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Reporting as an Important Instrument of Corporate Social Responsibility

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Abstract: Corporate social responsibility (CSR) is a conception of management which obliges the enterprises to respect ecological, social and ethical factors. By being socially responsible, the companies can gain competitive edge in various areas of business. As a result the idea of CSR becomes more popular among Polish enterprises. Social reporting is one of the most important elements of CSR. Preparing and publishing documents which present some useful information regarding CSR can play an important role in every business. The aim of the paper is to show the importance of reporting in corporate social responsibility. The analysis is based on the findings from the available documents and reports in scope of CSR

Keywords: corporate social responsibility, social reporting, strategy.

1. Introduction

A socially responsible enterprise has many instruments available to use in the areas of the environment, society and employment. The extent to which a company is involved in CSR and the tools it uses often depend on the scale of its business and its financial potential.

It is important to note that any business may engage in CSR activities in their own way, depending on its resources, stakeholder relations, as well as cultural traditions, the social context and environmental situation in the territory in which it operates (Żemigała, 2007, p. 257). It seems that social reporting may be successfully used by any business, as the costs of preparing and/or disseminating social reports are not high, particularly if the business makes use of social media and electronic mail. The business's stakeholders, both internal and external, as the beneficiaries of the business's activities, play a major role in CSR. For this reason, social reporting seems to be a key issue in socially responsible business activities. Delivering information to its employees or business partners helps a business to build its positive image and reputation.

The aim of the paper is to show the importance of reporting in corporate social responsibility. The structure of the paper consists of three chapters. First of all, the paper shows some light on the idea of CSR and social reporting. Secondly, this article looks at how Polish businesses are engaged in social reporting. Finally, it analyzes main benefits of CSR reporting. The analysis is based on the findings from the available documents and reports in scope of CSR.

2. The idea of CSR and social reporting

Corporate Social Responsibility is a complex concept. Its complexity is reflected in the multitude of definitions proposed by various academic centres, international organisations and even businesses themselves. Note that these definitions of CSR share many elements represented by activities relating to environment protection, support for local communities, personnel care, and ethical conduct in relations with internal and external stakeholders. These areas are the starting point for most of the definitions. The Authors of this article define CSR as a strategic, all-inclusive approach to doing business which takes into account social, environmental and employment issues. Corporate social responsibility is a business management concept where emphasis is placed on communication and building relations with stakeholders. Rudnicka (2012, p. 16) describes CSR as a pro-social activity aimed at undertaking or supporting socially-oriented initiatives, providing assistance, working for the benefit of other businesses, institutions and/or communities, regardless of the time needed for the benefits of this activity to appear. A socially responsible enterprise should treat its stakeholders in an ethical and responsible manner. 'In an ethical and responsible manner' means acceptable in a civilised society. A major objective of CSR is improving the standard of living while keeping the business profitable (Hopkins, 2007, p. 15). When studying the definitions of CSR, note should be taken of the 26000 standard prepared by the International Organisation for Standardisation (ISO). According to this standard, CSR is the responsibility of organisations for the impact of their decisions and activities on society and the environment, by acting in an ethical and transparent way that takes into account the expectations of stakeholders, respects the applicable laws and regulations, and contributes to sustainability and to the welfare of society. The main areas of CSR include: corporate governance, human rights, industrial relations, environment protection, consumer relations and social engagement.

CSR may involve acting ethically and honestly in dealing with a large number of stakeholders, as well as delivering financial and subject-matter support to local communities. Note that corporate social responsibility affects not only the environment in which a business operates, but also the business itself. Some organisations engage in CSR on a non-profit basis, while others are encouraged mostly by the economic benefits of the concept (Leoński, 2015, pp. 92–102).

