The institutional promotion of corporate social responsibility reporting

Daniel Tschopp
Saint Leo University

Steve Wells
Western Kentucky University

Doug Barney
Indiana University SE

ABSTRACT

The level of Corporate Social Responsibility (CSR) reporting has evolved significantly in the past few decades. Efforts to predict the future growth of CSR reporting require an understanding of the influence external institutions have in the growth process. The purpose of this article is to identify the current and potential roles various institutions play in the promotion and diffusion of CRS reporting.

The basic tenets of Institutional Theory are used in identifying the roles various institutions play in this process. The selected institutions include governments, CSR reporting organizations, and accounting standards boards. These selected institutions are analyzed to gain an understanding of what role they currently play in the promotion and diffusion of CSR reporting, and to determine how that role is likely to continue. The institutions are also analyzed to determine the role they have played in the promotion of financial reporting to determine if that role can be mirrored to that of CSR reporting. Interviews with representatives of selected institutions are used for additional support.

In conclusion, most of the selected institutions already play a role in promoting CSR reporting in varying degrees. Significant differences between CSR reporting and financial reporting were identified which demonstrate that further growth and development of CSR reporting standards will not likely be identical to that of financial reporting; however, there are similarities in the institutional role various organizations can have in promoting CSR reporting standards. Hopefully this article begins a framework for the continued promotion and diffusion of CSR reporting.

Keywords: Corporate Social Responsibility Reporting, Financial Reporting, Institutional Theory, Social and Environmental Accounting

INTRODUCTION

The level and content of Corporate Social Responsibility (CSR) reporting has evolved significantly in the past forty years. However, this evolution is still in its early stages. The level of reporting by corporations in most developing countries is still low. Even in developed countries the level of reporting by small and medium sized corporations is still low. The standards themselves are still evolving. New reporting standards continue to be created and new versions of existing standards continue to be developed. Opportunities remain for the harmonization and growth of these standards. In trying to predict the future growth of CSR reporting it is important to understand the influence external institutions have in the process. Therefore the purpose of this article is to identify the roles various institutions play in the promotion and diffusion of CSR reporting standards.

The type of promotion or influence in diffusion may vary by institution. It could include efforts to communicate the benefits of using or issuing CSR reports; efforts to assist corporations in preparing reports; efforts to develop, harmonize, or converge standards; and the development of markets and pressures designed to increase the reliance on such reports.

By identifying these roles, hopefully this research will begin a framework for the continued promotion and diffusion of CSR reporting. There is still a long way to go before the adoption and usefulness of CSR reporting is on par with that of financial reporting. This research will help in that process by identifying what is and what is not currently being done to promote CSR reporting and by providing support as to how the adoption of CSR reporting is likely to grow in the future.

This article 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 Bealing et.al., 1996; Carpenter and Feroz, 2001; 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).

This article provides a brief summary of how the level and content of CSR reporting standards have evolved. Then key institutions are identified that can play a role in the future evolution of CSR reporting. The influence these institutions could have is determined by their current actions, by interviews with representatives from the institutions, and by considering the role the institutions have played in the promotion of financial reporting.

THE EVOLUTION OF CSR REPORTING

The reporting of specific social and environmental issues has been performed by corporations since the start of financial reporting. Environmental reporting has long been required for regulatory purposes, and social and environmental issues, such as material costs of regulatory compliance and probable litigation losses have been disclosed even in early corporate annual reports. However, in the past twenty-five years there has been a public push for increased social and environmental information. Numerous factors caused this increased need for corporate accountability: increased public awareness, stakeholder pressure, and social concerns over practices such as sweatshop labor, and environmental disasters. There were similar public concerns about environmental problems in the late 1960s (Mikesell, 1974). There was a claim that technological advances and the consequent rapid depletion of resources led to a demand for more accountability (Johnston, 1979). NGOs and activist groups, such as Greenpeace and Save the Children, have been pushing companies to be accountable for their environmental and social records since the 1960s.

By the early 1970s companies started to implement social and environment goals and report their findings, and about that time the term CSR was introduced. At the same time there was a concerted effort to focus on issues of environmental management, with particular emphasis on its economic aspects and on society's response to environmental hazards (Hewitt, 1983). However, many of these early efforts failed due to the lack of common standards for content, measurement, and reporting format. The 1970s into the early 1980s represented the first phase of CSR reporting marked by "greenwash" reports and eco-marketing campaigns were deceptive marketing tools that included little in the way of substance. In the late 1980s the impact of corporations beyond shareholders was being viewed with greater concern and the term "stakeholder" was introduced (Marlin and Marlin, 2003).

