FOM-Edition

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New Perspectives on Corporate Social Responsibility

Locating the Missing Link

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Germany

This work appears in the FOM-Edition, published by the FOM Hochschule für Oekonomie & Management

ISBN 978-3-658-06793-9 ISBN 978-3-658-06794-6 (eBook)
DOI 10.1007/978-3-658-06794-6

Library of Congress Control Number: 2015933661

The Deutsche Nationalbibliothek lists this publication in the Deutsche National bibliografie; detailed bibliographic data are available in the Internet at http://dnb.d-nb.de.

Springer Gabler

Publishing Editor: Angela Meffert

Printed on acid-free paper

Springer Gabler is a brand of Springer DE. Springer DE is part of Springer Science+Business Media.
www.springer-gabler.de

Corporate Social Responsibility (CSR) Reporting—Administrative Burden or Competitive Advantage?

15

Matthias Fifka and Cristian R. Loza Adaui

Contents

Abstract

CSR Reporting has recently received widespread attention in the business community due to the introduction of mandatory CSR reporting at European Union (EU) level. Against this background, intense debate transpires regarding whether companies should be forced to report on their social and environmental performance, considering the underlying financial and technical effort necessary to measure and disclose the respective information. On the one hand, especially with regard to small and medium-sized enterprises (SME), such a burden is widely regarded as unbearable. Taking this

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L. O'Riordan et al. (eds.), *New Perspectives on Corporate Social Responsibility,*
FOM-Edition, DOI 10.1007/978-3-658-06794-6_15

argument into account, the EU has reacted by limiting the reporting requirement to large companies. This reaction clearly reflects the widespread notion that CSR reporting is an administrative and financial burden and supports the necessity of mandatory laws to motivate its realisation. Unfortunately, on the other hand, potential business benefits resulting from reporting—such as improved stakeholder communication, a better understanding of one's own value chain, and enhanced risk management—tend to be disregarded.

The purpose of this chapter is to address this discussion. It briefly presents the nature, development, and status quo of CSR reporting as an introduction, before the connected challenges and chances are discussed. Based on this evaluation, recommendations are developed on how CSR reporting should be implemented by companies in order to generate a benefit for them so that a seemingly administrative burden is turned into a competitive advantage.

15.1 Introduction

Since the European Commission adopted a proposal that requires large companies to disclose CSR-related information in April 2013, there has been an extensive discussion in business and political circles on the implications of this requirement (European Commission 2013). While advocates of such regulation point out that it will create a benefit for stakeholders by making business operations more transparent, opponents—first and foremost large business associations such as the Deutscher Industrie- und Handelskammertag (DIHK 2013)—regard it as a burden for business and an unnecessary political intervention.

The controversy revolves particularly around smaller companies that are not seen to have the necessary financial and technical capabilities to conduct CSR reporting. The European Commission has taken this argument into account by restricting mandatory disclosure to large companies with more than 500 employees and assets of more than € 20 million or a turnover of more than € 40 million annually. It is interesting to note that it had originally planned to target companies with more than 250 employees, but revised this position after fierce opposition by German top-level politicians (Von der Leyen 2011). The directive in its revised form will affect approximately 18,000 companies. Though this number seems to be large at first glance, it is only a mere 0.3 % of all European companies (Bizzarri 2013).

Due to the controversial discussion surrounding mandatory CSR disclosure, the purpose of this chapter is to discuss the benefits and burdens of reporting for business as well as for its stakeholders. Moreover, to create the link to business practice, we develop recommendations on how to implement CSR reporting successfully. Before we take these steps, we briefly describe the historical development and the status quo of CSR reporting and identify its major characteristics in order to frame this broad subject area. We conclude with a short outlook.

15.2 Historical Development and Status Quo of CSR Reporting

Information disclosure about the financial performance of companies is a long established business practice and often mandatory for large businesses. Already in the nineteenth century, companies published financial data for investors. Disclosure of non-financial information, however, is relatively new in comparison. It has its origins in the 1970s, when companies, especially large multi-national corporations (MNCs) began to publish information about their performance (Fifka 2013b). They did so in reaction to the question raised by the public about how MNCs would contribute to the social welfare. Thus, companies began to disclose information on issues such as tax payments, employment created, benefits provided for workers and their families, and employee treatment (Gray et al. 1990). Primarily Western European and American companies led this development by publishing a respective "social balance sheet," a "bilan social," or a "Sozialbilanz."

