A COMPARATIVE ANALYSIS ON THE INSTITUTIONAL MARKETING EXPOSURE OF CORPORATE SOCIAL RESPONSIBILITY

Journal of Advances and Scholarly Researches in Allied Education

Vol. IV, Issue No. VIII, October-2012, ISSN 2230-7540

AN INTERNATIONALLY INDEXED PEER REVIEWED & REFEREED JOURNAL

Journal of Advances and Scholarly Researches in Allied Education
Vol. IV, Issue No. VIII, October-2012, ISSN 2230-7540

A Comparative Analysis on the Institutional Marketing Exposure of Corporate Social Responsibility

Surendra Kumar Mahapatra

Research Scholar

Abstract* – *The level of Corporate Social Responsibility (CSR) reporting has developed altogether in the recent decades. Endeavors to anticipate the future development of CSR reporting oblige an understanding of the impact external institutions have in the development process. The reason for this article is to recognize the present and potential parts different institutions play in the promotion and dissemination of CRS reporting.

The essential tenets of Institutional Theory are utilized as a part of recognizing the parts different institutions play in this procedure. The chose institutions incorporate governments, CSR reporting organizations, and accounting standards boards. These chose institutions are examined to increase an understanding of what part they as of now play in the promotion and dissemination of CSR reporting, and to decide how that part is liable to proceed. The institutions are additionally broke down to focus the part they have played in the promotion of financial reporting to figure out whether that part can be reflected to that of CSR reporting. Meetings with delegates of chose institutions are utilized for extra backing.

Taking everything into account, the majority of the chose institutions as of now assume a part in advancing CSR reporting in differing degrees. Noteworthy contrasts between CSR reporting and financial reporting were distinguished which exhibit that further development and improvement of CSR reporting standards won't likely be indistinguishable to that of financial reporting; then again, there are similitudes in the institutional part different organizations can have in advancing CSR reporting standards. Assuredly this article starts a skeleton for the proceeded with promotion and dissemination of CSR reporting.

- x -

INTRODUCTION

The quantity of companies issuing Corporate Social Responsibility (CSR) reports has expanded altogether in the recent decades (KPMG, 2011). The CSR reporting standards companies take after have kept on evoling, subsequently the substance of these reports has additionally changed over this period. Nonetheless, even with this development and advancement, the level of CSR reporting in little and medium measured companies in created countries is still low. CSR reporting from

Companies in creating countries are still in its early stages. In attempting to foresee the future development of CSR reporting it is imperative to comprehend the impact external institutions have in the process.

The article "The institutional promotion of corporate social responsibility reporting" (Tschopp et. al., 2012) distinguished the present and potential parts different institutions play in the promotion and dispersion of CSR reporting. The chose institutions analyzed in this previously stated article were governments, CSR reporting organizations, and accounting standards boards. This article develops the past examination by considering the parts of extra institutions, including exchange organizations, intergovernmental organizations, and the educated community.

It is important to review the results of the prior research before considering the role of the second-tier institutions. The World Bank identifies five key roles governments could have in supporting CSR initiatives: mandating, facilitating, partnering, endorsing, and demonstrating (IIED. 2002). The World Batik's CSR reporting categories closely adhered to the CSR categories by O'Rourke (2004). The article concluded that governments play an important role in
establishing the business conditions necessary for successful CSR reporting. Financial resources are important to build a regulatory and economic system based on market forces. Government endorsement

and government partnership are important in supporting local CSR-reporting organization presence. These roles involve more of a commitment to CSR initiatives than they do financial resources. Resources of Non-Governmental Organizations (NGOs) and CSR reporting standard organizations can significantly augment government resources. However, governments must initiate the effort to attract these organizations. There is much opportunity for governments to do more since the local presence of CSR reporting organizations in many countries is limited.

This study follows the basic tenets of Institutional Theory to study the role different organizations have on the promotion of CSR reporting. Institutional Theory refers to the role institutions play in the individual member's decision making process. Unlike efficiency-based theories that focus on profit maximization and the interactions between markets and governments, Institutional Theory considers a wider network of variables that influence the decision making process. The relatively new economic applications of this theory in the past thirty years were developed by the research of DiMaggio and Powell (1983) and Scott (1992).

