

Corporate Social Responsibility Audit: From Theory to Practice

*Risako Morimoto
John Ash
Chris Hope*

ABSTRACT. This research examines the possibility of developing a new corporate social responsibility (CSR) auditing system based on the analysis of current CSR literature and interviews conducted with a number of interested and knowledgeable stakeholders. This work attempts to create a framework for social responsibility auditing compatible with an existing commercially successful environmental audit system. The project is unusual in that it tackles the complex issue of CSR auditing with a scientific approach using Grounded Theory. On the evidence discovered to date in the literature review and the interviews, CSR seems to be perceived by many as the social strand of sustainable development. However, there is far less agreement regarding its measurement. Both the literature review and the interview analysis indicate that developing an applied CSR auditing

procedure will be a challenging task. This is principally due to the lack of formal study of this complex subject, which, despite the widespread debate it has engendered, still lacks a single and broadly accepted definition. The concepts developed from the findings of this research, together with the key factors identified in a literature review of CSR, were developed into a prospective CSR audit protocol.

KEY WORDS: audit, business ethics, corporate social responsibility, environmental and social auditing, measurement, stakeholder management, sustainable development, ethical investment.

Introduction

Business and academic researchers have shown increasing levels of interest in Corporate Social Responsibility (CSR) during recent years (Maignan, 2002). The theme of environmental and social responsibility appears in a number of political and legal documents and is gaining ever-greater importance at the international level. Today, corporate leaders face a dynamic and challenging task in attempting to apply societal ethical standards to responsible business practice. Increasing pressure for social responsibility was ranked second in a Financial Times/Price Waterhouse Coopers survey of the views of 750 Chief Executive Officers on the most important business challenges for companies in 2000.¹ Companies, especially those operating in global markets, are increasingly required to balance the social, economic and environmental components of their business, while building shareholder value.

This research examines the possibility of developing a new CSR auditing system based on the

Dr. Risako Morimoto is a professor of strategy at Toulouse Business School in France. She was also a research associate in the Judge Institute of Management at the University of Cambridge, UK. She obtained her PhD in environmental economics from the University of Cambridge.

John Ash is the James Tye British Safety Council Research Fellow at the University of Cambridge (UK). A former oceanographer in the Royal Navy, he led research into the environmental risk associated with waste radionuclides in the Northern Seas and undertook the initial design work for the environmental management system for the Navy Department. His present research includes projects studying the management of dynamic risk in dangerous work environments.

Dr. Chris Hope is a senior lecturer in operational research in the University of Cambridge (UK). He is a member of the editorial board of the journals Integrated Assessment, Transport Policy and Energy and Environment. Nominated by the UK Government as Lead Author and Review Editor for the Third Assessment Report of the Intergovernmental Panel on Climate Change, and an invited member of the OFGEM Environmental Economist panel, Dr Hope is the manager of the James Tye British Safety Council Research Fellowship.

analysis of current CSR literature and interviews conducted with a number of interested and knowledgeable stakeholders. The study attempts to create a framework for social responsibility auditing compatible with an existing commercially successful environmental audit system, and it is distinct in that it tackles the complex issue of CSR auditing with a scientific approach using Grounded Theory.

Examining the perceptions of CSR in different sectors and the role it plays in them, this research emphasizes the scientific and academic issues surrounding the establishment of an applied CSR auditing procedure. It further explores the possibility of developing practical measurement systems for CSR, and examines the procedures that are currently being implemented. Two research questions are addressed in this research: first, whether CSR is the social strand to sustainable development as interpreted by Brundtland. Second, what criteria could be used to measure CSR as interpreted within sustainable development.

This paper reviews available literature on CSR, examining its nature, as well as providing an overview of the main arguments. Using data collected in a programme of interviews, the research also draws on the views of key commentators and practitioners to propose a set of indices for CSR auditing. The paper consists of the following sections. Following the introduction at section 1, the research questions are stated and the methodology used in this study is described in Section 2. Section 3 presents the findings from the literature review and the interview analysis process. Together, these provided answers to the research questions posed in Section 3. Section 4 concludes and provides recommendations based on the analysis.

Methodology

In order to examine the possibility of developing a CSR auditing system, the following two research questions are selected as the most appropriate:

Question 1:

“Is CSR the social strand to sustainable development as interpreted by Brundtland?”