In the early 1990s CSR reporting resurfaced for a variety of reasons (Roberts, 1991; Stittle et al., 1997; Kolk, 1999; Ljungdahl, 1999; Cormier and Gordon, 2001; Cerin, 2002). This followed earlier trends of using social and environmental disclosures in annual reports to manage public opinion and appease shareholders (Patten, 1992; Blacconiere and Patten, 1994; Neu et al., 1998). But now the information was more quantifiable and verifiable. In the late 1980s and early 1990s a second phase 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).

This led to the present and third stage of CSR reporting which involves a multi-stakeholder approach (Marlin and Marlin, 2003). This stage involves investors and social and environmental activists that rely on CSR reports for different yet complimentary reasons, and the reporting and assurance organizations that bring the needed credibility to CSR reports. One of the main reasons the CSR movement came back in the 1990s was the rise of socially responsible investing. Stakeholders with social and environmental concerns now had a stronger voice. They used this leverage to demand more accountability from the companies in which they invested.

The primary reason for the current stage of CSR reporting is to provide stakeholders with the information they desire to make decisions. With the increase in Socially Responsible Investments (SRIs), including the Dow Jones STOXX Sustainability Index, Socially Responsible mutual funds and Exchange Traded Funds (ETFs), it is easy to see the need for such information. Currently, nearly all large MNCs have now adopted some form of CSR initiative. Many large MNCs issue some type of CSR report, including eighty percent of the G250 companies and forty-five percent of the N100 companies (KPMG, 2008). Even though some of the CSR reporting standards are gaining acceptance, with approximately forty percent of CSR reports being externally assured, there are still some stakeholders skeptical in making decisions based on the reports (KPMG, 2008). One problem that remains is that without comparable, consistent, and reliable standards the reports still continue to be viewed by some as "greenwash" or environmental spin rather than a factual representation of the company's actual position (Deegan and Rankin, 1996; Azzone et al., 1997; Ljungdahl, 1999; Cerin, 2002). Without agreed upon or harmonized reporting standards and reports that have been externally assured, current reports still risk being viewed as nothing more than a strategic marketing strategy employed by corporations.

Current reports cover a wide range of topics, including social issues, philanthropy, health, sustainability and environmental issues. Some standards only address social issues, while others only cover environmental issues. Some standards are general in nature, while others have more specific reporting requirements. Some standards more closely resemble guidelines or recommendations, while others have specific criteria for certification or external reporting purposes. By showing the triple bottom line impact of their environmental, social, and economic actions, companies are providing a variety of stakeholders with more decision-useful information. In the past, reports that were solely "Environmental Reports" were more for informative purposes on a company's environmental impact or environmental actions as opposed to modern reports with more market-based implications. As the level of engagement with stakeholders increases and the reliance on CSR reports for decision-making grows, CSR reporting will likely continue to evolve. This article continues by examining how CSR reporting is likely to grow and develop by looking at the various institutions that may play an important role in this evolutionary process.

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 (see Table 1). 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 well-enforced 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.

To describe the institutional role of governments this research will consider the five key government roles in supporting CSR initiatives identified by the World Bank, which are: mandating, facilitating, partnering, endorsing, and demonstrating (IIED, 2002). The World Bank's categories will be specifically related to CSR reporting which follows a similar application of the categories by O'Rourke (2004).

Mandating

Governments can serve as a driver of CSR reporting by legally mandating reporting requirements through laws, stock listing regulations, pension fund regulations, domestic environmental regulations, or by entering into supra-national agreements (O'Rourke, 2004). In 1995 Denmark became the first nation to adopt legislation mandating CSR reporting with its law on Green Accounts. This law required selected companies to provide a quantitative analysis of their environmental performance. This legislation has been revised several times since then. The Netherlands has similar requirements for its 300 largest companies. Through its Accounting Act in 1998 Norway required its companies to disclose social and environmental issues in their annual reports. In 1999, Sweden required environmental impact reports by certain companies in their Environmental Issues in Financial Accounts Law. In 2003 France became the first country to include a CSR reporting requirement for publicly traded companies. As part of its Nouvelles Régulations Économiques France's Assemblée Nationale requires all French corporations listed on the premier marché provide an annual CSR report that addresses nine separate categories. In Belgium, companies with more than twenty-five employees have to report on various social measures. Companies in the United Kingdom have had similar reporting requirements since 2005 under the Operating and Financial Review guidelines. Beginning in 2010, Denmark's largest 1,100 companies will have to include CSR information in annual reports.