Evolving from merely social measurements, voluntary disclosure increasingly began to shift to environmental aspects in the 1980s (Fifka 2012b). Environmental disasters that were globally recognised, such as the nuclear accidents in Harrisburg (1979) or Chernobyl (1986), chemical disasters such as the one in Bhopal, India (1984), and the Exxon Valdez oil spill in Alaska (1989), had created widespread attention for the negative ecological impact of business operations. Nevertheless, for some time, social issues remained at the core of non-financial reporting.

It was only in the 1990s, that environmental reporting moved to the forefront of disclosure (Gray 2002; Owen 2008). Due to the growing awareness for environmental protection among customers and out of the fear of public scrutiny for the environmental damage created, businesses began to realise that comparative advantages could be generated by environmentally friendly business practices and products (Welford and Gouldson 1993). Especially the incidents around the attempted deep-sea disposal of the oil platform "Brent Spar" by Shell in 1995 demonstrated the willingness of consumers to boycott companies that were perceived as environmentally irresponsible (Fifka 2012a). Thus, the "environmental report" replaced the "social report" as the standard in non-financial disclosure before the turn of the millennium.

It was only in the last decade, that a holistic perspective with regard to reporting was taken. Social and environmental data were merged with financial aspects of business operations, thus following the triple bottom line of sustainability as advocated by Elkington (1997). With a change in content, a change of titles also occurred. The traditional social report and environmental report were replaced by "corporate citizenship reports," "corporate (social) responsibility reports," and "sustainability reports," whereas the latter two are now the most common labels used (Fifka and Drabble 2012).

However, not only was CSR reporting—for reasons of simplicity we will use this term in the remainder of this chapter—expanded in scope by merging social, environmental, and economic issues, it also expanded geographically. Whereas until the turn of the millennium CSR reporting was mostly conducted in Europe, North America, and Japan, companies from emerging countries rapidly caught up in terms of reporting. Despite this de-

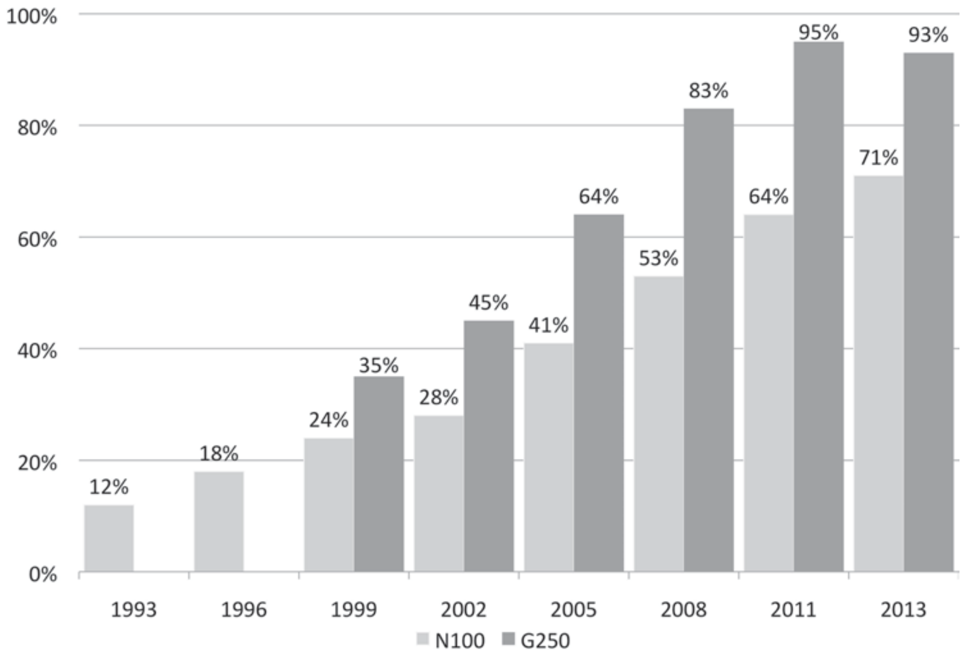

Fig. 15.1 Percentage of companies with CSR reports since 1993

velopment, especially Africa, Latin America, and Central Asia are still mostly blank spots on the map of CSR reporting (Fifka 2012b).