Question 2:

“What criteria could be used to measure CSR as interpreted within sustainable development?”

These questions address some of the most fundamental issues in CSR. The first seeks to identify the relationship between CSR and sustainable development, including the definition of CSR against the backdrop of sustainable development. Question 2 then considers the best approach to the measurement of CSR, providing a fundamental framework upon which an auditing system may be developed, and theory transformed into practice. In order to achieve sustainable development, social, environmental and economic objectives need to be balanced. Thus, research Question 1 is important in order to find the key individuals perception on sustainable development and CSR. Research Question 2 is set in order to find the crucial factors to assess CSR from key individual points of view. The issues of measurement and verification should be jointly viewed, as auditing requires qualitative as well as quantitative approaches. In order to quantify CSR, we need to find a way to measure CSR.

This research was undertaken in three stages: First, existing literature was reviewed to investigate whether any similar studies had been conducted before, determine the nature of any existing documents and gain an overview of the main arguments. Second, data was collected in a programme of interviews to draw on the views of key commentators and practitioners and propose a set of indices for CSR auditing. Finally, data analysis was conducted using an established scientific approach.

The methodology used as the basis of this study is the *grounded theory* approach, which is defined as the discovery of theory from data systematically obtained from social research (Glaser and Strauss, 1967). In the grounded theory approach, data are collected and a theory subsequently developed to account for the phenomena the data illustrate. The theory is ‘grounded’ in the data; developed from it by the analysis process and tested in the existing data for verification. This method was chosen because of its capacity to generate theoretical explanations from largely qualitative information of the sort captured during the interview programme. It is also a robust

scientific approach that provides results from diverse and unstructured data.

Yin (2003) notes that grounded theory is applicable in evaluations when no particular prior theory appears relevant or is explicable. Grounded theory's specific tactics for analysing qualitative data are also useful for evaluations. According to Yin (2003), grounded theory's coding strategies – breaking down, conceptualising, and re-constructing qualitative data – is capable to resolve crucial research problems. The other strengths of grounded theory are its systematic rigor and thoroughness from initial design, through data collection and analysis, culminating in theory generation (Patton 2000). Strauss and Corbin (1998) believe that it is important to maintain a balance between the qualities of objectivity and sensitivity in the grounded theory analysis. Objectivity provide researchers confidence that the findings are a reasonable representation of a problem under investigation, whereas sensitivity enables creativity and the discovery of new theory from data.

Brown (1973) and Rose (1982) perceive that quantitative method underplay in the grounded theory approach. However, Glaser (2001) argues that the grounded theory is a general method, and can be used on any data or combination of data. He believes that qualitative data are inexpensive to collect, very rich in meaning and observation, and very rewarding to collect and analyse. The grounded theory depends on observational and interview data. Seale (1999) argues that there is no logical reason that other types of data cannot be used in the approach. Moreover, Coffey et al. (1996) object to the narrow analytic strategy imposed by heavy reliance of grounded theory on coding as a first step.

Preparatory to the development of a CSR auditing system, the research examines the perceptions of key individuals drawn from different sectors in the United Kingdom regarding problems in the definition and measurement of CSR. The data in this study were collected in such a manner as to explore the spectrum of perception in the relevant sectors and to understand the diversity of those perceptions as well as any similarities. This was achieved by means of a tested interview guide. Interview questions covers definition of CSR, advantages and disadvantages that CSR brings to organizations, connection (if any) between CSR and sustainable development, problems in the

measurement of CSR, and criteria that could be used to measure CSR. Total of 10 interviewees were drawn from four groups: government, the private sector, the academic domain, and non-governmental organizations (NGOs), each of which was likely to have a particular perspective on CSR issues. As with all research, constraints of time and interviewee availability limited the number of interviews collected. Since the data is qualitative and the sample group was carefully selected as a representative of each sector, 10 interviews were assumed to be enough to capture the insights of this topic. According to Glaser and Strauss (1967), the basic criterion governing the selection of interview groups for discovering theory is their theoretical relevance for furthering the development of emerging categories, or data themes. In this case, a number of sectors in society are relevant to the understanding of CSR issues.

