA, South Africa

Professor Dr David Crowther, Chair of the Social Responsibility Research Network & Professor of CSR, De Montfort University, UK

Professor Dr Güler Aras, Vice Chair of the Social Responsibility Research Network & Professor of Finance & Accounting, Yildiz Technical University, Turkey

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News from our members



Promoting sustainable development

www.thedurabilityinstitute.org

Directors: Güler Aras & David Crowther

Sustainability requires a radical rethink and a move away from the cosy security of the Brundtland definition. We therefore argue for rethinking the accepted terms of sustainability and sustainable development, and prefer instead to use the term **durability** to emphasise the change in focus.

The Institute

The Institute was formed in 2008 in order to promote the message about corporate durability and to facilitate its adoption by corporations in their search for sustainable development. The Institute is a virtual organisation – although all the facilities and services we offer are concrete!

The institute has a two-fold mission:

- To educate concerning the key factors of corporate durability, as replacement for sustainability
- To facilitate the development of corporate strategies for sustainable development

The Durable Corporation: strategies for sustainable development was published by Gower in 2009. It contains the ideas which underpin our philosophy about corporate durability and explains the strategies we propose to manage for durability. It can be ordered from the Institute or from Gower Publishing.

International Journal of Critical Accounting

(Editors: Dr. Aida Sy and Professor Tony Tinker, USA)

Call for Papers

Special Issue on

The Production of Accounting Ethics

Special Issue Editors

Bala Balachandran, Charles Elad, and Aida Sy

Ethics are not provided by a transcendental being: they arise from specific socio-historical moments. In the past, ethics like religion has been described as the sigh of the oppressed. This special issue invites contributions that explore the ethics of our times, the circumstances that have generated them, and are cognizant of the origins of accounting ethics.

The special issue should be interpreted broadly to draw on the diversity of potential contributors' own historical and contemporary experiences in order to present their own unique formulation of the 'production of ethics.'

Welcome are submissions addressing all accounting ethics fields: Corporate Governance; tumultuous events in the eras of Inflation and Markets; Law/Regulations/Ethics; Globalization; Global warming; Gender/Behavioral Research; Public Interest; Taxation; Auditing; Fraud; Corruption; Sub prime crisis; Role of big corporation, archival research, empiricism .

The deadline for receipt of manuscripts is November 1, 2009. Electronic copies of submissions should be in Word format, include name, address, email, telephone and fax numbers of all authors (designating the corresponding author), and sent to:

Dr. Bala Balachandran: B.Balachandran@lse.ac.uk

Dr. Charles Elad: c.elad@westminster.ac.uk

Dr. Aida Sy: Aida.sy@manhattan.edu

**Please cc your submission to:
Inderscience Editorial Office (editorial@inderscience.com)**

All papers are refereed through a double blind process.

Announcement
An important new book

**The Durable Corporation: Strategies for
Sustainable Development**

Güler Aras & David Crowther

ISBN 978-0-566-08819-3

April 2009 300 pages

Gower Publishing

Sustainability is normally considered to be about choices for the future being limited by decisions made in the present, and is frequently portrayed as concerning environmental issues alone. The authors reject both of these notions to argue that sustainability is a more complex concept that involves balancing many factors – including economic, cultural, governance and distribution. The book explores the nature, value and role of sustainability in business, in the context of risk management, and the current crisis, to argue that resource utilization must be based upon the twin pillars of equity and efficiency rather than attempting to ensure that our choices in the future are not reduced.

The authors of *The Durable Corporation* propose a new model of sustainability – which they term durability – and a fresh approach to managing resources. They extend this to the development of difference strategies for achieving sustainability and a different approach to managing for the future.

These features make it essential reading for all those with responsibility for developing strategy and managing the sustainability or durability of the enterprises in which they are engaged or in the study of the issues at stake.

The book is priced at £55.00 (less for web purchases) and can be purchased from Gower at

http://www.gowerpub.com/default.aspx?page=637&calcTitle=1&title_id=9840&edition_id=10981