A recent study by KPMG covering 4100 companies from 41 primarily industrialised and emerging countries evidenced "how CR reporting has evolved into a mainstream business practice over the last two decades" (KPMG 2013, p. 11). This study shows the rapid increase in CSR reporting rates. While in 2011 only 49 % of the full sample had been reporting, 71 % did so in 2013. Considering that in 1993—the first time that KPMG conducted its report—only a meagre 12 % of the companies surveyed published a non-financial report, the significant development that CSR reporting has undergone during the last two decades becomes clear (Fig. 15.1). Today, especially for large MNE issuing a CSR report has become a standard. Out of the world's largest 250 corporations, 93 % are doing so (KPMG 2013).

On the contrary, small and medium sized enterprises (SME) are significantly lacking behind with regard to reporting (Boston College Center for Corporate Citizenship 2009; Center for Corporate Citizenship Deutschland 2007; for an overview see Fifka 2013a). Thus, for SME in the European Union, the introduction of mandatory CSR reporting would have serious implications as most of them have not dealt with this issue yet. The crux in this context is that SME would not be directly affected by the EU directive, as by definition they have less than 500 employees, but it is likely that they would be affected indirectly, when they act as suppliers for corporations that fall within the scope of the directive. Seeking transparency in their supply chains, these corporations will most likely ask their suppliers to provide information on their social and environmental performance, and thus the respective SME will also have to report to their corporate customers.

The current discussion revolves around the question on whether CSR reporting is of voluntary or mandatory nature, which we will now discuss.

15.3 Characteristics of CSR Reporting

Due to the historical development described above, CSR reporting today is a subject with many facets and names. We are far from a widely accepted definition on what CSR reporting actually is or should be. With regard to names, as pointed out, there is no consensus, although the terms *corporate (social) responsibility reporting* and especially *sustainability reporting* have come to dominate the field. Technically speaking, *reporting* itself only describes the second step in the entire disclosure process. It follows the *audit*, in which the relevant information is gathered, before it can actually be disclosed internally and externally. Sometimes, and actually more accurately, the whole process is described as *sustainability accounting*, *CSR accounting* or *social and environmental accounting* (Yongvanich and Guthrie 2006), although the terms *reporting* and *accounting* are also mostly used synonymously today (Spence 2009).

Whilst differences in names mostly result from personal tastes and do not lead to a fundamental exchange of arguments, the discussion on the voluntary nature of CSR reporting has sparked controversy. Traditionally, CSR reporting has been regarded as a voluntary activity, a view that has also dominated in the academic world. Most studies on CSR reporting have exclusively looked at material that was provided voluntarily (for an overview see Fifka 2013a), but some studies also incorporated mandatory reports (e.g., Holgaard and Jørgensen 2005; Nyquist 2003). Although most scholars—following the actual situation—have regarded CSR reporting as voluntary, some already called for mandatory reporting a considerable time ago. In 2001 already, Gray argued for making CSR reporting mandatory because "[v]oluntary initiatives do not produce widespread, consistent, and systematic practice. Only changes in organisational regulation can produce this" (p. 13).

The realisation that voluntary reporting did not produce the desired results as it simply was not undertaken to a significant extent by most companies—except for large MNEs—eventually led governments to enforce reporting of CSR-related issues in different ways. Some countries like Denmark, South Africa, and France (Delbard 2008) have directly introduced rules that require the disclosure of environmental, social, and governance issues. Other countries have resorted to other measures to indirectly enforce reporting. They have modified stock exchange rules that imply more extensive disclosure of information, included CSR reporting into public procurement, or strengthened safety and health protection laws. As it is not the purpose of this chapter to provide an overview of reporting rules in different countries, for further details, we point to a study under the leadership of the United Nations Environment Programme (UNEP, KPMG Climate Change and Sustainability Services, GRI and Centre for Corporate Governance in Africa 2013) that has identified 180 national reporting policies and initiatives, from which approximately 120 correspond to policies establishing what amounts to mandatory CSR reporting. Therefore, we can conclude at this point that reducing CSR reporting to voluntary disclosure does not reflect the actual state of affairs. CSR reporting today encompasses the voluntary and mandatory provision of information and—as the example of pending legislation in the EU demonstrates—an increasing trend towards mandatory disclosure is visible.