The interviews for this project were conducted over a period of two months. Each interview lasted one hour on average. The data recorded during the meetings were transcribed, and then verified prior to entry in a computer database. The computer qualitative analytic tool enables us to categorize statements in the interviews. Each category can then be examined to see its relevance, and possible linkages between the categories or themes can be explored to form and test a theory developed by the grounded theory approach, which accounts for the phenomena evident in perceptions and behaviors associated with CSR.

Findings

This section considers the key issues found in the literature review and the interview data analysis. The literature survey of CSR related material revealed a vast body of information.

There are numerous studies on CSR. For example, McClenahen (2005) tries to define social responsibility. Valor (2005) tries to examine the similarities and differences between two of the most commonly used terms, CSR and corporate citizenship. Hopkins (2005) defines CSR and sets up a framework to measure it. This framework is similar to our proposed auditing protocol. There are three levels, each of which has factors to be assessed in

terms of quantitative measurement procedure in the framework. There is a demand of CSR reports from a wide spectrum of stakeholders ('Sustainability special reports: finding the measure', *Accountancy*, Feb 2005). Andrew Pendleton at Christian Aid and Rob Lake at Henderson Global Investors point out the incompleteness in the current reports coverage. Cramer (2005) provides information about CSR standards and guidelines. Salzmann, Ionescu-Somers, and Steger (2004) assess existing research and methodologies in corporate responsibility. Adams (2004) assesses corporate responsibility reporting reflects corporate performance as well as the potential of recent standards and guidelines in terms of reporting – performance gap. Kuasirikun and Sherer (2004) examine less well known corporate social reporting in Thailand. Jones (2003) examines the applicability of environmental accounting using a case study of a UK company. O'Dwyer (2003) examines managerial concepts of CSR in Ireland. Cambell et al. (2003) examine environmental and social reporting in five selected companies. Doming (2005) closely examines the concept of ethics auditing and theoretically develops its framework. Igalens and Gond (2005) try to measure corporate social performance in France using French social rating agency data. Waddock (2004) intends to create corporate accountability using the Global Compact's nine principles and the work of transparency International. Miles and Munilla (2004) look at the impacts of SA8000 on a firm's marketing activities.

Most of the literature discovered appears not to be peer reviewed scientific texts or academic papers. Rather, it consists to a great extent of subjective comment in business magazines or company reports. The review also showed the extent to which the volume of the literature is increasing over time, a rate of increase that appears to be rapid, especially from the 1990s onwards, indicating the significance and timeliness of this research.

Despite some notable exceptions that may have been inspired by the protestant ethic, the concept of corporate responsibility for most companies was largely economic (profit maximization) in the 19th century. This view has modified with time under the influence of government and public pressure, with a resulting contemporary view of CSR that is still economically oriented, though underpinned by the

requirement to consider social causes and the social consequences of an organization's economic activities. The major perception of CSR is that it can be an excellent tool for enhancing the legitimacy of the firm among its stakeholders by improving communication as well as transparency, and the development of a positive corporate image. Clients and customers can obtain better products and services, employee can work in better working conditions leading to improved competitiveness, suppliers can be better managed, shareholders can obtain more access to social and environmental information, local inhabitants can live in better environment. A key vehicle for enhancing corporate image is social reporting (Hess 1999). The value of social reporting is perceived as residing in the creation of social transparency as well as in institutionalizing responsible decision-making and creative thinking in management. One of the advantages of social reporting is 'encouraging responsible decision-making', which means that to create culture for organisations as well as managers to be aware of, to understand, and to practice CSR. Effective development of social reporting can be seen in the recent success of non-mandatory environmental auditing.² Building on this progress, Hess (1999) argues that there is a need to establish an audit system that includes all aspects of a firm's social performance.

On the evidence discovered to date in the literature, CSR seems to be perceived by many as the social strand of sustainable development, including the World Business Council for Sustainable development, and the European Parliament. However, there is far less agreement regarding its measurement. The literature review indicates that developing an applied CSR auditing procedure will be a challenging task. This is mainly due to the lack of formal study of the topic, despite the widespread debate it has engendered. However, several current measurement procedures for CSR exist, which gives a promising indication that there is sufficient experience to develop appropriate methods and indices for a comprehensive auditing system³.