This article expands on previous applications of Institutional Theory in the field of accounting (see Fogarty and Rogers, 2005; Collin et. al., 2009). The theory has also been used to explain how a firm responds to the institutional environment in which it operates. Pressures from governments, supra-national organizations, Non-government organizations (NGOs), and organizations along the supply chain can be influential. As the applications of Institutional Theory have expanded, more research is now being conducted on its impact on CSR related issues. Although Institutional Theory is not specifically applied here, it is included in the introduction to demonstrate the inherent relationships between these institutions and the dynamic role they have individually and collectively in evolution of CSR reporting.

While governments have been the primary force in the promotion of financial reporting standards through security exchange commissions; a variety of institutions have played key roles in the growth and diffusion of CSR reporting. There remain existing needs that traditional governments are unable or unwilling to address. Most governments do not mandate extensive social and environmental disclosures, thus external stakeholders created and encouraged CSR reporting mechanisms to meet their needs. The increased access and availability of CSR information is associated with the increasing level of engagement between regulators, industry, and stakeholder groups which have ultimately led to improved performance on issues of sustainability (Gouldson, 2004). The involvement of these various external institutions has provided a service that traditional governments have not provided. This shift in governance from governments to governance networks has been vital to the growth of CSR reporting. Ernst Ligteringen (Chief Executive, Global Reporting Initiative) and Simon Zadek (former Chief Executive, Accountability) summarize this shift by stating, "beyond their role of enacting legislation and agreeing on international conventions that address the economic, social, and environmental responsibilities of corporations, government has largely left the role of developing related business standards and codes to the private sphere in which business, civil society, and multi-stakeholder partnerships are developing a growing number of initiatives" (Ligteringen and Zadek, 2005, p. 1).

There is some overlap within these institutions and there are some institutions that could or have played a significant role that will not be considered in either article. These institutions include consumers, industry organizations, labor, and the media. Examination of these institutions is an opportunity for future research.

CORPORATE SOCIAL RESPONSIBILITY: THE ORIGIN

By the early 1970s companies began to actualize social and environment objectives and report their discoveries, and about that time the term CSR was presented. In the meantime there was a purposeful push to concentrate on issues of environmental management, with specific stress on its financial viewpoints and on society's reaction to environmental risks.

In any case, large portions of these early deliberations fizzled because of the absence of basic standards for substance, estimation, and reporting arrangement. The 1970s into the early 1980s spoke to the first period of CSR reporting stamped by "greenwash" reports and eco-promoting crusades were beguiling advertising instruments that included minimal in the method for substance. In the late 1980s the effect of partnerships past shareholders was generally seen with more prominent concern and the expression "stakeholder" was presented (Marlin and Marlin, 2003).

In the early 1990s CSR reporting refinished for an assortment of reasons (Cerin, 2002). This took after prior patterns of utilizing social and environmental revelations as a part of yearly appears for oversee general supposition and assuage shareholders. Anyhow now the data was more quantifiable and undeniable. In the late 1980s and early 1990s a second period of CSR reporting was entered into with more substantive reports being issued by the Body Shop, Shell Canada, and Ben & Jerry's (Marlin and Marlin, 2003).

The essential purpose behind the current phase of CSR reporting is to give stakeholders the data they craving to decide. With the increment in Socially Responsible Investments (Sris), including the Dow Jones STOXX Sustainability Index, Socially Responsible shared subsidizes and Exchange Traded Funds (Etfs), it is not difficult to see the requirement for such data.

Right now, about all substantial Mncs have now received some type of CSR activity. A lot of people extensive Mncs issue some kind of CSR report, including eighty percent of the G250 companies and forty-five percent of the N100 companies. Despite the fact that a percentage of the CSR reporting standards are picking up acknowledgement, with roughly forty percent of CSR reports being externally guaranteed, there are still a few stakeholders doubtful in settling on choices focused around the reports. One issue that remaining parts is that without tantamount, predictable, and solid standards the reports still keep on being seen by a few as "greenwash" or environmental turn instead of a real representation of the organization's genuine position (Cerin, 2002). Without settled upon or orchestrated reporting standards and reports that have been externally guaranteed, current reports still hazard being seen as just a vital advertising procedure utilized by companies.

INSTITUTIONAL TRADE ORGANIZATIONS

This study considers the role institutional trade organizations can have in the promotion of CSR reporting by looking at free trade agreements and the World Trade Organization (WTO).
Since the North American Free Trade Agreement (NAFTA), inclusion of social and environment provisions has become standard practice in the free trade agreements (FTAs) entered into by most Developed countries. In fact, the US mandates that these provisions are in all future FTAs.