Some countries outside of Europe have also recently mandated some level of CSR reporting requirements including South Africa and Indonesia. However these are not comprehensive CSR reports in the traditional sense, but rather CSR reporting on specific issues, such as Black Economic Empowerment scorecard in South Africa.

To gauge the likelihood of the US adopting any regulations on CSR reporting an interview was conducted with the Deputy Director of the United States Securities and Exchange Commission (SEC), John Heine. Mr. Heine stated that the SEC has no intention of including a CSR reporting requirement for publically traded companies in the United States, nor does the SEC plan to be involved in promoting CSR reporting standards. However, in January of 2010 the SEC did issue interpretive guidance on disclosures related to the impact of climate change. While the SEC established no legal requirements or regulations, this does provide some evidence that financial reporting and CSR reporting are becoming more interconnected, and related institutions must respond accordingly.

Facilitating

Government facilitation of CSR reporting can take many forms. Bhandarkar and Alvarez-Rivero list the following reasons why governments should serve as facilitators of CSR initiatives: to create access to markets and international leverage, improving regulatory compliance and enforcement, achieving social and environmental goals, and establishing consistent best practices (2008). All of these reasons can be applied specifically to CSR reporting. Governments can promote the quality of the CSR reports through governmental assurance and verification services. Governments can establish regulations for auditors who provide third party assurance standards. For example, in the U.S. the 2002 Sarbanes-Oxley Act addresses some CSR issues such as corporate ethics, disclosure, and accountability issues. As a reporting mechanism, CSR reporting, even if voluntary, can benefit from the same organizational structure governments provide to financial reporting processes. Governments can be involved in the development of standards, data collection, and facilitation of a transparent reporting environment. For example, governments can tie voluntary CSR reporting to tax incentives, export promotion assistance, export quotas, or production subsidies (O'Rourke, 2004). Companies or industries that lack the resources to adopt CSR initiatives may turn to their governments for help. Governments, particularly in Developing countries, may have to provide additional resources to get corporations to take action.

Partnering

Governments can serve as a representative of stakeholders in their country or they can work with stakeholders by engaging in multi-stakeholder initiatives. Governments can supply reporting organizations or stakeholders with data for analytical or assessment purposes. Governments from developed countries can also play an important role by providing resources to developing countries to promote CSR reporting practices.

Endorsing

The voice and actions of a government can be very influential. Governments can bring credibility and legitimacy to a specific reporting standard. They can highlight or reward specific companies that excel in reporting. The government has a direct voice to the public to make an impact, and public perception is one reason why some companies choose to issue a CSR report. For example, Delmas concluded governments played an important role in why firms chose to adopt the International Organization for Standardization (ISO) 14001 standard, finding that government's endorsement of the standard and the assistance they provided to help firms adopt the standard were significant factors in firms' decisions to adopt the standard (2002).

Demonstrating

Governments can act as a role model by increasing transparency and disclosing their own CSR activities. These initiatives can include "green" procurement programs, such as the ones in the U.S. and Canada where supply chain decisions are, in part, based on CSR related factors. These initiatives can also include data on the social and environmental impacts of government agencies or actual CSR reports issued by government departments or agencies.

Government's Role in the Promotion and Diffusion of Financial Accounting Standards

The different roles governments can have in promoting and legitimizing CSR reporting are important to understand both to explain the current level of reporting and help predict future actions. Most financial accounting standard setting bodies, such as the International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB), are non-government organizations. However, because most countries that operate security exchanges usually require publicly traded companies to follow local Generally Accepted Accounting principles (GAAP) or International Financial Reporting Standards (IFRS), there is an inherent relationship between these standard setting bodies and the governments they operate in. While accounting standards boards themselves will be reviewed later in this article, it is important to understand which standards countries allow listed companies to use.

Most mandatory CSR reporting requirements consist of general guidelines or country-specific standards. Except for Denmark, where the United Nations (UN) Global Compact's Communication on Progress (COP) is referenced, there is no mention of globally recognized reporting standards. As more and more governments adopt mandatory CSR reporting legislation the issues of harmonization and convergence of standards are likely to become more important. And just as governments have played an important role in the harmonization and convergence of financial accounting standards, they are likely to play an important role in that of CSR reporting standards.

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.

The G3 guidelines are promoted by the GRI as being applicable to organizations of any size, sector, or location. The GRI offers their Small and Medium Enterprise (SME) Handbook as a resource for small and medium sized organizations that want to issue a report. They also offer a series of educational training and learning publications, including "The GRI sustainability reporting cycle: A handbook for small and not-so-small organizations." There are also sector supplements to complement the G3 guidelines for the following twelve industries: Airports, Apparel and Footwear, Automotive, Electric Utilities, Financial Services, Food Processing, Logistics and Transportation, Mining and Metals, NGOs, Public Agency, Telecommunications, and Tour Operators.

