

Are the corporate social responsibility matters based on good intentions or false pretences? An empirical study of the motivations behind the issuing of CSR reports by UK companies

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Abstract

Purpose – *This paper documents the motivations of modern corporations in issuing corporate social responsibility (CSR) reports to their stakeholders. It further demonstrates why these entities have suddenly become more moral or ethical.*

Design/methodology/approach – *An empirical methodology was used to gather and analyse the required information from companies drawn from two sectors of the capital market.*

Findings – *The study results suggest that UK companies have different reasons for issuing CSR reports, for instance; in response to an increasing number of stakeholders requesting information on CSR, companies believe that doing so is good for business, to derive positive public relations benefits, to comply with the government's request for them to issue information on CSR, etc.*

Originality/value – *Information on corporate entities' CSR activities is considered to be valuable by both academic researchers and business managers as it provides a working framework on which future studies can be based. In addition, it improves understanding of the social obligations which corporate entities owe to their stakeholders and society in general.*

Keywords Corporate social responsibility, Reports, Business policy, United Kingdom

Paper type Research paper

Introduction

Several authors have argued that there are enormous benefits, which corporations of the twenty-first century can derive when they are perceived by their stakeholders as being socially responsible; see for example Crowther (2003) and Idowu and Towler (2004). The field of corporate social responsibility according to Jackson (2003) appears to have thrived following recent incidents in the corporate world and the world in general; for example the collapse of Enron, WorldCom, Parmalat, the pressing ecological issues such as climate change, a few well-publicised environmental accidents, the globalisation of the economy and information transfer. These are a few of the occurrences, which have helped to reshape how society now sees the role of corporate entities around the world and what society expects from these corporations.

A causal relationship appears to exist between an increase in the phenomenon of voluntary environmental disclosure in annual reports or other documents issued by corporate entities and the enormous benefits noted earlier. Campbell (2004) notes an overall increase in disclosure volume of voluntary environmental information in a study of the annual reports of ten UK companies between 1974 and 2000, with a marked upturn in the late 1980s. Patten (1992) and Deegan *et al.* (2000) have also noted an increase in the volume of environmental

disclosures in response to criticisms experienced by some corporations after a particular event. Deegan and Gordon (1996) and Adams *et al.* (1998) have both noted an increase in disclosure by some corporate entities as a result of the risks inherent in the industries in which they operate. In addition, several studies have been carried out which focus on the market reaction to general disclosures of social responsibility information; Belkaoui (1976) and Anderson and Frankle (1980) and those that focus on market reaction to specific categories of social responsibility reporting; Freedman and Jaggi (1982, 1986, 1988) and Shane and Spicer (1983).

Corporate entities are now very keen to voluntarily take different courses of action either to placate pressure groups or to demonstrate to their stakeholders that they are conscious of their responsibility to society. It is now a common practice for organisations in certain industries and in the more industrialised parts of the world to install environmentally friendly machinery, use recyclable raw materials, rehabilitate sites which may have been damaged by their previous actions, treat employees equally regardless of sex, race, religion etc, respect the conventions on human rights, disassociate themselves from suppliers of child labour products, make donations for charitable purposes and a host of other socially responsible actions which modern corporations embark on in order to demonstrate responsibility.

A careful consideration of all these so-called environmentally friendly actions taken by these corporations shows they are not influenced by a desire to be environmentally conscious *per se* but by some resulting benefits that may flow from them afterwards, see for example Tilt and Symes (1999) who argue that Australian mining companies which rehabilitate mining sites after depleting the mines only do so in order to legitimise their rehabilitation expenditures and claim the resulting tax benefits by including the related rehabilitation expenses in the final accounts; since such expenditures are generally of material amounts, there is a compelling need for disclosure to occur. Other research studies have supported the view that companies in the mining industry disclose the greatest amount of environmental information compared with companies in other industries, see Dierkes and Preston (1977), Gray (1994), and Tilt (1997).

This paper is structured as follows: it explains CSR as seen by others, looks at some of the factors which have contributed to recent interests in the field, discusses some of the actions corporations around the world are taking to demonstrate responsibility – this section also answers the key question of the genuineness of corporate intentions and finally the information received from UK companies is provided with the authors' concluding remarks.