As long as disclosure is voluntary, reporting companies are fully free to select the information they would like to disclose. This freedom is restricted by regulation that requires the disclosure of certain data. Although not mandatory, so-called "reporting standards" pursue the same aim. Companies that decide to design their report according to a certain standard thus agree to disclose prescribed information. This creates a unique situation. Though the application of a reporting standard itself is still voluntary in most jurisdictions (i.e., *if* a company discloses), the information that needs to be disclosed when a standard is applied, is pre-determined to a certain degree (i.e., *what* a company discloses). Such *standardisation* is especially helpful because it creates the possibility to compare CSR performance across companies. If companies would disclose different kinds of information, then such comparison would not be possible. The most popular information disclosure standard by far is the Global Reporting Initiative (GRI). In its newest version, the GRI 4.0 contains 58 core indicators on social, environmental, and economic issues that companies are asked to disclose if appropriate (GRI 2014). How dominant the GRI has become as a reporting standard has been demonstrated in the study by KPMG (2013) previously mentioned. Over three quarters (78 %) of the largest 100 companies in 41 countries make use of the GRI in their reports, an increase of 9 % since 2011. Among the world's largest 250 companies the number is even higher. It increased from 78 % in 2011 to 82 % in 2013.

Since most standards, like the GRI, require the disclosure of measurable data, *quantification* is another trend that is visible in CSR reporting. Previously, many CSR reports were rather qualitative in nature, as companies described their activities in nice words supported by glossy photographs. Today, not only because many standards require quantitative measurement, but also due to more critical stakeholders, not providing numbers on CSR performance is hardly an option. Credibility is inevitably linked to quantifiable information.

Although a standard pressures companies to provide information on specific indicators, the question remains how it can be guaranteed that the numbers provided have not been altered or even simply made up. Thus, companies increasingly verify their CSR reports via independent auditors, as is the case—or requirement—for their financial reports. *Assurance*, thus, is another trend that can be identified in CSR reporting. KPMG (2013) found that among the 4100 large companies surveyed, 38 % already had their report testified in 2013. Among the world's 250 largest companies, more than half (59 %) used external auditors to assure their reports, up from 46 % two years before. Assurance is another vital step in creating credibility.

If companies decide to include social and environmental information in their annual report, then independent assurance is inevitable, as the report as a whole is testified. The provision of this kind of information in traditional annual reports, which were previously limited to the disclosure of financially relevant information, is referred to as *integrated reporting*. It has experienced a boom recently. While in 2009, only 4% of the world's largest 250 companies integrated social and environmental data into their annual report, in 2011, 27% already did so, and the number rose further to 49% in 2013 (KPMG 2013). Often, large companies only provide selected CSR information in their annual report and keep on issuing a full-fledged stand-alone CSR report, as it is not possible to provide extensive CSR information in the annual report, if exceeding 150 pages is to be avoided. The benefit of including social and environmental information into the annual report is the possibility to address financial stakeholders more directly and to demonstrate that social and environmental performance is of importance to the company.

This development demonstrates that CSR reporting also is characterised by a certain "multi-mediality" today. Companies are using various media to disclose their CSR efforts. Aside from a stand-alone report or the inclusion of data into the annual report, the company homepage is widely used for disclosure. The homepage offers the significant advantage of enabling the user to directly select the CSR information of interest to him, which is not possible in a printed report. Some companies even allow users to build a customised CSR report on their homepage, while still providing the full report as a pdf-file for downloading. Moreover, the homepage can be updated more frequently and at lower cost. Other media that can be used to convey CSR are newsletters and press releases, although they certainly do not only encompass CSR disclosure. In 2010, 82% of the 100 largest companies in Germany published CSR information on their homepage, 76% made use of press releases, but only 7% issued a regular CSR newsletter (Fifka 2011).