Increasing concerns about the effects of economic development on health, natural resources and the environment in the 1980s led the World Commission on Environment and Development to produce the Brundtland Report (1987). The report highlights three fundamental components of sustainable

development: environmental protection, economic growth and social equity. These in turn are linked to the idea of intergenerational responsibility. The report defines sustainable development as the right of the present generation to meet its need for development with respect for future generations' rights and opportunities to develop. Thus, the essence of sustainable development has been identified as the rule of solidarity between generations (Rudnicki 2000). The report also calls for the development and expansion of international institutions for co-operation and legal mechanisms to confront common concerns; most importantly, for increased co-operation with industry. Thus, participation and responsibility by the whole of society may be viewed as key elements in achieving sustainable development, which indicates that social responsibility is itself closely connected with the concept of sustainable development (Rudnicki 2000). The perception of social responsibility as providing a major means of achieving long-term economic success is favoured by a number of commentators, including Elkington (1997), Zadek et al. (1997), Wheeler and Sillanpää (1997), Gonella et al. (1998), McIntosh et al. (1998), and SustainAbility (1999).

Sillanpää (1998) argues that existing methodologies do not assess whether an organization is socially sustainable, or if its actions have contributed to socially sustainable development, because of the absence of agreed criteria defining socially sustainable outcomes. Progress towards sustainable development requires businesses to assess their performance against the ethical concerns of stakeholders regarding economic, environmental and social issues. Stakeholder-inclusive social auditing could help to establish the substantive meaning of the social dimension of sustainable development in its own right, as well as facilitating the development of integrated auditing tools across the different dimensions of sustainable development (Sillanpää 1998).

There are several measurement methods for CSR being implemented by different organizations. According to Sethi (1975), a structural framework to facilitate analysis of corporate social activities should have at least the following two properties. First, categories for classifying corporate activities should be stable over time, which makes historical comparisons possible. Second, the definitions of various categories should be applicable across firms,

industries, or even social systems, making comparative analysis possible.

The literature review indicated that audit procedures that operate by gauging an organization's performance at ascending levels of managerial competency are not uncommon. Kok et al. (2001) developed a corporate social responsibility audit following the underlying methodology of the quality award and excellence models. The audit instrument uses a combination of the fourteen aspects of social responsibility, and four levels of scoring the extent to which social responsibility policy has been developed in an organization, to analyze both its current and future CSR status.

The major difficulty of developing a new audit system would seem to be the derivation of appropriate indices. Two major obstacles are evident from the literature in this respect: bias in choosing categories against which an organization's performance may be measured, and the difficulty in identifying indices applicable to all sectors. The examination of current procedures, and interviews with personnel in the organizations that have created some of the systems noted above, were necessary precursors to developing the evaluation methods and indices on which the CSR audit system proposed below is founded.

The most daunting barrier to a CSR audit protocol resides perhaps not in the complexity of its creation, but rather in its implementation. A system of measurement may well accord with high standards but yet fail to create an acceptable output because of vested interests. Both the literature review and the interview data suggested the necessity of involving all stakeholder groups in any auditing system that seeks to promote sustainable development. The other crucial factor in developing a comprehensive CSR auditing system is to address the problem of negative screening. It may be morally questionable to exclude some specific organization simply by virtue of the principal product or service it provides. All organizations have negative as well as positive impacts, and exclusion is not a path to improvement. On the basis of this finding, the CSR assessment that is proposed is deliberately designed to support audit in any type of organization including government and those organizations produce products considered to be unethical.

The 'tick-box' type approach to auditing, that is ticking boxes to assess organizations performance,

attracted several criticisms during the interviews. Specific comments included the lack of explanatory power inherent in such a system. Some interviewees favoured an assessment incorporating a mixture of quantitative and qualitative methods. This idea is rooted in the fact that while some phenomena, such as environmental impacts, are readily quantifiable, social issues are often not.

One pivotal difficulty in developing a single measurement system for CSR appears to be the lack of one broadly accepted definition of the concept. This is revealed in the interview data, which manifested a diversity of individual perceptions of CSR. To overcome this problem, an officially agreed definition set by the government or an authoritative international organization is most desirable.

The interview data analysis indicates that the following six elements are the most significant factors in achieving successful CSR: good stakeholder management, good corporate leadership, greater priority for CSR at board level, the integration of CSR into corporate policy, regulation at national and international level, and the active involvement of, and good coordination between, government, business, NGOs and civil society. It is suggested that these key elements should be considered for incorporation into any prospective CSR auditing system. An existing commercially successful environmental audit system appears to favour the adaptation of these key elements to its measurement approach, although further verification of this ranking will be necessary to ensure appropriate empirical support.