Explaining corporate social responsibility

Frederick's CSR1, 2 and 3

The literature on CSR has been marked by developments that have enhanced people's understanding of the field with regard to its nature, concept and business practice. Frederick (1986, 1994) describes CSR as practiced up to 1970 as an examination of corporations' obligation to work for social betterment. From about 1970 he indicates that there was a move towards corporate social responsiveness, which he describes as "the capacity of a corporation to respond to social pressures. This change in focus highlights a move from a philosophical (CSR1) to a more managerial approach (CSR2) that concentrates on whether corporations will respond to social pressures and how they would handle such pressures. In 1986, Frederick posits that there is a need to impose an ethical anchor on the study of business and society to "permit a systematic critique of business's impact upon human consciousness, human community and human continuity". This new stand was termed CSR3.

Corporate behaviours and executives' accountability

As noted earlier, modern corporations are very quick to embark on different CSR-related courses of action, which they perceive would improve their public image in the eyes of their stakeholders and the general public. However, a few of these organisations' executives still

indulge in practices, which are socially irresponsible and which understandably are considered unacceptable by society. Incidents such as the ones that led to the collapse of Enron, USA, WorldCom, USA and Parmalat, Italy, Mirror Group UK (1991) Polly Peck UK (1992), also looking at incidents such as the explosion at Union Carbide Bhopal, India in 1984 and the oil spillage at Prince William Sound, Alaska, USA in 1989 come to mind. It becomes extremely difficult to reconcile the actions of these organisations and their assertion that socially responsible behaviours are at the forefront of what they do or stand for, when senior executives behave recklessly when running the operations of the entities under their direct control. CSR is therefore also about behaving honestly and with high integrity, even when this could result in a financial loss to the entity concerned.

Factors contributing to recent interests in CSR activities

Accounting researchers in an attempt to understand what factors have contributed to the recent interests in CSR as we know it in the twenty-first century have classified the reasons under five perspectives. These are: agency theory (which views the relationship that subsists between the managers and owners of a corporate entity as that of agents and principals); legitimacy theory, (which postulates that corporate actions are legitimate, desirable and proper with some connotation of social benefits); political economy of accounting theory (which describes society as operating under a series of social contracts between members of society and society itself; stakeholder theory (which assumes that in order for corporate entities in a society to survive and prosper over a period of time; those entities must have good relationships with its critical stakeholders); and self-justification and advancement of corporate interest theory (which states that corporate actions are self-focused) (Gray *et al.*, 1995, 1996; Guthrie and Parker, 1990; Patten, 1992; Roberts, 1992; Tilt and Symes, 1999; Maltby, 2004). Our study reveals that all the five perspectives are capable of being used to classify the factors which have heightened interests in the area in recent times.

Vogl (2003) has also argued that four factors can be identified as contributing to the recent trends in corporate entities around the world embarking on socially responsible behaviours. The four factors are: tightening regulatory pressures, changing demographics, pressure from non-governmental organisations (NGOs) and the increased necessity for greater transparency. This therefore explains why the following are happening in the world around us today.

Stock Exchanges and other financial institutions around the world are compelling listed companies to provide information on their CSR activities. For example, in France all companies listed on the Paris Stock Exchange are required to include information about their social and environmental performance with their financial statements. In South Africa, the Johannesburg Stock Exchange requires that all listed companies must comply with a CSR based code of conduct. In the UK, several important organisations are requiring information about corporate entities' CSR activities. The Association of British Insurers (ABI) has issued guidelines which set out information on social, environmental and ethical matters which institutional investors now expect to see disclosed in the annual reports of listed companies. The Business in the Community's Corporate Responsibility Index needs information on what corporate entities are doing in CSR. In addition, the FTSE4Good Index is increasingly becoming a major index used when screening for good corporate citizenship. Lately, the London Stock Exchange's Corporate Responsibility Exchange (CRE) – a data platform which requires information on corporate responsibility – is another factor which compels listed companies in the UK to be active in CSR. A further compelling factor on UK corporations that are not currently active in CSR is the Operating and Financial Review (OFR) requirement which comes into force in 2005. OFR requires all listed companies to report on their significant environmental and social impacts and how they are dealing with them. In the USA, the Dow Jones Sustainability World Indexes are used by investors and lenders around the world to screen for social and environmental performance of corporations.