These developments characterising the nature of CSR reporting make evident that it has become a complex and sophisticated part of CSR, which provides for challenges and opportunities alike.

15.4 Benefits and Burdens of CSR Reporting

Benefits of CSR reporting can be identified for two sides, companies and stakeholders alike, as both can profit from reporting, as we will discuss. However, the burden of reporting, primarily the financial and administrative effort connected to it, falls almost exclusively on the company side.

15.4.1 Benefits of CSR Reporting for Stakeholders

Stakeholders can benefit significantly from CSR reporting by companies as it simply gives them access to information that they would most likely not have otherwise (Fifka 2013b; Reynolds and Yuthas 2008). There is a certain risk that the information is biased or even manipulated, but companies can hardly afford to risk providing altered information, as there is a high chance of such manipulation being uncovered by NGOs or journalists through investigative practices. As just pointed out, standardisation and assurance reduce this risk even further. Therefore, it is almost certain that stakeholders are provided with trustworthy and correct information. Even if the information disclosed by the company is mostly qualitative in nature, which is often the case for companies that have just started to engage in reporting, stakeholders receive an impression of how committed a company is to CSR, and of the activities it undertakes to achieve it. In the best case, CSR reporting allows stakeholders to compare the economic, social, and ecological performance of companies, and to react. CSR reporting gives stakeholders an instrument to sanction companies that are performing poorly or do not take the adequate steps. Moreover, they can put pressure on companies to disclose and to improve, because after all it is a competitive situation. Progress on the company side—be it financial, social, or ecological—will in turn be beneficial for a company's stakeholders (Fifka 2013b).

In this context, it is often argued that the critical NGOs and journalists mentioned above are the only groups interested in CSR reports, aside from academics and some investors, and indeed we know relatively little about who actually reads CSR reports (Spence 2009). However, even if activists, journalists, and academics were the only readers, CSR reporting would still be beneficial for stakeholders overall, because it is these groups that act as "catalysts and distillers" (Fifka 2013b, p. 242), creating public awareness for crucial CSR issues.

It is this information that allows stakeholders to hold companies accountable for what they do. Accountability pressures companies to stand in and assume the responsibility for the economic, social, and environmental effects of their operations. Such accountability cannot exist without the transparency created by CSR disclosure. From the point of view of ethics and governance, these enforcement mechanisms are justified, because companies are members of one or more societies and cannot exist without such membership, as they are dependent on it in numerous ways. They get access to public infrastructure, can draw on employees provided through the educational system, and depend on citizens as buyers of their products. (Fifka 2013b).

15.4.2 Benefits of CSR Reporting for Companies

Reporting creates numerous advantages for business, which go beyond maintaining legitimacy as one of the motives most frequently mentioned for disclosure (Deegan 2007; O'Dwyer 2002). Legitimacy is built on maintaining the so-called "license to operate," which is not an administrative license, but a social license grounded on the stakeholders' consent with an organisation's operations (Schaltegger and Burritt 2010). In order to "issue" this license, stakeholders expect companies to allow them an insight into their way of doing business and the economic, social, and environmental impacts resulting from it.

Closely linked to maintaining legitimacy is an improvement of reputation and image, which are also based on stakeholder perception, through CSR reporting. While legitimacy is the foundation for an organisation's operations, improved reputation, and image create competitive advantage. Such advantage can be obtained through a company's efforts to maximise the positive and minimise the negative impacts of its operations on stakeholders, and the accurate disclosure of these efforts (Hooghiemstra 2000). Thus, initiative and transparency can create significant goodwill.

While a better image and reputation are mostly seen in the context of increasing customer attraction and potentially the opening of new markets, they are also essential for attracting and retaining qualified employees and for a higher work satisfaction (Fifka 2013b). Especially for younger generations, non-financial benefits of employment, such as self-realisation and an adequate work-life balance, have become major factors in the selection of employers, as numerous studies have shown (Becker et al. 2009). So, in the "war for talent," as McKinsey has coined the increasingly competitive situation on the labour market, CSR reporting as a means to convey social and environmental responsibility to current and future employees is not to be underestimated.