The G3 guidelines, educational resources, and sector supplements are available in fifteen languages. The GRI also has certified local training programs to help with the reporting process. They currently have GRI certified training centers in thirteen countries and regions. The training centers were created to help promote CSR reporting and to help reporting companies effectively use the GRI standards. The GRI only provides training and services on how to use the guidelines, they do not provide consulting services on the reports themselves. Mr. Buck stated that training centers are established in consultation with local governments, businesses, and NGOs. When the need for assistance is identified the GRI tries to establish a local presence to help promote the use of their standards. He stated that "there are ongoing discussions with governments and inter-government institutions about how to promote sustainability reporting on an international scale."

AccountAbility

AccountAbility started in 1996 as the Institute for Social and Ethical Accountability to encourage increased accountability for sustainable development. In 1999 they launched the AA1000 Framework to promote CSR efforts by assuring the quality of CSR accounting, auditing, and reporting. They currently offer the Accountability Principles Standard on reporting. Also included in the AA1000 Series are standards for Assurance and Stakeholder Engagement. Accountability promotes their AA1000 Series standards as being stakeholder driven. They develop strategies for companies on how to identify and respond to specific stakeholder needs. This can include having AccountAbility act as a broker and facilitator for stakeholder meetings or by providing training sessions for stakeholder engagements. To gain a better understanding of how the AA1000 standards are developed, promoted, and diffused, an interview was conducted with Alan Knight, Head of Standard Services at AccountAbility.

AccountAbility has many resources available on its website to help promote and implement its standards. The Principles Standard is available in English, Spanish, and Chinese. They have numerous other publications available as reference guides, including The Accountability 21 Dialogues. These publications allow various users to share their experiences and learn from each other about different innovations relating to CSR initiatives. They also provide advisory services through their AA1000 Consultations. AccountAbility has also developed a separate reporting standard for civil society organizations called the Keystone Model.

In addition to their online resources, AccountAbility also offers different local services which include representatives in seven countries. In addition AccountAbility has developed collaborative efforts with companies, NGOs, and governments to help promote their standards. Mr. Knight stressed the importance of engagement in the promotion of the AA1000 Series Standards. He believed that part of the process of engagement is building the capacity in a civil society to effectively engage. He stated that "while there are differences amongst stakeholders in different countries all that does is identify the need to build appropriate capacities in order to ensure that engagement does happen and is productive in value." He said that AccountAbility does not have the resources to have people on the ground in many locations or to create huge marketing campaigns, so instead they promote their resources through various networks.

International Organization for Standardization

The International Organization for Standardization is a network of the national standards institutes comprised of one member per each of the 157 countries involved. ISO standards include the ISO 9000 standards on quality management and ISO 14000 standards on environmental management. The ISO 26000 standard for social responsibility is only used to provide guidance, as opposed to ISO 9000 and ISO 14000 which are standards intended for third-party certification. The ISO 26000 standard was published in 2010 and takes a bottom up approach, similar to most other CSR initiatives, by encouraging voluntary actions as opposed to regulation. An interview was conducted with Tom Rotherham from the International Institute for Sustainable Development (IISD) to learn more about the development of the new standard and its potential relationship with other CSR initiatives. Mr. Rotherham is the Chair of ISO 26000 Task Group 3, which is responsible for Operational Procedures of the new standard.

Mr. Rotherham explained how the ISO 26000 will differentiate itself from other CSR initiatives by widening its coverage to include social responsibility in general, which will include governmental agencies and other organizations in addition to corporations. Eighty countries have government representatives participating on ISO 26000 working groups. The ISO decided that government led working groups and workshops would be led by co-chairs, one from a developing country and one from an industrialized country. The other stakeholder groups included in the standard development process include representatives from Industry, Labour, NGOs, Consumers, and SSSR (Service, Support, Research, and others). Mr. Rotherham believes the existing network of ISO participants will help with the market entry of the new standard, especially in Developing countries. Thousands of companies and organizations use the ISO 9000 and ISO 14000 standards. The name recognition and reputation of the ISO brand can play an instrumental role in its implementation.