Stakeholders of the twenty-first century are more sophisticated, well educated and better informed. They now demand that those companies they do business with in their various

capacities as members of society (consumers, suppliers, investors, employees, etc.) conform to a very high standard in all respects including good citizenship. Some stakeholders, when making their decisions on where to invest their “hard-earned” cash, consider how socially responsible or otherwise a company is. Equity investors are therefore more likely to want to ensure that their companies are behaving responsibly in this area.

There has been a massive increase in the number of non-governmental organisations (NGOs) which are interested in different aspects of our lives, for example Friends of the Earth (FoE), Green Peace, Amnesty International, the World Wildlife Fund and the Council on Economic Priorities, just to mention a few of such organisations. They represent a range of interests (human rights, child labour, forced labour, trade, environment, and social) and consider CSR as part of the broader context of sustainable development. They favour the need to identify what is expected of corporations based on international agreements.

The practice of CSR

Theaker (2001, p. 107) supports the view that an organisation that is socially responsible recognizes its duties and responsibilities towards the wider community, and contributes to the common good that benefits both the company and its society. Chung (1987, p. 125) suggests that: “Business firms operate in a society that offers them the opportunity to make profits. In return, they have the obligation to serve societal needs. This obligation is called social responsibility”. Peach (1987, pp. 191-3) claims that corporations are an integral part of society and they therefore need to consider their corporate behaviour as part of their role in society. The impact that corporations have on society has been likened to the effect of a stone dropping into a pond (Harrison, 1997) that goes through three levels during the drop process. The first two levels refer to what respectable firms believe their responsibilities to society are and level three refers to a more rare type of organisation, one that accepts a responsibility for a healthy society and contributes to removing problems in the society (as below):

Level one: basic

- Pay taxes.
- Observe the law.
- Deal fairly.

Level two: organisational

- Minimise negative effects.
- Act in the spirit of the law.

Level three: societal

- Responsibility for a healthy society.
- Help remove/alleviate societal ills.

CSR involves the idea of a business being proactive in its relationships with social actors and doing more than simply trying not to break moral rules. An example is corporate community involvement. The term “social responsibility” suggests that businesses are motivated by more than just self-interest and it actually promotes the collective self-interest of society. For example, through community programmes that focus on the creation of awareness for issues, problems and community-related good causes and raising money or investing time to provide solutions. The results are that everyone benefits; the company’s image is enhanced and the local community is materially and socially better off.

Actions taken by corporate entities to demonstrate responsibility

All modern corporations are aware that they owe some sort of responsibility to all their stakeholders, albeit in varying degrees and accept that unless they demonstrate this awareness by some quantifiable actions they are likely to receive “a bad press”. In the UK 80 per cent of FTSE 100 companies now voluntarily issue annual CSR reports, either on a

stand-alone basis or embedded in the annual reports Idowu and Towler (2004). A typical CSR report of a UK company provides information on the positive contributions it has made during the year which has just ended under four main headings; namely Environment, Community, Marketplace and Workplace.

The research study

This research draws its strengths from published papers in the field of CSR and from the information received from 20 UK companies out of a total of 40 companies drawn from two capital market sectors (20 drawn from FTSE 100 and 20 taken from companies outside FTSE 100) that we wrote to. The 40 companies are known to issue annual CSR reports either on a stand-alone basis or embedded in the annual reports and accounts. The companies were asked to explain in detail why they issue CSR reports and what they intend to gain from the exercise. We note from the replies received that UK companies issue CSR reports for a variety reasons. Notably, because they believe that taking this action is good for business, informing their stakeholders of their CSR activities gives them positive public relations benefits, the present UK government is requesting them to report on their environmental performance, as a result of the increased necessity for greater transparency, and a few other reasons noted below.

