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Relationship between management practices and quality of CSR reports

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Abstract

Corporate scandals and the decline of public trust in recent years have increased demands for greater corporate transparency. Therefore, the quality of information disclosed by companies in their reports, also in CSR reports, has gained greater importance. A process of developing a good report on social responsibility is influenced by many factors, both external and internal. In this paper the authors are looking for the relationship between management practices and the quality of CSR reports in six EU countries. The results show that there is a correlation between the independent verification of CSR report and two indicators of management practices.

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1. Introduction

Current business environment is characterized by large complexity and high dynamics of changes. In order to gain lasting competitive advantage companies are trying to use more and more new concepts and methods. Some of them are based, among others, on providing a balance in the process of creating value taking into account social and environmental aspects. Achieving such a balance in the functioning of the organization is the foundation of the corporate social responsibility (CSR) concept. The CSR is understood as a way to achieve a balance between the three dimensions of business activity: economic, social and environmental. The idea is very often known as the Triple-

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Bottom-Line approach (Elkington, 1999). In other words, CSR supports such solutions in business activities that are socially responsible, environmentally friendly and at the same time economically valuable (Gaweł, Jałoszyńska, Orłowski, & et al., 2015; Rok, 2004). The concept of corporate social responsibility (CSR) is becoming one of the most important concept around the world (Cierna & Sujova, 2015; Fifka, 2013; Kijewska & Bluszcz, 2015). The organization should systematically manage their influence related to key areas of corporate social responsibility (human rights, human resource management, the environment, fair operating practices, consumer issues, community involvement and development) and monitor the impact of the organization within their sphere of interaction, so as to minimize the risk of social and environmental damage, as well as maximize opportunities and positive impact (Gabrusewicz, 2014).

Effective way to implement the concept of social responsibility in organization is to integrate its assumptions with the management system i.e. a system in which decisions are taken and implemented to meet specific targets (ISO, 2010). Only strategic approach allow to achieve the benefits from implementation of the CSR concept. A part of this CSR strategic approach is disclosing the company's policy and results achieved in this field in a form of a CSR report. Corporate social responsibility (CSR) reporting is the practice of providing information to external and internal stakeholders on the economic, environmental and social results achieved by an organization at a specified period of time. Terminology most frequently used for these kinds of practices in literature and business practice are: sustainability reporting, triple bottom line reporting, corporate responsibility reporting, environment, social and governance reporting (KPMG, 2008). The main function of CSR reporting process is to communicate to stakeholders the organization's economic, social and environmental performance. A prerequisite for obtaining the benefits from the process is to develop a report of high quality. Such report presents a credible picture of the company's impact on their stakeholders (internal and external) and is not merely the public relations' product for improving the company's image.

The process of developing and then publishing the CSR report is influenced by a lot of variables. In this paper the authors wonder whether management practices have an impact on the quality of CSR reports published in selected European Union countries.

2. CSR reporting

Communication about social responsibility of a company is possible, among others, by developing and publishing CSR reports, whose primary purpose is to enhance the transparency of the company (Dagiliene, Leitoniene, & Grecnikova, 2014). In the wake of recent corporate scandals and the decline of public trust companies are required to be more transparent and to disclose its business activities in financial and social dimension. A good CSR report should reflect the overall strategy and objectives of the company, address issues and topics that are relevant to the company and its stakeholders and provide information about its results, not omitting the uncomfortable topics (KPMG, 2008). CSR report can be available in hard copy or PDF format or any other online version via the company's website. Currently, leading companies are trying to integrate environmental, social and financial data in many different ways, which results in diversity of combinations and formats (e.g. paper version, PDF or HTML) as well as in the development of new forms. Nowadays we can distinguish the following varieties of this type of publication:

- A separate CSR report. Some companies have begun to publish CSR reports in addition to the financial report. The report of this kind is a separate publication, which simultaneously provides information on activities and results of the company in environmental, social and economic dimension.
- The expanded annual report. Some companies create an additional chapter in annual report which is dedicated to corporate social responsibility issues.
- Several different separate reports. Rather than develop a separate CSR report or include non-financial data in the financial report some companies decided to publish a series of different, separate reports (e.g. environmental report, social report, corporate governance report, etc.). Each of these reports refers to a specific aspect and is dedicated to another group of stakeholders.
- Integrated report. Some companies decide to develop a single report that combines financial data from the annual report and non-financial data (environmental, social), which can be found in the separate CSR reports. This kind of reporting means reporting of financial and non-financial data in a way that reflects their mutual influence (Eccles, Krzus, & Ribot, 2015).

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