The primary purpose of the ISO 26000 standard will be to provide practical guidance on implementing and integrating social responsibility in an organization. It will have an external reporting and communication component, but its main goal will be helping organizations address issues of social responsibility, and this is what Mr. Rotherham believes differentiates it from traditional CSR reporting standards. He believes traditional CSR reporting mechanisms are more useful when external investors are the primary stakeholders and can influence the decisions of corporations. However, he does not believe this is the best way to address social and environmental issues within organizations in Developing countries. Instead, Mr. Rotherham believes that organizations in Developing countries are more influenced by the resources they have access to and the partners they conduct business with. This is where he believes the communication of the social responsibility standards can play a key role in yielding results. It should be noted that there was no comparison to the promotion of financial accounting standards in this section as these organizations have not been involved in such activities.

Accounting Standards Boards

The inclusion of CSR related issues being addressed by financial accounting standards has been limited to the recognition, valuation, and disclosure of environmental liabilities and related contingencies. Financial accounting standards boards have been reluctant to get involved in standards other than financial standards. For the most part the social and environmental impact of the triple bottom line has not been reported within the financial statements. Most companies that issue a CSR report issue a separate stand-alone report, only about twelve percent of CSR reporting companies issue a CSR report combined or fully integrated within an annual report (KPMG, 2008). However, some organizations in the accounting industry have been involved in the growth of CSR reporting initiatives. For example, most large public accounting firms offer CSR related consulting and ass urance services. In addition, the International Auditing and Assurance Standards Board (IAASB) issued a revised International Standard on Assurance Engagements (ISAE) 3000 standard in 2005 on "Assurance Engagements Other Than Audits or Reviews of Historical Information". This standard provides guidance on assuring CSR reports. To examine the current and potential role accounting standards boards have or could potentially play in the promotion of CSR reporting standards, this article will consider the roles of the US FASB, IASB and IAASB. These organizations were selected because of the significant global influence they have on reporting standards.

US Financial Accounting Standards Board

The FASB is the primary authority in establishing GAAP in the US. The inclusion on CSR related information in US Financial Accounting Standards (FAS) is limited to the reporting or disclosure of environmental liabilities and any loss contingencies related to social or environmental issues. These liabilities and contingencies would be accounted for under FAS 5, "Accounting for Contingencies" and FASB Interpretation No. (FIN) 14 (an interpretation of FAS 5), "Reasonable Estimate on the Amount of a Loss". Subsequent accounting standards, including FAS 143 "Asset Retirement Obligations", FIN 45 "Guarantees and Indemnifications" and FAS 141R "Business Combinations" have limited the application of FAS 5 to environmental liabilities. However, the vast majority of social and environmental issues that require reporting and disclosure continue to be accounted for under FAS 5 in the FASB Accounting Standards Codification. The items that require reporting and disclosure are limited based on materiality and likelihood of occurrence. The vast majority of CSR related items disclosed in a traditional CSR report are not included in the financial statements or notes. There has been no evidence showing the FASB is likely to increase its responsibilities to include CSR related initiatives.

International Accounting Standards Board

The IASB is the standard setting body for IFRSs. The accounting for CSR related information in IFRSs has also been limited. The IFRSs applicable to environmental liabilities and loss contingencies are International Accounting Standard (IAS) No. 37, "Provisions, Contingent Liabilities and Contingent Assets" and IFRS 3, "Business Combinations (as revised in 2008)" applicable to the accounting for business combinations. The disclosure and reporting requirements in the IFRSs are comparable to those in FAS 5 and FAS 14. The differences in the accounting of environmental costs and liabilities between US GAAP and IFRSs are provided in Table 2.

The IASB is currently only responsible for financial reporting and has not addressed any issues relating to social or environmental reporting other than the previously mentioned items. An interview was conducted with Mark Byatt, Director of Corporate Communications at the IASB regarding any future role the IASB could have in promoting CSR reporting. Mr. Byatt stated that "the IASB has no formal position on CSR reporting standards and has no immediate plans to be involved in the standard setting process or promotion of such standards." Substantial changes in the direction and mission of the IASB would be required if the organization would ever get involved in the promotion of CSR reporting initiatives.

International Auditing and Assurance Standards Board

The IAASB is the independent standard setting body which issue auditing, review, other assurance related services and quality control standards to be applied by the global auditing profession. The IAASB is one of the standard setting bodies of the International Federation of Accountants (IFAC). To obtain a better understanding of how the IAASB is, or could be, involved in the promotion of CSR reporting standards an interview was conducted with Jim Sylph, the Executive Director of Professional Standards at the IASSB.