Having recognised that an empirical study of the motivations behind corporate entities' involvement in CSR activities will enrich people's understanding, it was decided that forty UK companies which are known to issue CSR reports should be contacted by letter. The letter which should be addressed to either the company secretary or finance director should ask him/her to pass it on to the responsible colleague if CSR matters were to fall outside their domain. It should explain briefly what the study is about and ask the company to "explain in as much detail as possible why it issues information on its CSR activities". In other words to explain the motivations behind their issue of CSR reports.

We note that all our respondent companies now have a member of the board responsible for CSR matters. We also note that these companies now have in post a CSR manager (most of them are females) which shows that UK companies take CSR very seriously. We were not able directly to ascertain whether they now have a CSR department or if they did, how many staff were employed on CSR matters, but we can confirm that social responsibility is becoming an important aspect of UK corporate existence.

The replies received were in different forms. Some companies provided the required explanations, some sent their latest CSR reports or annual reports which contain a section on their CSR activities and some referred us to their web site stating that the required information can be found there. Companies in these different categories have been clearly identified in Table I.

Table I Company categories

<i>Provided explanations</i>	<i>Sent CSR Report</i>	<i>Sent Annual Report</i>	<i>Referred us to their web site</i>
1. Abbey National ^a	1. Centrica ^a	1. Jarvis	1. AstraZeneca ^a
2. AstraZeneca ^a	2. Costain	2. Northern Foods	2. Bradford & Bingley ^a
3. Balfour Beatty	3. Friends Provident ^a	3. Investec	3. Centrica ^a
4. Bradford & Bingley ^a	4. British Airways ^a		4. Friends Provident ^a
5. British Airways ^a	5. mmO2 ^a		5. Tesco ^a
6. British Gas Group ^a	6. Royal Bank of Scotland ^a		
7. British Telecommunications ^a	7. Tesco ^a		
8. International Power	8. 3i Group ^a		
9. Marks & Spencer ^a			
10. NationalGridTransco ^a			
11. Tesco ^a			
12. 3i Group ^a			

Note: ^aFTSE 100 companies

Since we completed the study a few changes have taken place. Abbey National is now no longer an FTSE 100 company because it was taken over by a Spanish company whose shares are quoted on the Madrid Stock Exchange. International Power has now been promoted to the FTSE 100 companies. mmO2 has now changed its name to O2.

So, what do UK companies have to say about why they undertake CSR programmes and issue information to stakeholders on these activities? The following is the information provided by our 20 respondent companies. The company that has provided which piece of information has not been identified by name for the purposes of confidentiality.

Forty-five percent of the FTSE 100 respondent companies started issuing CSR reports in 2000 or thereabout. This coincides with the year the present Labour government of Tony Blair first appointed a Minister for CSR.

The key driving motivations of some of our respondent companies

Before presenting our findings, the study revealed that different factors have underpinned our respondent companies' motivations for their involvement in CSR and its related activities. Some of these are the industry in which the particular company operates the tradition embedded in its history and the culture its senior managers had been exposed to in the past.

The industry in which a company operates plays a significant role *vis-à-vis* how its stakeholders, including pressure groups, perceive it. Failure to disclose the contributions that entity makes to the "common good" leaves it exposed to criticisms and other sanctions.

One of our respondent companies stated that they started as a Quaker family business and like many similar businesses, its founder believed that it had a role in society over and above delivering profits. It saw CSR as an attempt to continue the tradition started by its founder.

Another company stated that its senior managers came from a culture which strives to strike a balance between the needs of its shareholders and other stakeholders. The field of CSR fits in perfectly well with meeting that objective.

The following are some of the reasons cited by our respondent companies. The order in which they are presented below is only a matter of convenience.

To inform stakeholders

All our respondent companies have stated either directly or indirectly that they issue CSR reports because they were intending to inform stakeholders of their contributions to social betterment. Prior to their decision to issue formal CSR reports, there had been a year on year increase in requests from different stakeholder groups for information on CSR. Rather than continue to address requests for information on an *ad hoc* basis it was felt that a formal report that meets the requirements of all stakeholder groups would serve them more effectively. Requests for information were received from private and institutional investors, customers, employees, suppliers, government departments, media, non-governmental organisations and the general public. It appears that these companies believe that issuing the report is an essential method of communicating with stakeholders.