One of the instruments of CSR is social reporting. A social report can be defined as a document prepared by a business to present itself as a socially, ecologically and environmentally responsible organisation. It is intended for various groups of stakeholders and describes the benefits of operating in a particular environment (Leoński, 2016, pp. 89–98). The document presents the business's key values and its business model based on the idea of sustainable development. Social reporting also means disclosing non-financial information, i.e. in areas such as the environment, society and corporate governance (abbreviated to ESG). This is determined by the requirement that the activities of the business should be open and transparent. A social report is a concise description of how the business is managed. It also contains the results of its CSR activities (Responsible Business Forum, 2016). At this point, it is important to note the international CSR reporting standards, which include guidelines published by the Global Reporting Initiative (GRI), the UN Global Compact, a standard providing guidelines for social responsibility (SR) named ISO 26000 (International Organisation for Standardisation), or the SA 8000 (Social Accountability 8000) standard.

The GRI standards are particularly common among businesses. GRI is an international organisation that helps enterprises, governments and other organisations understand and communicate the impact of business activities on critical sustainability issues such as climate change, human rights, corruption and many others. According to the GRI guidelines, a social report should include the principles for defining the report content (Stakeholder Inclusiveness, Sustainability Context, Materiality Completeness) and quality (Balance, Comparability, Accuracy, Timeliness, Clarity, Reliability). The report should identify the business's stakeholders and their needs. In addition, information on the organisation's impact on the environment and society, as well as the impact of the assessments and decisions of stakeholders, should be included. What is more, the report should present the organisation's performance in the wider context of sustainability and include coverage of material Aspects and their Boundaries (GRI). Note that each business may develop its own social reporting methodology that reflects its profile. This not only gives the organisation more freedom in defining its social reporting performance measures, but also allows it to develop its reports that are clear and easy-to-follow. Remember that most stakeholders will not be interested in reading a long and complicated report.

Successful social reporting requires, apart from well-prepared social reports, communicating the goals and objectives of the business as well as its internal and external stakeholders. There are many ways of doing this, and the business can achieve very good results at a relatively low cost. What is more, a social report must be reliable, and this requires two things. Firstly, the report must give full details of the results achieved by the business and its targets, relating to both positive and negative aspects of its operation, with special attention to be given to the problems faced by the business. Secondly, the information contained in the report must be verified and certified by an external auditor (Fijałkowska and Sobczak, 2014, pp. 189–203).

Social reports may take the form of traditional (hard copy) documents or electronic reports (provided via the Internet or through social media). A social report serves two main purposes: to build the business's positive image and reputation, and to create favourable conditions for communication with the business's environment and stakeholders. Socially responsible businesses may use an array of tools, such as blogs, photo blogs, microblogs, social networking websites, social bookmarking sites, Wikipedia, plus online forums and discussion lists. Compared to traditional reporting, the use of social media for social reporting offers more benefits, such as interaction, or active communication, with the business's stakeholders. By using the Internet, including social media, the business is free to modify and update the content of its reports.

Social reports can gain in importance because of the Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending the Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups. This Directive shall enter into force in 2017. The new European law covers only large companies which employ more than 500 employees. It covers only 250–300 Polish quoted partnerships. According to this document these companies shall include in the management report a non-financial statement containing information relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. This law can bring a number of benefits. It can help to promote the basic values of CSR. What is more it can have an impact on the improvement of the investment attractiveness and management processes.

3. The level of social reporting in enterprises

Studies carried out in Poland and other European Union countries prove that large businesses are often engaged in social reporting. Small and medium-sized enterprises are reluctant to engage in the preparation and publication of social reports. According to the CorporateRegister.com site, only 4% of all CSR-reporting businesses are SMEs. Note that SMEs account for about 98% of all businesses. A number of factors may be responsible for the low level of SMEs' engagement in social reporting. One may be the fact that social reporting is a time-consuming activity. Preparing a social report takes time and requires personnel to gather the necessary information. Also, the owners of micro- and small enterprises may lack the necessary knowledge. These business people are, undoubtedly, not as knowledgeable about CSR tools and procedures. Another factor that may have an impact on it may be the low level of interest in the social reports among shareholders. The lack of interest among stakeholders may discourage small and medium-sized businesses from social reporting. However, more and more companies from the SMEs sector have taken action in the field of responsible business. It seems that the trend on the preparation of social reports will soon include a more diverse group of entities.