A matrix was developed in this study to illustrate the factors essential in CSR as perceived by the different stakeholders (Figure 1), including the six key elements noted above. This matrix is an attempt to place the position of each stakeholder group into context with regard to CSR. Understanding the background of CSR development as viewed by each stakeholder is essential to the development of a meaningful CSR auditing system.

With the analysis of the interview data complete, a concept for a proposed CSR auditing process was created, incorporating the findings of the literature review and the interview results. A sample page from the proposed audit protocol is presented in Appendix as an example. In order to verify its practical use and further refine the protocol, a one-day workshop was held, during which the draft was scrutinized by

the researcher, a colleague and others. Two of the individuals present had experience in environmental auditing. The proposal consists of a set of indices against which an organization may be assessed. Each index of the draft protocol was thoroughly checked in order to examine its applicability, and the appropriateness of its wording. Having examined each index to verify its suitability for inclusion in the final draft audit protocol, a final process was undertaken in which a sample of evidence was proposed against each of the indices. In an assessment, the suggested evidence would be required to satisfy the auditor that the requirements of each index had been met. Documentary evidence is the most appropriate proof of compliance for any given index, although some verbal evidence, including the results of brief telephone surveys, is proposed in the case of some indices. The draft audit protocol is designed to be as simple as possible to support prompt completion of the procedure, although it nonetheless covers all of the key issues identified during the research. The main features of the audit protocol are as follows. First, it is designed to accommodate any type of organization without discrimination. Second, it assesses the organization's management system and its relations with all of the stakeholders, which are classified into a set of cohorts. Third, performance against each index is categorised as Essential, Required, or Desirable. Fourth, evidence, either documentary or gained during interviews, is identified against a series of indices that characterize the organization's performance in relation to each stakeholder group. In order to standardize the assessment procedure, auditors should be trained, as CSR is a subjective issue. The main purpose of conducting the CSR auditing is to encourage organizations to improve their performance and to include CSR in their culture. Thus, in order to measure how well the auditing system is implemented can be assessed by benchmarking to previous year performance to examine the improvement.

The draft audit protocol consists of two main sections; a description of the CSR system architecture, and stakeholder factors. The CSR system architecture covers CSR policy, board responsibility, and codes of conduct, corporate governance, stakeholder engagement, environmental management, and complaints. Major aspects of organizations

Environment	Actor	Process	Six key elements for successful CSR	Outcome	
Competitive market CEOs see the commitment increasingly important to creating well-managed company	Private sector	Practice CSR	(i) Good stakeholder management (ii) Greater priority for CSR at board level (iii) Integration of CSR into corporate policy (iv) Good corporate leadership	More efficient business, greater share price, long-term business success	
CSR perceived as a business contribution to sustainable development	NGOs	Putting CSR in practice by stakeholder dialogue and consultation	More Regulation	Meaningful change in corporate behaviour	
CSR voluntary initiative	Government	Light-touch regulation		Help organizations to tackle sustainability	
Direct impact on their daily life	Local inhabitants	Positive stakeholder relationship created by CSR		Less negative impact on local inhabitant and more positive involvement of the community	
Society where CSR is understood better than the past	General public	Transparency created by CSR		Better quality society	
Reputational value insignificant, and no cost & time for CSR	Supplier	Through supply-chains: pressure from larger corporations		Active involvement of and good coordination between government, business, NGOs, and civil society	SME participation in CSR
Competitive environment	Employee & contract staff	Positive stakeholder relationship created by CSR			Motivated, engaged, involved, trained and committed workforce
Corporations are more transparent and people empowered by choice	Clients & customers	Pressure on corporations			Better quality of goods & services
Share prices reflect many factors	Shareholders	Active social responsible investment			Create market for CSR. Greater share prices

Figure 1. CSR-stakeholder matrix.

operations and all the stakeholders are included. The stakeholder factors section is divided into six sub-sections: employees and contract staff, shareholders, clients and customers, local inhabitants, suppliers, and the general public that includes government as

well as environment. All the indices are derived from issues identified as important to achieving successful CSR that emerged during the literature review and interview analysis. Not every single aspect of the business' operations is covered, as that will be too

detailed and difficult due to limited time as well as resources, however, the most significant aspects are all covered.