Another internal advantage of CSR reporting is that it allows companies a better understanding of their own operations and products, and the respective cost structures. CSR reporting, if undertaken on a meaningful level, forces companies to analyse their entire value chain. By doing so, potential risks to value creation and possibilities to improve operations and products as well as to reduce costs can be identified. Thus, companies can become aware of more efficient production methods, alternative materials and technologies, and improved products and services. All of these aspects create a benefit for the business as well as for its stakeholders. In particular, the potential to reduce costs and environmental damage through more eco-efficient production methods has been shown to be significant (Aras and Crowther 2009; Schaltegger and Burritt 2006).

Finally, the voluntary disclosure of information can lead to a prevention of tighter governmental legislation, as political decision makers will be inclined to refrain from making reporting mandatory if companies provide the desired information without regulatory enforcement (Fifka 2013b). This aspect can be clearly demonstrated by the current discussion at EU level described above. The major argument by the regulators for introducing obligatory disclosure was the small number of European companies actually reporting. The Commission found that less than 10 % of large companies—this is not to be confused with the largest MNEs examined by KPMG in its studies—were actually providing CSR information.

15.4.3 Burdens of CSR Reporting for Companies

There are many challenges and difficulties for businesses regarding the successful implementation of CSR reporting. The first challenge is actually a rather psychological one. CSR reporting is usually perceived to be an administrative hardship that only brings high costs but no benefit. This widespread attitude is clearly visible in the current discussion on the EU's directive. The view that CSR may lead to additional costs may also be present among employees, which makes the introduction of CSR reporting difficult, as the employee's reluctance will hamper the respective organisational change process.

From the ranks of those opposed many arguments can be brought forward. First of all, the costs of introducing CSR reporting from collecting the data to publishing it can be determined quite precisely, while it is difficult if not to say impossible to monetise the advantages of reporting. Moreover, it can be argued that it is not sensible to disclose information that might give competitors an insight into one's own business and that might make the company become vulnerable to attacks by the public and the media if the disclosed information could be interpreted negatively (Dando and Swift 2003). This argument is not without substance, as reporting according to far-reaching standards such as the GRI does indeed require the disclosure of a broad spectrum of information. However, it must be kept in mind that the increasing use of standards and the pressure to do so create a level playing field, as competitors will also disclose information (Fifka 2013b). Finally, in the context of attitude based arguments, it might also be stated that even well-meant disclosure can be portrayed as a mere marketing effort. It is no surprise that against such background companies are reluctant to release information on their social and environmental performance.

Aside from over-coming reservations against reporting, there are also substantial technical and financial hurdles with which companies are confronted. As pointed out above, meaningful CSR reporting needs to go beyond the publication of superficial information based on portrays of dispersed charitable activities and nice photographs. However, the provision of hard facts in the form of quantifiable data requires technical expertise and financial resources, especially if aspects such as emissions, recycling quotas, and materials used are analysed. Many companies will neither have the expertise because they lack the needed engineers and accounts nor the financial resources to hire them externally. Thus, especially for SME, encompassing CSR reporting is a considerable challenge (Fifka 2013b).

Moreover, technical expertise and financial resources are not only needed for the assessment stage. A potential second stage in the entire reporting process—the external assurance of the data by an independent auditor—can also be costly; especially when a large pool of data needs to be verified as it is the case when far-reaching reporting standards such as the GRI are applied. Due to the increasing tendency to obtain such external verification to underline the credibility of the report, this step becomes harder to avoid. In a last step, the information needs to be made available to the stakeholders. As pointed out, there are diverse media for doing so: printed reports, online-reports (mostly in pdf-format), the company homepage, press releases, or newsletters. Depending on what and how many media are used, different costs will be incurred. Especially the publication of printed reports—which is still a standard among large corporations though ironically it runs counter to sustainability considerations as extensive printing and transportation processes are needed—is costly.

Due to the various challenges, we will now develop recommendations for the successful implementation of CSR reporting, so that the benefits discussed can be achieved.

