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## Quality assessment of CSR reports – factor analysis

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### Abstract

The paper focuses on the problems of using confirmative factor analysis to variables of quality of CSR reports variables. The research was conducted in 2012 on the base of 507 organizations from six countries (Denmark, France, Poland, Sweden, United Kingdom, The Netherlands). On the basis of factor analysis we identified two hidden factors: main and additional information of the CSR report.

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### 1. Introduction

The concept of corporate social responsibility (CSR) is becoming very important issue around the world (Cierna & Sujova, 2015; Anas A., Rashid H. M. A. & Anuar A. 2015). The idea of the concept is characterized by voluntary respect for ecological and social values when making business decisions taking into account the expectations of different stakeholders (Li Y., Zhang J. & Foo Ch. 2013; Kijewska & Bluszcz, 2015). Whereas CSR reporting allows to communicate approaches, policies and practices of running a responsible business. Nowadays CSR reporting is a global standard. From year to year the number of reporting enterprises are growing. The European Union is the most active region in the world in terms of sustainability reporting. According to GRI (Global Reporting Initiative) statistics (GRI 2011), 47% of published worldwide CSR reports in 2011 year came from Europe (Hawrysz 2013; Hys 2013, Hys 2015; Ferus-Comelo A. 2014; Perez 2015).

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

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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 (ESG reporting). In this paper the authors accepted that these terms are equivalent and use them interchangeably.

This kind of reporting may take a different form. Some companies prepare separate CSR reports another create only a CSR section in an annual reports and some decide to publish integrated report (a document that consists of two consolidated reports: financial and non-financial). Additionally the reports can be printed or published on a company's website, for example downloadable in PDF format or other on-line version.

Lack of a single, generally recognized standard according to which these reports are to be developed raise problems related to their evaluation and comparison (Hąbek, 2013). And although we can observe an increase in the number of such reports, their quality is different. CSR reports do not always provide complete data that readers desire, which in turn intensifies the problem with the evaluation and comparison of the results achieved by the company in this regard. Differences also occur between reporting models used in different EU countries caused by, *inter alia*, differently applied EU legislation on the disclosure of non-financial information in different member states. Therefore, the evaluation of such reports is not an easy task. In the previous study a research tool to assess the quality of CSR reports was proposed (Hąbek & Wolniak, 2013; Hąbek & Wolniak, 2015). On this basis CSR reports from six EU member states have been evaluated. In this paper the authors have used factor analysis to find out if there can be discovered some factors in the proposed set of the assessment criteria. Consequently the purpose of this paper is identification of the hidden factors of quality assessment of CSR reports.

## **2. Assessment of CSR reports**

The usefulness and credibility of CSR report depends on the quality of disclosed data and information. Only high-quality information will be useful for the reports' readers. Daub (Daub, 2007) argues that the CSR report must include quantitative and qualitative information on economic, environmental and social effectiveness of company. In addition, a good 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 avoiding the uncomfortable topics.

Although every year there is an increase in the number of published CSR reports, the quality of its content varies. Flexibility which characterize the process of developing CSR reports intensifies the problem of evaluating and comparing the disclosed data and this in turn limits their usefulness. In addition standards relating to this type of reporting have a diverse range, too. Some standards apply only to social issues, while others only cover environmental issues. Some standards are general in nature, while others provide more detailed reporting requirements. Therefore the problem, that has not been fully resolved yet, is the development of a standard which should ensure comparability, consistency and reliability of corporate social responsibility reports. Without the development of standardization in this field CSR reports will be still perceived as a public relations tool or "greenwashing" and not as a document presenting actual and current situation of socially responsible company (Nielsen E. & Thomsen Ch. 2007; Hąbek, 2015).

One of the most popular standard for sustainability reporting, recognized by companies worldwide, is the Global Reporting Initiative guidelines (Global Reporting Initiative – GRI). More than 70 percent of reporting enterprises and organizations in the world are using the GRI guidelines to communicate about their impact on sustainable development. Reporting guidelines developed by GRI allow to build a system of sustainability reporting and create a report with quantified and comparable data. GRI framework defines the principles of preparing a sustainability report (materiality, stakeholder inclusiveness, sustainability context, and completeness) and underlines a number of principles for qualitative disclosure (balance, comparability, accuracy, timeliness, clarity, and reliability). The main feature of the GRI guidelines is its flexibility and the possibility for using them by various organizations, regardless of their size, industry and location (GRI, 2015). It could be a reason why some methods of evaluation of CSR reports are based on the GRI guidelines (Daub, 2007).

There is a large and rapidly growing literature examining the corporate responsibility reports. The studies investigate the nature and frequency of social and environmental disclosures, their patterns and trends, and their general relationships to corporate size and profitability (Lungu, et al. 2011). A study shows that as of 2008 there has

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