Unlike financial accounting standards boards, the IAASB is actively involved in the promotion of CSR reporting standards. For example, their Public Accountants in Business (PAIB) committee has developed tools such as the Sustainability Framework, an online resource which promotes CSR reporting. The IAASB has also taken an advisory role with CSR reporting organizations such as the GRI and Accounting for Sustainability (A4S) in the development and implementation of their guidelines. A member of IFAC serves on the GRI's Technical Advisory Committee. In the future, Mr. Sylph sees the IAASB playing a continued role in the promotion of CSR reporting standards. He stated that the IAASB currently requires all 159 of its member organizations to support the adoption of IFRS.

CONCLUSION

Based on a review of the institutions reviewed in this article, CSR reporting organizations, through the promotion of their own standards, and governments, through mandatory legislation, have the most influential role in promoting and diffusing CSR reporting. But there is potential for these and other institutions to increase their roles, as they have in the promotion and diffusion of financial reporting. While all of their actions to promote financial reporting cannot necessarily be applied to promoting CSR reporting, there are some examples that can be used to help develop a framework for this process.

Governments play an important role in facilitating, endorsing, and partnering. Government facilitation is important for the diffusion of CSR reporting. Governments play an important role in establishing the business conditions necessary for CSR reporting to be successful. In this role financial resources are important to build a regulatory and economic system based on market forces. Government endorsement and government partnership are important in attracting the CSR reporting organizations to establish a local presence in their country. These roles involve more of a commitment to CSR initiatives than they do financial resources. In these roles national government resources can be significantly augmented by the external resources of NGOs and CSR reporting standard organizations. However, governments must still make an effort to attract these organizations since the local presence in many countries is limited.

While mandating is one of the roles governments can play in promoting CSR reporting (IIED, 2002), and the lack of regulation is cited as one of the reasons CSR reporting is not prevalent in many of the Developing countries (Araya, 2006), there is little evidence pointing towards any broad implementation of mandatory CSR reporting outside of Europe in the near future. Based on these findings it is important to identify the role governments can have in helping these reporting organizations establish a local presence in their country. Many of these governments rely on external NGOs to push the CSR agenda in their countries to substitute for the lack of domestic resources and regulations. Other institutions can serve as a starting point for domestic government involvement. Proponents of this theory argue that strengthening international participation in CSR processes may bolster legislation at the national level (Fonteneau, 2003; Christian Aid, 2004).

Through a bottom-up process, CSR reporting organizations have played the most important role in the diffusion of CSR reporting by the promotion of their own standards. The interviews with the CSR reporting organization representatives and review of the organizations' online resources resulted in some common themes relating to the future growth of the standards. The use of networking, information sharing, and stakeholder engagement is key to the promotion and diffusion of the standards. Mr. Buck described how the GRI has worked with the other CSR organizations to create a global reporting process that is comprised of comparable standards. He also explained how there are ongoing discussions with governments and inter-government institutions on how to develop comparable standards on an international scale. The UN Global Compact has partnered with the GRI by promoting the GRI as a recommended reporting mechanism as a means of addressing the principles in the UN Global Compact's Communication On Process, which is another reporting standard. The two organizations have co-authored a guide that helps users accomplish this. The UN Global Compact has also nominated experts to serve as Liaison members in developing the new ISO 26000 standard. AccountAbility has signed a Memorandum of Understanding with the GRI; they work closely with the UN Global Compact, and serve as a formal delegate to the ISO 26000 process. Mr. Rotherham pointed out that there are important collaborative links between the organizations, noting all three (GRI, Accountability, and UN Global Compact) are among the thirty-nine NGOs participating on the Working Groups of the new ISO 26000 standard. These current trends seem to suggest complimentary initiatives through high levels of cooperation and communication.

GRI's local training centers and Accountability's stakeholder engagement initiatives have been instrumental to the growth and diffusion of CSR reporting standards, particularly in Developing countries. These organizations have all stressed the importance of collaborative governance and open lines of communication with a variety of stakeholders. Without any wide-spread mandatory regulation of CSR reporting, this ground based, local networking appears the method that these organizations will continue to use to promote their standards.

There is no evidence pointing to the direct involvement of the IASB or the US FASB in the promotion of CSR reporting. The diffusion of CSR reporting will likely continue to occur through a bottom-up learning process organized by the CSR reporting organizations rather than a top-down regulatory process because of the diversity of the stakeholders involved. The regulatory mandates that have set the stage for the diffusion and harmonization of financial reporting standards has been directed by the IASB, domestic standards boards, and securities and exchange commissions in different countries. The level of CSR reporting has grown as reporting organizations have entered new markets, as MNCs have become more educated on the potential benefits, and as stakeholder demand for such information has increased. However, the recent example of the SEC's issuance of interpretive guidance on disclosures related to the impact of climate change does highlight how CSR reporting and financial reporting are becoming more interrelated.