15.5 Recommendations

A successful implementation of CSR reporting requires the commitment of senior managers and the top management staff. When managers are motivated and convinced of the relevance and benefits of CSR reporting, the whole process can be introduced more efficiently and effectively. Lacking commitment at the top managerial level is likely to hamper or even prevent the whole reporting process by diminishing its relevance and reducing the motivation of employees directly responsible for the reporting process. Furthermore, the employees who are needed to provide relevant, precise, and exact information about the environmental and social performance of the firm, as well as the information regarding corporate governance structures and practices, will question the usefulness of their tasks (Collier and Esteban 2007; Weaver et al. 1999).

Besides top management commitment, adequate employee preparation is required. This does not only concern those who are responsible for the report, but many other employees as well who will be involved in the gathering and analysis of data. Especially the heads of functional units are of great importance here. The benefits of reporting need to be conveyed to the employees in order to create an open-minded atmosphere for this organisational change. Likewise, the arguments frequently brought against reporting have to be addressed. It is vital to point out that a company might be confronted with criticism for the content it reports and that there is a chance of it being accused of only doing it for marketing purposes, but the potential damage from not reporting at all is far greater because this will be judged either as ignorance or as an attempt to hide unfavourable information (Fifka 2013b).

In the context of organisational change, companies will have to understand that CSR reporting requires a learning process and gradual implementation. Issuing a full-scale CSR report right from the beginning is a difficult undertaking, especially for SME. Instead, companies should start out by providing information which is easy to collect and key to the stakeholders. Applying a comprehensive standard such as the GRI is arduous to accomplish for a company that has just started CSR reporting. However, even in the initial stage of reporting, the consideration of a standard can provide valuable information on what could be reported and how. Such a step-by-step approach to reporting can also be helpful for overcoming the reluctance towards reporting. As pointed out above, it is often regarded as a costly administrative burden, and thus a comprehensive CSR report might be problematic to justify internally when a company is just about to start implementing such of reporting.

Moreover, a CSR report should be material in nature and convey the CSR efforts which have been made in the core business. Merely communicating charitable activities, usually paired with a large number of glossy photographs, will not be convincing. It is this superficial style of reporting that nurtures the critical claim that CSR reporting is nothing but a marketing initiative. This is not to say that charitable initiatives should not be reported, but they should not constitute the core of the report. In order to ensure that CSR reporting is meaningful, it needs to be aligned with the CSR strategy. However, in turn, that means that CSR reporting can only be convincing if a well-developed CSR strategy exists. If a CSR strategy is flawed or absent, it will be difficult to undertake credible CSR communication, because inconsistencies between what is reported and what is actually being done are bound to become obvious. Thus, it has to be understood that reporting must follow strategy, and not the other way around.

The alignment with strategy also ensures that a CSR report is genuine. Simply applying templates, which have become widely available, does not create such an individual character. This also has implications for hiring a public relations agency to develop the report. While these agencies may be communication professionals, they often simply apply a certain previously used scheme, which runs counter to the creation of a CSR report characterised by individuality (Fifka 2013b).

Certainly, the application of a framework such as the GRI also takes away a certain degree of individuality as standardised information is required, but this does not mean that the report as a whole is or should be a standardised document. Despite the necessary provision of standardised data required by a reporting framework, there is still plenty of room and need for unique information on the company's CSR activities. Simply providing the numbers demanded by a standard does not create a good CSR report. While quantifiable data is necessary to underscore the company's economic, social, and environmental performance and willingness to disclose it (Perrini and Tencati 2006), a good CSR report also tells a story, which makes qualitative data just as important. No one, especially non-experts without technical knowledge, would like to read through tables of numbers without explanations of what they actually mean and how they represent what the company is trying to achieve. A CSR strategy itself is hard to convey in numbers. Thus, a good CSR report strikes a balance between quantitative and qualitative data. It communicates in a convincing and understandable manner what the company does and seeks to achieve in terms of CSR.