The CSR auditing system developed in this research is augmenting and complementary to currently existing systems. The ISO 14000 refers to external reporting on environmental performance, and GRI focus on developing a sustainability report. The AA1000 standard is based on the three principles of completeness, materiality, and responsiveness. The International Auditing and Assurance Standards Board launched ISAE3000 in December 2003. Some criticisms of these standards are such that AA1000 lacks rigor, while ISAE3000 is not sufficiently tailored to sustainability issues (Accountancy 2005). The trend is to bring these two together within the framework of the GRI and incorporating standards such as SA8000, which is a social accountability system providing a voluntary standard based on international workplace norms in the ILO and UN conventions. The number of sustainable investment indices includes supply chain criteria when evaluating corporate sustainability performance (Accountancy 2005).

The proposed approach differs from the currently existing system in terms of style. The proposed approach challenges the previous system since it is a procedure which is speedy, simple and easy to conduct. It complements in the sense that the most significant factors are extracted to assess whereas more detailed currently existing approach reconfirms the organization's CSR performance.

Conclusions

This paper reports the findings of a study into subject of corporate social responsibility, and the outcome of a set of interviews conducted with subjects representing a number of stakeholder groups. This research is novel in the sense that it addresses the complex issue of CSR auditing with a scientific approach using Grounded Theory. The literature review revealed no studies of a similar nature. In this paper, the grounded theory was applied in the following way. The key concepts of CSR were generated from the interview data. The auditing protocol was developed based on the interview data analysis as well as the key concepts found. Then, the auditing protocol was tested by existing auditors for

its validity. The difference from the previous auditing is that it is designed to be simple, short, and speedy process. The auditing protocol assesses the organizations performance by each stakeholder group.

On the evidence discovered to date, CSR seems to be perceived by many as the social strand of sustainable development as defined by Brundtland. However, there is far less agreement regarding its measurement. Both the literature review and the interview analysis indicate that developing an applied CSR auditing procedure will be a challenging task. This is due in no small measure to the lack of formal study of the topic, despite the widespread debates it provokes. Moreover, it is a complex subject that currently lacks even a single broadly accepted definition.

The following items were highlighted by the research as crucial points to be considered in developing a CSR auditing system:

- The inclusion of all significant stakeholder groups in the auditing process
- Diversity in individual perceptions of CSR
- The problem of negative screening
- The shortcomings of the 'tick-box' approach to auditing CSR
- The requirement that the measurement of CSR should be both quantitative and qualitative in nature
- The six key elements to the achievement of successful CSR are perceived as:

Good stakeholder management

Good corporate leadership

Greater priority for CSR at board level

Integration of CSR into corporate policy at all levels and in all divisions of business

Regulation at the national and international level understood and demonstrated across all areas of business

Active involvement of, and good coordination between, government business, NGOs and civil society

A concept for a proposed CSR auditing system has then been developed in this research, which incorporates the key issues identified in the literature review and the interview analysis noted above. The concept derived from the project findings is intended

to be a product that can be applied in practice as the basis for developing a CSR auditing system. The practicality and the appropriateness of the draft audit protocol were confirmed at the one-day workshop with personnel experienced in environmental audit held to review the product.

The findings of the literature review and the interview analysis in this research suggest that although creating a new CSR audit protocol is a challenging task, it is nonetheless possible. In response to this challenge, this study has resulted in the creation of a draft audit protocol, derived from the project results and intended to be readily adapted for use in practice. In order to achieve successful CSR, that is every organization practice CSR and include CSR as an organizations culture, CSR reporting should not be expensive, too time consuming or too resource intensive to prepare. Thus we assumed simple and easy to use CSR auditing protocol would be needed.

The fact remains that it would be technically demanding to conduct a CSR audit even with the prospective audit protocol because of the complexity of the subject, and in real terms this may require that specific training be given to auditors. In particular, the assessment of some indices would be dependent on auditors' own judgment and experience because of the nature of the subject. Moreover, the draft audit protocol needs the refinement that only comes with testing. Therefore, further improvement and trials by auditors in a pilot study will be required before the system can be fully implemented. Auditors should be interviewed after the pilot study to determine whether the audit protocol is practical in use, both in terms of the application of each index and its associated evidence, and the degree to which it is manageable as a process that must be completed in a limited time. The generality of application of

each index to any type of organization should also be determined.