Unlike the IASB and US FASB, the IAASB has taken an active role in promoting CSR reporting through their Sustainability Framework and involvement with CSR reporting organizations. Just as the IAASB requires all of its members to adopt IFRS, Mr. Sylph from the IAASB, said the organization could play a similar role in the future by promoting the harmonization of CSR reporting standards. While the IAASB does not currently promote one individual standard, he believes in the long run it will be critical to have one agreed upon standard.

The difference between how CSR reporting standards have and will likely continue to evolve, and the way in which financial reporting standards have evolved is the source of pressure driving their diffusion and convergence. CSR reporting involves numerous reporting organizations offering their services to companies who are issuing CSR reports for numerous stakeholders for a variety of reasons. Financial reporting has been dominated by IFRSs and US FASs which provide accepted accounting principles for companies to follow to meet the needs of their stakeholders, which are primarily investors and lending institutions. These differences do demonstrate that the growth and development of these standards will not be identical. However, there are some similarities in the institutional role various organizations can have in promoting CSR reporting standards. Hopefully this article will serve as a framework for the continued promotion and diffusion of CSR reporting standards.

REFERENCES

AA1000. (2008). AccountAbility 1000. Retrieved from http://www.accountability.org/contact-us.html, accessed March 29, 2011.

Aaronson, S. and Rioux, M. (2008). Striking a proper match? Strategies to link trade agreements and real labor rights improvements. Retrieved from http://atlantic-community.org/index/Open_Think_Tank_Article/Striking_a_Proper_Match%3F.

Araya, M. (2006). Exploring terra incognita: Non-financial reporting in corporate Latin America. *The Journal of Corporate Citizenship*, Spring, 21.

Azzone G., Brophy M., Noci G., Welford R., and Young W. (1997). A stakeholder's view of environmental reporting. *Long Range Planning*. 30, 5, pp. 699-709.

Bhandarkar, M. and Alvarez-Rivero, T. (2008). "From supply chains to value chains: A spotlight on CSR". From the book Industrial Development For the 21st Century, Edited by David O'Connor and Mónica Kjöllerström. United Nations. Dept. of Economic and Social Affairs.

Bealing, W., Dirsmith, M. and Fogarty, T. (1996). Early regulatory actions by the SEC: An institutional theory perspective on the dramaturgy of political exchanges. *Accounting, Organizations and Society*, 21, 4.

Blacconiere, W. and Patten, D. (1994). Environmental disclosures, regulatory costs, and changes in firm value. *Journal of Accounting and Economics*, 18, pp. 357-377.
Campbell, J. L. (2006). Institutional analysis and the paradox of corporate social responsibility. The American Behavioral Scientist, 49, 7, pp. 925.
Carpenter, V. and Feroz, E. (2001). Institutional theory and accounting rule choice: An analysis of four US state governments' decisions to adopt generally accepted accounting principles. *Accounting, Organizations and Society*, 26(7,8), pp. 565-596.
Cerin P. (2002). Communication in corporate environmental reports. *Corporate Social Responsibility and Environmental Management*, 9, 1, pp. 46-66.
Christian Aid. (2004). Behind the mask: The real face of corporate social responsibility. http://www.christian-aid.org.uk/indepth/0401csr/index.htm. Accessed January 15, 2008.
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.
Cormier D. and Gordon I.M. (2001). An examination of social and environmental reporting strategies. *Accounting Auditing and Accountability Journal*, 14, 5, pp. 587-616.
Corporate Register. (2011). Retrieved from http://www.corporateregister.com/search/advanced.cgi?d=1, March 23, 2011.
CSR Asia. (2009). The Future of CSR: 2009 Report. Retrieved from http://www.csr-asia.com/report/report_CSRin10_2009.pdf.
Deegan C. and Rankin M. (1996). Do Australian companies report environmental disclosures by firms prosecuted successfully by the Environmental Protection Authority. *Accounting, Auditing and Accountability Journal*. 9, 2, pp. 52-69.
Delmas, M. and Toffel, M. W., (2004). Stakeholders and environmental management practices: An institutional framework. *Business Strategy and the Environment*, 13, 4, pp. 209.
DiMaggio, P. J. and Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, pp. 147-160.
Fogarty, T. and Rogers, R. (2005). Financial analysts' reports: an extended institutional theory evaluation. *Accounting, Organizations and Society*, 30, 4, pp. 331-356.
Fonteneau, G. (2003). Corporate social responsibility: Envisioning its social implications, TJSGA/TLWNSI Essay, October, pp. 1-11.
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.
GRI. 2008. Global Reporting Initiative. Retrieved from www.globalreporting.org and http://www.globalreporting.org/LearningAndSupport/TrainingAndWorkshops/CertifiedTrainingProgram/TrainingOrganizations.htm, January 30, 2011.
Hewitt, K. (ed.) (1983). Interpretations of calamity. London: George Allen & Unwin.
Hoffman, AJ. (2001). Linking organizational and field-level analyses – the diffusion of corporate environmental practice. *Organization and Environment*, 14, pp. 133-156.
International Institute for 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.
Johnston, R.J. (1979). Geography & Geographers, New York, Oxford University Press., Inc.