The US Trade Act of 2002 states that negotiations should "seek provisions in FTAs in which the parties strive to ensure that they do not weaken or reduce the protections afforded in domestic labor laws as an encouragement for trade". While promoting the general use of market-based mechanisms to address social and environmental issues is becoming common language in many recent FTAs, no free trade agreement has included specific references to CSR reporting standards. However, FTAs have increased coverage of social and environmental issues. For example, the first reference to CSR in a trade agreement is in the 2006 US-Peru Trade Promotion Agreement. In the Labor chapter of the agreement it states "'The Parties' contact points shall carry out the work of the Mechanism by developing and pursuing bilateral or regional cooperation activities on labor issues, which may include, but need not be limited to: (o) best labor practices: dissemination of information and promotion of best labor practices, including corporate social responsibility, that enhance competitiveness and worker welfare". Peru's 2008 trade agreement with Canada included more in-depth references to CSR. In the preamble to the agreement it states the parties resolve to "Encourage enterprises operating within their territory or subject to their jurisdiction, to respect internationally recognized corporate social responsibility standards and principles and pursue best practices".

INSTITUTIONAL ANALYSIS

Several institutions are analyzed to determine the role they could have in the future growth of CSR reporting. The selection of institutions to include in the analysis was based on previous research, with considerable weight attributed to Hoffman (2001), Delmas and Toffel (2004), and the top ten most influential CSR institutions identified in CSR Asia's The Future of CSR: 2009 Report (CSR Asia, 2009). The institutions include governments, CSR reporting organizations, and accounting standards boards. In this article governments refer to any regulatory body within nation states that govern corporate disclosure. There is some overlap with these categories. There are some institutions that could or have played a significant role that will not be considered, including free trade agreements and the World Trade Organization (WTO), intergovernmental organizations, academia, consumers, industry organizations, labor, and the media. These institutions represent opportunities for future research.

The first step in this analysis is to gain an understanding of what role the institutions currently play in the promotion and diffusion of CSR reporting and to determine how that role is likely to continue in the future. The next step is to identify the role these same institutions had in the promotion of financial accounting standards and to determine if and how that role can be mirrored to that of CSR reporting. Representatives of these institutions were interviewed to gain their perspectives and provide additional support to this article. The interviews ranged from simple yes or no responses to extensive hour long interviews, depending on the interest and availability of the representatives. The interviews are only intended to be used as supportive evidence. While the information collected was valuable, there were only six interviews conducted in total.

THE INSTITUTIONS

Governments - Governments play an important role in CSR by the public policies they establish. They have the power to allocate assets and set an agenda that promotes CSR initiatives. They can establish environmental laws, labor laws, and increase the disclosure requirements of corporations. Campbell comments on the institutional pressure of governments, stating “corporations will be more likely to act in socially responsible ways if there are strong and wellenforced stated regulations in place to ensure such behavior, particularly if the process by which these regulations and enforcement capacities were developed was based on negotiation and consensus building among corporations, government, and the other relevant stakeholders” (2006,

p. 930). Even though many CSR initiatives are voluntary, the government can play an important role in promoting them in global markets. Aaronson states “Although market forces are increasingly pressing companies to act responsibly, markets have not succeeded in prodding all corporations to do the right thing everywhere they operate all of the time” and “governments have a responsibility to address such market failures especially in nations where the rule of law is inadequate” (2007, p. 8). Governments still control internal activities via a legal system and through regulatory controls. But in many developing countries there is no culture of compliance and governments lack the resources and commitment to enforce social and environmental regulations.

CSR Reporting Organizations - The increasing demand for useful information on corporate sustainability, whether from environmentalists, investors, or other stakeholders, has transformed CSR reports from “greenwash” marketing campaigns into more valuable tools for decision makers. Moreover, the demand for CSR information has resulted in competing and complimentary standards of accountability. In recent years several CSR reporting standard organizations have gained international recognition. The most recognized organization is the Global Reporting Initiative (GRI) which provides G3 guidelines on how to disclose and quantify the social and

Environmental impact of a corporation. Additional reporting organizations include Accountability and their AA1000 Series standards which include principle-based reporting standards that address a variety of corporate sustainability issues. There is also the UN Global Compact’s COP which offers guidance as to how companies should inform their stakeholders.