The need for quantitative and qualitative information raises the question of what specific issues should be addressed by the report, since an almost infinite number of subjects that could be addressed exist. While a framework reduces the resulting discretion with regard to issue selection—as pointed out, this is one of the core aims of a standard—to a certain degree, there is still significant room to manoeuvre, especially with regard to the verbal part and the issues addressed in detail. To use this room wisely, an exchange with the stakeholders is helpful. After all, a CSR report is addressed at them, and so it is only sensible to ask them what they would like to know about the company. Therefore, companies need to identify the themes that their stakeholders would like to see reported (Azzone et al. 1997; Fifka 2013b).

Moreover, companies should be aware of the requirement to provide accurate quantifiable data sooner or later, not only because it will be desired by stakeholders, but also because there is an increasing tendency towards regulatory enforcement. While regulation will most likely ask for a specific frequency of reporting, providing a report on a regular basis is also essential for voluntary disclosure. Publishing information irregularly at the company's own discretion is not convincing, as the impression that the company is only disclosing information when it is convenient will be created (Fifka 2013b).

As pointed out, there is a growing need for the disclosure of quantifiable data. In that context, precise goals should be articulated, e.g., it should be mentioned by when a certain emission-reduction goal is to be achieved. Numbers alone are not meaningful if they do not allow conclusions on the progress that has been made. This is not only in the interest of stakeholders, but also in the prime interest of business, as this allows an analysis of the effectiveness and efficiency of the measures taken. With regard to the stated measurable goals, companies should not refrain from disclosing when they have not achieved a certain goal. Admitting the less successful parts of CSR performance makes a report credible, and hardly any stakeholder will expect a flawless performance.

Moreover, applying a standard is recommendable, especially when a company has the financial and technical capabilities to live up to the expectations of the respective standard. Thus, the selection of the reporting standard used should also be chosen with care in order to make sure that the company does not place an unbearable burden on itself by choosing a far too ambitious standard. The application of an appropriate standard is not only helpful to counter the potential claim that a company would only be disclosing selected data that makes it appear in a positive light. Initially, it will also help a company to identify what content should be reported at all, as it makes provisions on what information needs to be disclosed (Fifka 2013b).

15.6 Conclusion and Outlook

As discussed in our chapter, the EU has issued a directive that makes CSR reporting mandatory and will have to be translated into national law by the end of 2016. For companies with more than 500 employees and assets of more than € 20 million or a turnover of more than € 40 million annually, the EU proposal in its current form mandates reporting on strategy, results, and risks in six areas: environmental, social and employee-related matters, human rights, anti-corruption, and bribery. Companies that fall under this classification and are additionally listed on a stock exchange will also be required to report on their diversity policy with regard to age, gender, geography, and the educational and professional background of their employees.

This legislation renders the discussion on whether or not to implement CSR reporting obsolete for the companies affected by it. As pointed out above, even smaller companies are likely to be affected if they are a part of the supply chain of larger companies. However, when reporting is understood as an unwanted administrative exercise that cannot be avoided due to legal restraints or customer requirements, then it will most likely not create competitive advantage for a company, despite the significant potential to do so. Regardless of whether reporting is voluntary or mandatory, companies should see CSR reporting as a strategic tool to maintain their license to operate, improve their reputation and market position, gear up the communication with their stakeholders, optimise cost efficiency, and attract and retain employees and investors.

Likewise, a more positive perception of CSR in the public discussion would also be desirable. This would not only make it easier for businesses to open up for reporting, as it is only natural to object to something that is portrayed in a negative light. It would also help a wider audience to understand that every citizen is a stakeholder of business and is affected by business activities in many ways, and that reporting provides society with valuable information creating the opportunity to hold companies accountable for what they do. This is an essential mechanism to reduce the negative and foster the positive social, environmental, and economic impacts of business activity.

A key question that has not been discussed so far in the context of mandatory reporting is who will actually control the reporting efforts made by companies. It seems likely that in each country a governmental agency, either existing or to be created, will control whether the respective companies disclose the required information. This, however, will only be a box-ticking exercise. The essential control, meaning the analysis, comparison, and interpretation of the data provided in order to judge a company's social, ecological, and economic performance, can only be carried out by non-governmental stakeholders. Thus, CSR reporting deserves more attention from business and society than it has received so far.

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