To provide a more rounded picture of the company

Ten percent respondent companies state that they started issuing CSR reports because there was a need for them to provide a more rounded picture of what they were doing, as a result of the increased activities of some NGOs who continue to argue that companies in certain sectors have a reputation of making large profits at the expense of the environment and while exploiting their workforce. It was difficult to counter a belief of this type in the absence of a broader picture of what these corporations were doing. A CSR report which provides information of an entity's activities in all the relevant areas would perfectly "fit the bill"!

To meet best practice in company reporting

Fifty-five percent respondent companies have stated that they started issuing CSR reports partly because other companies in their industry were doing it and they considered these competitors' action as a "good practice" in company reporting. It became a necessity for them to respond to the challenge otherwise they would have been at a competitive disadvantage.

To derive CSR's positive public relations benefits

Two of our respondent companies include in their explanations of the motivation behind their issuing CSR reports as being to derive the positive public relations benefits which companies perceive that it gives. They are presumably saying that their stakeholders will "warm" to them in their various capacities as members of society.

One company states that it issues CSR reports because "it is good for business". This company did not explain further what they mean by this. We noted that this was one of the arguments used by the Department of Trade and Industry (DTI) to encourage UK businesses to get involved with CSR.

To satisfy disclosure requirements of major shareholders

Two companies mentioned that they issue CSR reports in order to satisfy disclosure requirements of institutional investors and analysts who insist that they wish to see information in this area made available in the public domain. Failure to comply with this requirement has serious market implications and implications in the availability of equity and loan capital.

To ensure that employees are aligned to the company's targets

One company mentioned that it sees the report as a vehicle to use to convey information about its CSR targets to its employees to enable them understand its policies and aspirations so that these employees may fall in tune with its targets in CSR.

To demonstrate an open management style

Some respondent companies (27 per cent) explained that issuing CSR reports, demonstrates to the general public that they have an "open management style" as they have nothing to hide *vis-à-vis* the positive contributions being made to the communities where they operate. They also explained further that transparent reporting is an essential part of accountability in today's world.

To reflect the importance attached to CSR by the company

Two of our respondent companies stated that the main reason for increasing reporting on CSR is a reflection on the importance they attach to CSR as a core part of their business; "core" in the sense that ethical investments is an integral path to the success of their investment activities and publicising their activities through the issue of CSR reports demonstrates the seriousness they attach to it.

To align with the request of the current UK government

One company stated that in 2001, the government wrote to the FTSE 250 companies requesting them to report on their environmental performance and because they agreed with this request they started issuing the CSR report. Another company explained that there was increasing pressure from various sources to report on CSR. It therefore became more important than ever before to report on its CSR activities.

To demonstrate to stakeholders that non-financial issues are also important

Four companies explained that non-financial issues such as safety and health are of paramount importance to stakeholders in the industries in which they operate. There is a need to publicise how important these aspects are and enumerate what they have done, what they are doing and what they intend to do in these non-financial aspects.

In response to questionnaires to be completed for tenders and government departments

One particular company explained that the last few years have seen an increase in the number of the questionnaires which companies need to complete from some of their stakeholders. For example, from customers; when tendering for projects and government departments for other purposes. These questionnaires raise important issues relating to CSR and providing information on it.

Information deduced from companies' CSR reports and corporate web sites

As noted above, some companies did not provide us with the required explanations but either sent to us their CSR reports through the post/e-mail or requested us to obtain the information from their recent CSR report on their web site.

We were unable to categorise the information obtained from the CSR reports as the information was unique to individual companies. We have summarised the following as the possible motivations behind them issuing CSR reports:

From one company

This company aims to use the information provided to strengthen its corporate reputation, to uphold its core values, to act as a corporate conscience and act as a catalyst for action in terms of its broader responsibilities to society.

From one company

This company saw CSR as an impetus to challenge its existing practices and to focus on introducing rigorous processes in what it does. The company says it is successfully managing the social, economic and environmental impacts of its business and it is therefore important that it reports on the progress it has made in the area. Reporting on its progress will enable it to continue to evolve and develop suitable CSR strategies which it considers as a key to its continuing business success.

