

Chapter 14

A Critical Look at Social Reporting Evolution: Social Case in Its Future?

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ABSTRACT

This study analyzes the evolution of social reporting. After reviewing the literature on this topic and the main initiatives, reports, and standards, three stages can be distinguished: early moments, middle course, and current situation. All these stages have a coinciding concern that is accountability, but a very different way of putting it into practice. As the main conclusion, accountability continues to be the main objective of social reporting because companies understand the need to attend to stakeholders' demands in line with the stakeholder theory. However, voluntariness seems to give way to a regulatory horizon that allows the information received by these groups to be more relevant and reliable according to Directive 2014/95/EU for Non-Financial Information as a benchmark example of the social case in an international sphere. This contribution can help accounting regulators to address the immediate future of social reporting because understanding the past is a key to approaching the future.

INTRODUCTION

Stakeholder Theory is one of the most used frames of reference in the field of Social Responsibility (hereinafter SR)¹. This concept can be defined following one of its most relevant definitions carried out by the European Union (EU) “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”(European Union, 2011)². Thus, when SR is assumed strategically, the demands of its stakeholders must be attended in line with the arguments pointed out by this theory (Freeman, 1984). This also implies social reporting reaching a key place in order to communicate SR to third parties or groups of interest.

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Rupley et al. (2017:172) state that “stakeholders demand transparency, accountability, and strategic information connecting the past to future risks and opportunities”. This information has not been broadly provided in financial statements until today but it is necessary to maintain or to create a good relationship with these groups (Nielsen and Thomsen, 2007). In this context, social reporting understood in an broad way³ emerges as a tool to achieve transparency in decision-making processes considering all stakeholders in a moral, administrative, political, management, marketing, legal and judicial perspective, that is for accountability. Many studies (Kaptein and Van Tulder, 2003; Moneva, 2007; Fernández-Feijoo et al. 2013) also insist on the role of transparency within the conceptual declarations on SR, since according to their criterion they all establish it as a basic principle. Logically, transparency consists of the preparation of information that reflects responsible action and that allows the company to display accountability. In this sense, it is a key condition for social reporting but the latter also is a tool for improving transparency (Fernández-Feijoo et al. 2013).

With that in mind, the objective of this study is to analyse how the evolution of SR information has been put into practice by companies from their past to their current situation to meet stakeholder demands on social performance. Only a contextual and critical analysis of these disclosures and their reasons behind would allow accounting regulators and SR’s associations to perceive what the way forward in this field might be. For this reason, all references, frameworks, guidelines and initiatives offered to help companies to carry out this type of disclosures will be reviewed in order to determine whether accountability, transparency, inclusiveness or other reasons justified their being put into practice. In addition, we will look deeper into the case of the EU, due to the new and innovative level of developments into social reporting regulation and its consideration as a social case.

There are previous papers based on the evolution of social reporting such as Owen (2014), based on an overview of its “early days”, Gray et al. (1988) and their reflection on accountability and the social contract, Kurucz et al. (2008) who delve into SR as a business case, and Rupley et al. (2017) in the United States from stand-alone reports to integrated reporting. However, as key point of our study, we should point out that to date there have been no studies that delve into the field of social reporting evolution and its links with the accounting requirements of relevance and reliability and the reasons behind it. That is, a double vision is introduced based on two main questions: a) how are these disclosures being carried out? and b) what are the corporate expectations in them?

The structure of this study includes the following topics. In the second section, we will introduce Stakeholder Theory as our research framework. Later, in the third section we will begin with the revision of the early initiatives of social disclosures. In the fourth section, we will introduce SR standards and their role into the middle course of this evolution. In the fifth section, we give an overview of the current situation introducing the debate between SR as a business or as a social case. The specific case of the EU and its advances in social reporting regulation will be analysed in the sixth section. We will end with some conclusions and recommendations on this subject derived from the learning that the past allows us to carry out in the future.

Describe the general perspective of the chapter. End by specifically stating the objectives of the chapter.

BACKGROUND: A STAKEHOLDER THEORY VIEW OF SOCIAL REPORTING

Among the different theories used to justify companies’ interest in social disclosures, Stakeholder Theory (Freeman, 1984) stands out for accounting researchers. For some time now, financial information has

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