When analysing the engagement of Polish enterprises in social reporting, it is advisable to refer to the 2015 Corporate Social Responsibilities Monitoring Report that covers Poland's largest enterprises. The study described in the report included 227 Poland-based companies with the greatest impact. The selection criteria included revenue, the number of employees, the importance of the business to Polish consumers and the public, the impact on society and the environment, the market position and the importance of the business's services to Polish consumers. The report shows that only 15.4% of the selected enterprises are engaged in social reporting. It is important to note that in recent years, the number of enterprises engaged in social reporting has been on the increase, although the current number is still far from satisfactory, especially given the fact that some Polish enterprises are in fact legally required to engage in social reporting (Piskalski, 2015, pp. 28–30).

The growing interest in social reporting is reflected in the competitions organised by institutions that work to promote the CSR concept. A popular CSR competition in Poland is a joint initiative by the Responsible Business Forum and Deloitte. Since 2007, they have been recognising socially responsible enterprises for the best social reports. The idea behind the competition is to promote and disseminate the ideas of CSR, sustainable development, environment protection and social engagement. The organisers aim to emphasise the significance of non-financial reporting and the related good practices. The enterprises awarded in the competition are organisations that present their CSR practices in their reports in a clear, transparent and reliable manner. Figure 1 shows the number of businesses that entered the competition in 2007–2015.

The figure shows the growing popularity of the initiative. In 2007, only 11 businesses entered the competition. In 2015, the number rose to 37. These figures indicate that the significance of social reporting for Polish businesses has been growing. However, the number of entrants is still small, which may suggest that Polish enterprises are not sufficiently prepared to engage in social reporting. What is more, the winners of the competition (Cemex Polska Sp. z o.o., Bank Zachodni WBK S.A., Castorama Polska Sp. z o.o., Grupa Lotos S.A. and others) note that it is predominantly large companies that are engaged in social reporting. Studies carried out by KPMG among the world's 250 largest companies by revenue (G250) with a particular focus on the carbon information shows that the rate of CR reporting among these companies in 2015

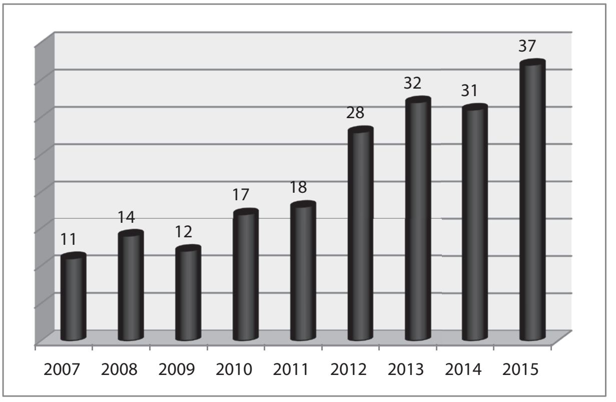

Figure 1. Enterprises that entered the Social Reporting competition in 2007–2015 [N]

Source: own study based on Responsible Business Forum (2016).

was 92 percent. Over the last four years the G250 reporting rate has fluctuated between 90 and 95 percent. In this case the main drive for CR reporting continues to be legislative: there is a growing trend of regulations requiring companies to publish non-financial information. Among the 100 largest companies operating in 45 countries, this rate was 73% in 2015 (KPMG, 2015) (cf. Figure 2).

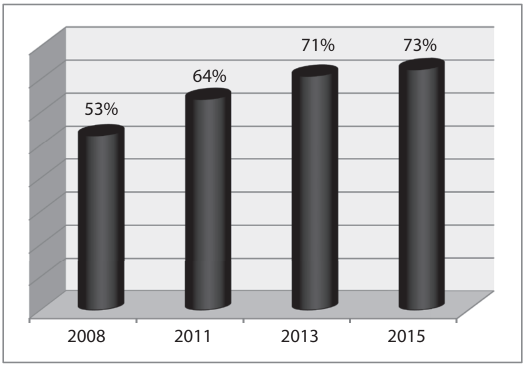

Figure 2. Enterprises that published social reports in 2008–2015 (top 100 companies)

Source: own study based on KPMG (2015).