From one company

This company's Chief Executive's foreword to the CSR report states that the report aims to explain how the company governs itself internally, how it works to satisfy its customers needs to the highest level of excellence, how it looks after its employees, how it works to earn the support of its shareholders and how it responds to the wider expectations which society has of it as a modern business enterprise to respect and support the wider community.

The relevance of Frederick's CSR1-CSR3 to our findings

As noted above, Frederick classifies CSR into three categories the first he calls CSR1 – which basically deals with the social responsibility of corporate entities in working towards the socio-economic welfare of society, which he terms as social betterment. It is evident that these companies are aware that their stakeholders expect them to satisfy this objective and would like to see a document which explains to them the activities they undertake to ensure the continued existence of social betterment.

In terms of CSR2 which deals with “response to social pressures” which Frederick calls corporate social responsiveness. Our respondent companies are aware of the existence of NGOs which exert pressure on corporations to ensure that their standards of behaviour do not fall below what they consider acceptable. This appears to be an important motive enough for these companies to warrant their involvement in CSR.

Finally CSR3, which covers a “systematic critique of business impact on human consciousness, human community and human continuity”. Companies in the construction industry in our study stated that one of their motivations for issuing CSR reports was to use it as a vehicle for providing a more rounded picture of what they are doing, as a result of the criticisms their industry receives from some of their stakeholders.

Harrison's three levels impact and findings of this study

The results of this study indicate that UK companies do not consider level 1 of Harrison's three levels impact as relevant to CSR. These are perceived by business managers as legal obligations which all corporations must meet, regardless as to what they feel about paying corporate taxes, observing the law and dealing fairly with business contacts etc. Level 2 is also similar to level 1 but minimising the negative effects of their actions has some CSR connotation.

Level 3 encompasses aspects covered by CSR. All our respondent companies consider that employees are stakeholders; they contribute immensely to the prosperity and survival of these companies. These entities believe that they owe employees a duty of care when they are at work. Legally, employers are required to provide their staff and the general public a safe environment. In today's world, an organisation which fails to ensure that its operations do not cause environmental nightmares or health risks to society will not get away with it for long. In addition, we were able to deduce from the replies received from companies that they are aware that part of their social responsibilities include helping society to solve some of its social problems, regardless of whether or not they have helped to create those problems in the first place. Harrison's level 3 focuses solely on CSR as perceived by companies either in the UK or wherever they are in the world. Table II summarises companies' reasons under different classes. A few of these reasons fall under more than one heading.

Stakeholders' requests for information

As noted above, stakeholders' quest for information on CSR has led to the formal issue of CSR reports in the UK. Companies did not provide us with the sort of information different stakeholders were asking to see; we were only told of the different groups of stakeholders that were asking for information on CSR. One can only guess from each stakeholder's interests the sort of information they need and why they need it. For example, institutional investors would be interested in complying with regulatory bodies' guidelines, e.g. ABI and in safeguarding their investments. They would wish to see what information their companies have disclosed about the positive steps they have taken with regard to protecting the

Table II Reasons summarised

<i>Corporate reputation</i>	<i>Stakeholder pressure</i>	<i>Economic performance</i>	<i>Genuine concern</i>	<i>Broad social/cultural</i>
To provide a more rounded picture of the company	To inform stakeholders	To meet best practice in company reporting	To ensure that employees are aligned to company's targets	To demonstrate an open management style
To meet best practice in company reporting	To provide a more rounded picture of the company	To derive CSR's positive public relations benefits	To demonstrate an open management style	To reflect the importance attached to CSR by the company
To derive CSR's positive public relations benefits	To satisfy disclosure requirements of major shareholders	To satisfy disclosure requirements of major shareholders	To reflect the importance attached to CSR by the company	To uphold its core values, to act as corporate conscience
To reflect the importance attached to CSR by the company	To align with the request of the current UK government	To ensure that employees are aligned to company's targets	To demonstrate to stakeholders that non-financial issues are also important	To continue the culture which its founder started at the inception of the company
To demonstrate to stakeholders that non-financial issues are also important	In response to questionnaires to be completed for tenders and government departments	In response to questionnaires to be completed for tenders and government departments	To act as an impetus to challenge its existing practices	To demonstrate that its senior managers are from a culture which strives to strike a balance between the needs of its shareholders and that of other stakeholders
To strengthen corporate reputation				