This has been a study undertaken with modest resources. To enhance the descriptive power of its findings and further explore the utility of the draft audit product, it is suggested that the sample size of interviewees should be increased. Capturing the views of small and medium size enterprises concerning CSR would also be a useful exercise, as they form the vast majority of the UK industries, and are therefore a sector with potentially much to gain from CSR enhancements. It is further suggested that for the improvement of the CSR audit protocol, the views of stakeholders should be canvassed to identify their respective perceptions of its utility and probity.

Acknowledgements

This research was undertaken on behalf of the British Safety Council as part of their Fellowship programme at the Judge Institute of Management, University of Cambridge. We are indebted to the following individuals for their suggestions and advice during the course of this project: Mark Birchall, Ian Fraser, and Mike Lachowicz from the British Safety Council. Dr Paul Pritchard made some very useful comments on this complex and emotive subject from the perspective of his long experience in risk management. We would also like to thank those who spent significant time participating in interviews, including, Polly Courtice, Peter Frankental, Matthew Gorman, Mike King, David Ratcliffe, Janet Williamson, and others who desired to be anonymous. Their kind contributions towards this research are gratefully appreciated.

Appendix

A sample page from the proposed audit protocol 2.03 Clients and customers
2.031 Client/Customer relations

Index 2.031a: the organization has systems that assess the efficiency and quality of client/customer relations.	E/R/D
Evidence	Written documents reporting assessment of client/customer relations within the 12 months prior to the audit.
Evidence location	Numerical value

2.032 Responsibility

Index 2.032a: the organization fulfills its responsibility to provide goods and services to its clients and customers at the quality standard they require.		E/R/D
Evidence	<ul style="list-style-type: none"> i. Brief telephone survey with clients requesting information on whether goods and services are supplied at the appropriate standard. ii. Documentation from the organization's quality management system reporting success rates in meeting quality standards and identifying measures to address shortfalls. 	Numerical value
Evidence location		

2.033 Transparency

Index 2.033a: the organization is explicit to its clients and customers in the description, price and specification of its goods and services.		E/R/D
Evidence	<ul style="list-style-type: none"> i. Representative sample of product descriptions in advertisements and other documentation. ii. Comments on this subject raised during brief telephone survey with customers (refer 2.032 a). iii. Written complaints referring to the description, price and specification of the organization's goods and services. 	Numerical value
Evidence location		

Notes

¹ Cited in a report by Business in the Environment (Hopkins, 2000).

² An example of this is the voluntary European Eco-Management and Audit Scheme (EMAS), established by the European Union.

³ Other CSR measurement system includes GRI, Business in the Community Index, Domini Social Index, MHC 3 level assessment in which CSR is measured at three levels: principles of social responsibility, process of social responsibility, and outcomes respectively (Hopkins, 2000).

References

- Adams, C. A.: 2004, 'The Ethical, Social and Environmental Reporting-Performance Portrayal Gap', *Accounting Auditing and Accountability Journal* **17**(5), 731–757.
- Brown, G.: 1973, 'Some Thoughts on Grounded Theory', *Sociology* **7**, 1–16.
- G. Brundtland.: 1987, *Our Common Future: The World Commission on Environment and Development*. (Oxford University Press, Oxford).
- Cambell, D., B Craven and P. Shrivies: 2003, 'Voluntary Social Reporting in Three FTSE Sectors: A Comment on Perception and Legitimacy', *Auditing and Accountability Journal* **16**(4), 558–581.
- Coffey, A., B. Holbrook and P. Atkinson: 1996, 'Qualitative Data Analysis: Technologies and Representations', *Sociological Research On-line*, 1, <http://www.soc.surrey.ac.uk/socresonline>.
- Cramer, J.: 2005, 'Applying International Standards and Guidelines on Corporate Social Responsibility: An Action Plan', *Environmental Quality Management* **14**(3), 71–79.
- Doming, G.: 2005, 'Trust and Dialogue: Theoretical Approaches to Ethics Auditing', *Journal of Business Ethics* **57**(3), 209–219.
- Elkington, J.: 1997, *Cannibals with Forks: The Triple Bottom Line of 21st Century Business* (Capstone, London).
- Glaser, B. G.: 2001, *The Grounded Theory Perspective: Conceptualization Contrasted with Description* (<http://www.groundedtheory.com/soc14.html>), Sociology Press, Mill Valley California.
- Glaser, B. G. and A. L. Strauss: 1967, *The discovery of Grounded Theory: Strategy for Qualitative Research* (Weidenfeld and Nicolson, London).