Figure 2 shows that the number of the largest companies that publish social reports has increased. In 2008, 53 of the largest 100 companies published such reports. In 2015, the number was 73. This indicates the growing role of social reporting, especially among the largest enterprises.

4. Main benefits of CSR reporting

Social reporting can bring many benefits to the reporting business as well as its stakeholders. For stakeholders, social reports are a source of information on the organisation's activities. If they do not know that a company gives some support to social and ecological environment, they are missing out on some key elements about their relationship with this company. CSR reporting allows stakeholders to compare the economic, social, and ecological performance of companies, and to react. CSR reporting gives stakeholders an instrument to sanction companies that are performing poorly or do not take the adequate steps. Moreover, they can put pressure on companies to disclose and to improve, because after all it is a competitive situation (Fifka and Loza Adaui, 2015, pp. 285–300). Businesses engaged in social reporting are more transparent and more likely to receive feedback from the market about their products and/or services. Engaging in dialogue with its stakeholders enables a company to effectively identify their needs and to include them in the company's decision-making. This allows a company to identify its strengths and weaknesses and to evaluate the delivery of CSR strategy. Also, a company can identify its threats and opportunities more efficiently. Social reporting may contribute to consumers' trust in and loyalty to a company. In contrast, if a company is not engaged in social reporting, consumers may change their preferences and stop using its products and/or services.

Social reporting helps to improve business processes and to build trust in a company and its positive image in the eyes of its stakeholders. This, in turn, makes a company more attractive to, for example, its employees and investors. A company engaged in social reporting on a regular basis will be more transparent in terms of its risks, opportunities and impact. This will help it to build closer relations with its business and social partners, and to establish relations with new stakeholders. Social reporting can also encourage innovation and the necessary changes at a company.

An analysis of the benefits of CSR reporting should take into account the engagement of personnel in the preparation of social reports. The reporting process is a way of integrating personnel and communicating the company's goals. CSR reporting can also help companies to identify gaps in their processes and communication and to take steps to address these issues. A CSR report will often contain a description of the company's values and objectives. The report can also be educational to the company's employees and serve as an incentive for potential candidates for work at a company (Anam and Kacprzak, 2015, p. 30).

Another benefit of CSR reports is that they offer investors an insight into and an analysis of the reporting company's situation and the prospects for its development. Social reports tell investors whether a company is socially, environmentally and economically-minded organisation. CSR reporting businesses are often seen by investors as organisations which act ethically and honestly in dealing with their stakeholders and which follow the highest standards in governance. The information contained in social reports can be an incentive to potential investors, when it presents the company as a predictable organisation. When a company has a good reputation among investors and other stakeholders, it may be more competitive on the market.

All advantages of CSR reporting help companies grow their business and increase their organisation's financial value. Companies introducing CSR information in their reports are more focused on social and environmental issues. It is truly important for those enterprises to set goals, establish metrics, and then monitor progress against them and it is believed that CSR reports will help establish processes for gathering and reporting necessary data (Leibs, 2007).

5. Conclusion

Any business that wants to deliver its goals must maintain good relations with its stakeholders. It must also act honestly, ethically and in a socially responsible manner. Importantly, the business should be able to efficiently communicate its pro-social and pro-environmental activities to its stakeholders. It seems that this can be best achieved through social reporting. CSR reporting is employed by the largest companies. The number of large companies that prepare and publish CSR reports is growing steadily, which is confirmed by the results of studies among such companies. In contrast, SMEs tend to use other CSR strategy instruments which are better suited in terms of business size and business profile. A comprehensive CSR reporting policy can bring many benefits to the reporting company. Examples include reputational gains, a positive contribution to the company's image and consumer trust, customer and employee loyalty, more investors, improved decision-making and organisation, plus identification of the company's threats and opportunities. All these factors may significantly increase the company's competitiveness. For this reason, CSR reporting targeted at external and internal stakeholders plays a major role for socially responsible enterprises.

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