environment and sustainability. Customers would be interested to ensure that the organisation with whom they do business are not engaged in actions that are socially irresponsible, the products they buy are not made by children in the less developed nations, fair wages are paid to employees, products are safe for use and a series of other related issues. NGOs are concerned about fairness, human rights, equality, clean and safe environment. Modern corporations are aware of all these issues which stakeholders are genuinely interested in and are also aware of the sanctions which are at the disposal of these stakeholders.

Good intentions or false pretences?

CSR is not only about providing a safe workplace or meeting environmental regulations. Neither is CSR about altruism – managers are not doing more than what the law requires of them because they are saints but because it is in the long-term best interest of their corporations. CSR as a concept refers to the corporate behaviour that is over and above legal requirements and it is voluntarily adopted to achieve sustainable development. Corporations have realized that they need to integrate the economic, social, and environmental impacts of their operations and form an appropriate corporate policy which, in the long-term, benefits all stakeholders.

We can confirm from our findings of this research that our respondent companies genuinely believe that to be socially responsible is good for business! Any resources companies devote to undertaking CSR programmes, they believe will sooner or later be recouped through the positive reactions that would be generated to what they do and what they stand for by these stakeholders.

A company that intends to remain competitive in its industry must be seen to be socially responsible. It must also make a “loud noise” about all its CSR activities by issuing reports which must be easily accessible to stakeholders, either on paper or electronically through its web site. One of the reasons given for issuing CSR reports by one of the companies, albeit the last one out of a list of seven, was that the government in 2001 wrote to all FTSE 250 companies encouraging them to issue the report. They are being encouraged by the government to be actively involved in the field of CSR.

Unfortunately, in the UK the issuing of the CSR report is voluntary and unregulated. There is no standard or specified format for it; this could make it impossible for readers to identify what to look for in a “normal” CSR report. The report is equally not subject to an independent external examination before it goes out to stakeholders. An un-audited CSR report leaves room for companies to make exaggerated claims that may be unverifiable. Does this limit its usefulness? Should the accountancy profession take a leading stance in addressing this anomaly?

Conclusions

Stakeholders of the twenty-first century are better educated, well informed and know what is best for them! Their constant requests for information from companies on their CSR activities appear to be the main driving force behind the issuing of CSR reports by UK companies. These companies have also realized that providing information to “all and sundry” on CSR is good for positive public relations, as they will be perceived as “caring” organizations by stakeholders. Consequentially, customers will continue to be loyal, equity investors will be happy to invest, loan creditors and suppliers would happily take credit risks, environmentalists will have nothing to protest about and a host of other stakeholders’ requirements would have been met.

The present Labour Government in the UK has done a lot in encouraging UK companies to take a serious view of CSR. A minister for CSR has been in post since March 2000. In reply to that, most large UK companies now have a member of the board in charge of CSR matters (Idowu and Towler, 2004). This government, in an attempt to continue to portray itself as an enthusiastic advocate of CSR and its related matters in March 2004 issued a consultative document entitled *Corporate Social Responsibility – A Draft International Strategic Framework* (DTI, 2004). In the document, the government made claim to what it refers to as

“an ambitious vision for CSR”. The vision requires that UK businesses take account of their economic, social and environmental impacts and act to address key challenges in this area wherever they operate – locally, regionally and internationally.

By taking a serious action in this area, the government leads by example. This will encourage corporate entities to put their houses in order so that there will be less need for the government to make use of legislations to bring them to order. Most UK companies recognise that they cannot be complacent in CSR; they will need to continue to improve on their performance in it year on year. Some are setting key performance indicators (KPIs) which they need to meet in CSR during a forthcoming accounting period. This is a step in the right direction! All will benefit from it – the entity and its stakeholders and people's quality of life will be greatly improved.

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