- Gonella, C., A. Pilling and S. Zadek: 1998, *Making Values Count: Contemporary Experience in Social and Ethical Accounting, Auditing, and Reporting* (ACCA, London).
- Hess, D.: 1999, 'Social Reporting: A Reflexive Law Approach to Corporate Social Responsiveness', *Journal of Corporate Law*, Fall **25**(1), 41–85.
- Hopkins, M.: 2000, 'The measurement of corporate social responsibility' MHC International Limited News, November 2000.
- Hopkins, M.: 2005, 'Measurement of Corporate Social Responsibility', *International Journal of Management and Decision Making* **6**(3/4), 1.
- Igales, J. and J. Gond: 2005, 'Measuring Corporate Social Performance in France', *Journal of Business Ethics* **56**(2), 131–148.
- Jones, M. J.: 2003, 'Accounting for Biodiversity: Operationalising Environmental Accounting', *Accounting, Auditing, and Accountability Journal* **16**(5), 762–789.
- Kok, P., T. van der Wiele, R. McKenna and A. Brown: 2001, 'A Corporate Social Responsibility Audit within a Quality Management Framework', *Journal of Business Ethics* **31**, 285–297.
- Kuasirikun, N. and M. Sherer: 2004, 'Corporate Social Accounting Disclosure in Thailand', *Accounting, Auditing, and Accountability Journal* **17**(4), 629–660.
- Maignan, I. and D. A. Ralston: 2002, 'Corporate Social Responsibility in Europe and the US: Insights from businesses' self-presentations', *Journal of International Business Studies*, 3rd Quarter **33**(3), 497.
- McClenahan, J. S.: 2005, 'Defining Social Responsibility', *Manufacturing and Society* March, 64–65.
- McIntosh, M., D. Leipziger, K. Jones and G. Goleman: 1998, *Corporate Citizenship: Successful Strategies for Responsible Companies* (FT, London).
- Miles, M. P. and L. S. Munilla: 2004, 'The Potential Impact of Social Accountability Certification on Marketing', *Journal of Business Ethics* **50**(91), 1–11.
- Rose, G.: 1982, *Deciphering Social Research* (McMillan, London).
- Rudnicki, M.: 2000, 'Environmental and Social Responsibility as the Value in Modern politics' paper delivered during meeting the OIKOS International Warsaw, 10 November 2000.
- Salzmann, O., A. Ionescu-Somers and U. Steger: 2004, 'The Business Case for Corporate Sustainability', *European Management Journal* **23**(1), 27–36.
- Sustain Ability: 1999, *The Social Reporting Report* (SustainAbility, London).
- Seale, C.: 1999, *The Quality of Qualitative Research* (Sage Publications, London).
- Sethi, S. P.: 1975, 'Dimensions of Corporate Social Performance: An Analytical Framework', *California Management Review Spring* **17**(3).
- Strauss, A and J. Corbin: 1998, *Basics of Qualitative Research*. (Sage Publications, London).
- Valor, C.: 2005, 'Corporate Social Responsibility and Corporate Citizenship: Towards Corporate Accountability', *Business and Society Review* **110**(2), 191–212.
- Waddock, S.: 2004, 'Creating Corporate Accountability: Foundational Principles to Make Corporate Citizenship Real', *Journal of Business Ethics* **50**(4), 313–327.
- Wheeler, D. and M. Sillapää: 1997, *The Stakeholder Corporation* (Pitman, London).
- Yin, R. K.: 2003, *Application of Case Study Research* (Sage Publications, London).
- Zadek, S., P. Pruvan and R. Evans (eds.): 1997, *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing, and Reporting* (Earthscan, London).

Risako Morimoto,
Toulouse Business School,
20 boulevard Lascrosses,
BP 7010, 31068,
Toulouse, Cedex 7,
France
E-mail: r.morimoto@esc-toulouse.fr

John Ash,
University of Cambridge,
U.K.

Chris Hope,
University of Cambridge,
U.K.