This standard will be discussed in a section on intergovernmental organizations in a separate article. In addition, new standards are continuing to be developed, such as the ISO 26000 standard that includes a reporting component. These reporting organizations were selected because the GRI’s G3 guidelines, AA1000 Series, and ISO standards represent the most widely recognized international standards that involve external reporting on both social and environmental issues. These organizations have all developed methods and resources to promote the use of their standards. Interviews with representatives of each organization along with a review of their online resources were used to identify the efforts being made by the organizations to promote CSR reporting.

Global Reporting Initiative - Ceres and the Tellus Institute developed the GRI in 1997. A steering committee comprised of seventeen stakeholder organizations and seven country representatives designed the overall governance structure of the GRI. The GRI’s current governance body consists of sixteen Board of Directors, a forty-six member stakeholder council, a twelve person technical advisory committee, a Secretariat of about thirty-six staff based in Amsterdam, The Netherlands, and a wide network of organizational stakeholders. Since its inception, over 1500 companies have issued a CSR report referencing GRI guidelines. The GRI first issued guidelines in a 1999 exposure draft. These guidelines were revised in 2000, in 2002, and then the current G3 guidelines published in 2006.

To better understand the actions the GRI has taken to promote their G3 guidelines an interview was conducted with Bastion Buck, the Technical Development Coordinator at the GRI.

He is responsible for developing the GRI guidelines sector supplements, and other research associated with the framework. The interview with Mr. Buck provided insight into the drivers of CSR reporting in specific countries and what was being done to help GRI achieve its mission of becoming the globally accepted CSR reporting standard.

CONCLUSION

In view of an audit of the institutions evaluated in this article, CSR reporting organizations, through the promotion of their own standards, and governments, through required enactment, have the most persuasive part in advancing and diffusing CSR reporting.

Anyhow there is potential for these and different institutions to expand their parts, as they have in the promotion and dispersion of financial reporting. While the majority of their activities to advance financial reporting can't essentially be connected to advancing CSR reporting, there are a few cases that can be utilized to help create a structure for this methodology.

The key steps in legitimizing Ifrss incorporated the distinguishment of a standard setting body, the selection of standards by a comprehensively perceived body which brought authenticity to the standards, and stakeholder involvement all through the procedure. A comparative system may help in the worldwide acknowledgement of CSR reporting standards.

An alternate part that is more special to CSR reporting is that Ftas can likewise serve as an issue to help convey the diverse assets the reporting organizations bring to the table. One of the primary road obstructions restricting the quantity of companies issuing CSR reports, especially in creating countries, is access to resources.

REFERENCES

- Cerin P. (2002). Communication in corporate environmental reports. *Corporate Social Responsibility and Environmental Management*, 9, 1, pp. 46-66.

- Collin, S., Tagesson, T., Andersson, A., Cato, J., & Hansson, K. (2009). Explaining the choice of accounting standards in municipal corporations: Positive accounting theory and institutional theory as competitive or concurrent theories. *Critical Perspectives on Accounting*, 20, 2, pp. 141-174.

- Delmas, M. and Toffel, M. W., (2004). Stakeholders and environmental management practices: An institutional framework. *Business Strategy and the Environment*, 13, 4, pp. 209.

- Fogarty, T. and Rogers, R. (2005). Financial analysts' reports: an extended institutional theory evaluation. *Accounting, Organizations and Society*, 30, 4, pp. 331-356.

- Gouldson, A. (2004). Risk, regulation and the right to know: exploring the impacts of access to information on the governance of environmental risk. *Sustainable Development*, 12, 3.

- International Institute of Environment and Development (IIED). (2002). "Baseline Study of Public Sector Roles in Strengthening Corporate Social Responsibility," paper prepared
for the Corporate Social Responsibility Program, Washington, D.C.: World Bank.

- KPMG. (2011). KPMG International Survey ot Corporate Responsibility Reporting 201 1. Research conducted KPMG Global Sustainability Services.

- Ligteringen, E. and Zadek, S. (2005). The future of corporate responsibility codes, standards and frameworks. An executive briefing by the Global Reporting Initiative and Accountability.

- Marlin, J.T. and Marlin, A. (2003). A brief history of social reporting. *Business Respect*. 51.

- O'Rourke, E). (2004). Opportunities and obstacles for corporate social responsibility reporting in developing countries. World Bank Group.

- Tschopp, D., Wells, S., and Barney, D. (2012). The Institutional Promotion of Corporate Social Responsibility Reporting, The Journal of Academic and Business Ethics. March, Vol.12.