Kolk A. (1999). Evaluating corporate environmental reporting. *Business Strategy and the Environment*, 8, pp.225-237.

KPMG. (2008). KPMG International Survey of Corporate Responsibility Reporting 2008. Research conducted by University of Amsterdam and 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.

Ljungdahl, F. (1999). Utveckling av Miljöredovising I Svenska Börsbolag-Praxis, Begrepp, Orsaker, PhD Dissertation Lund University Press: Lund.

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

Mikesell, M.W. (1974). Geographical perspectives in anthropology. Annals of the Association of American Geographers. 57, pp. 617-34.

Neu D., Warsame H., and Pedwell K. (1998). Managing public impressions: environmental disclosures in annual reports. Accounting Organisations and Society, 23, 3, pp. 265-282.

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

Patton D. M. (1992). Intra-industry environmental disclosures in response to the Alaskan oil spill: a note on legitimacy theory. *Accounting, Organisations and Society* 17, 5, pp. 471-475.

PWC. (2009). IFRS. US GAAP, and US tax accounting methods. Comparing IFRS & US GAAP and assessing the potential implications on US tax accounting methods. pp. 1-66.

Roberts C.B. (1991). Environmental disclosures: a note on reporting practices in mainland Europe. *Accounting, Auditing, Accountability Journal*, 4, 3, pp. 62-71.

Scott, W. R. (1992). Organizations: Rational, natural, and open systems. Englewood Cliffs, NJ: Prentice-Hall.

Stittle J, Blas M., Conesa, I. (1997). Environmental reporting in Europe: an analysis of UK and Spanish developments. *European Business Review*, 97, 5, pp. 215-223.

UN Global Compact. (2011). Retrieved from www.unglobalcompact.org/NetworksAround TheWorld/index.html, March 23, 2011.

Table 1

Interviews with Institutional Representatives

Institution	Representative	Title	Organizations
Governments	John Heine	Deputy Director Office of Public Affairs	United States Securities and Exchange Commission
CSR Reporting Standard Organizations	Alan Knight	Head of Standard Services AccountAbility	AccountAbility
	Tom Rotherham	Consultant for International Institute for Sustainable Development and Chair of ISO 26000 Task Group 3 – Procedures International Organization for Standardization	International Organization for Standardization
	Bastian Buck	Technical Development Coordinator	Global Reporting Initiative
Accounting Standards Boards	Mark Byatt	Director of Corporate Communications	International Accounting Standards Board
	Declined		US Financial Accounting Standards Board
	Jim Sylph	Executive Director, Professional Standards	International Federation of Accountants

Table 2

Differences between US GAAP and IFRSs

	US GAAP	IFRS
Asset retirement obligations (AROs) and environmental remediation costs	Environmental remediation costs are distinguished from asset retirement obligations. A liability is recorded if it is probable that a liability has been incurred and the amount can be reasonably estimated. Guidance for the application of "probable" and "reasonably estimated" in relation to environmental obligations is located in SOP 96-1. Such costs are not inventoriable.	The costs of obligations for dismantling, removing, and restoring the site on which an item is located that are incurred as a consequence of having used the item to produce inventories during the period are not added to the carrying amount of the property, plant, and equipment. Rather, such costs are accounted for as costs to produce the inventory and are either capitalized or expensed in accordance with the inventories standard, IAS 2.

		Environmental remediation costs are not distinguished from AROs
Environmental obligations	Distinguished from asset retirement obligations. A liability is recorded if it is probable that a liability has been incurred and the amount can be reasonably estimated. Guidance for the application of “probable” and “reasonably estimated” in relation to environmental obligations is located in SOP 96-1.	Not distinguished from other decommissioning, restoration, and similar liabilities. Refer to the accounting for asset retirement obligations and environmental remediation costs section above.
Information obtained from pages 34 and 61 of PriceWaterhouseCooper’s “IFRS, US GAAP, and US tax accounting methods; Comparing IFRS & US GAAP and assessing the potential implications on US tax accounting methods” (PWC, 2009).		