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[CORPORATE SOCIAL RESPONSIBILITY, BALANCED SCORECARD, TRIPLE BOTTOM-LINE AND GREEN ACCOUNTING AND ITS RELEVANCE TO ACCOUNTING]

This Document outlines the importance of social responsibility as accountants, not just looking out for the interests your company but also taking into consideration Economic, Environmental and Social aspects of responsibility

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Introduction

In a community, business organizations always play large roles in the overall health and success of both the employment rates and the environment. With such a heavy influence on the factors behind driving a community, it is important that corporations recognize this and take steps to encourage and support the area which they operate in. Corporate Social Responsibility is a full circle approach geared towards healthy relationships between corporations and the environment around them, involving employee relations, health care, family support, as well as an active effort to restoring and maintaining the natural environments around them to be honest the list goes on. Corporations can track their efforts by practicing a Balanced Scorecard to assess how their actions are affecting these elements which they seek to maintain through Corporate Social Responsibility. To operate under more green practices is actually becoming an incentive for companies to increase profits; by allowing a company to put a dollar value on the environment which they sustain or replace, a greener and more encouraging bottom line is possible. This full circle approach has many benefits, the ultimate reward being a transparent relationship between the corporation and community which they support, in other words being responsible is a two way relationship, it takes two to tango.

Corporate Social Responsibility

Corporate social responsibility, also known today as (CSR) is defined as the continuing commitment by organizations to behave ethically and to contribute to economic development while improving the quality of life of a workforce and their families, as well as providing for the local community and society at large. The need for business organizations to demonstrate CSR has come of age in the twenty-first century. Canadian companies recognize the value of incorporating CSR practices into their operations both locally and abroad. Operating responsibly

also plays an important role in promoting Canadian values internationally and contributes to the sustainable development of communities. In Canada the government expects and encourages all Canadians working internationally to respect applicable international laws and international standards, to operate transparently with host governments, which would ensure that they would be operating ethically and morally.

What CSR Means In Other Countries

We also took it upon ourselves to do some research as to what the meaning of being corporately responsible in other countries around the world implies. In Ghana CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds business opportunities in building the skills of employees, the community and the government. From the Philippines CSR is about business giving back to society. In the United States it was clear to me that CSR is looked at more from a Philanthropic perspective, which is Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of their profits to charitable causes. In return what the companies get good ratings from the public and again, they make more and more profit. Lastly, I looked up Canada and it was clear to see that CSR was more about the voluntary activities undertaken by a company to operate in an economic, social and environmentally sustainable manner.

To round of our research on CSR we took a look at its effect on accounting which is the reason for this paper and as it is accounting looks at CSR as four Pillars and these are:

- Community (how the firm's activities affect those communities in which it operates);
- Environmental Actions (how the firm's operations affect the environment);

- Ethics and Risk Management (how the firm's operations affect its future well-being and standing in the marketplace); and
- Human Resource (HR) Management (how the firm's policies affect its employees and partners in the workplace).

Why It is Important to Be Socially Responsible

Many companies in recent years have now started to examine how effective their branding is and how they are perceived by their customers and the general public. Therefore, with all else being equal companies promoting CSR are generally viewed more favorably than those that do not have highly visible programs. Having goals and a vision for your company that go beyond products and profits definitely provides a warmer image of your business that customers will be more eager to engage with. Having Initiatives such as pro bono work, philanthropy, support for community-building initiatives and environmental awareness can add significant value to a company, and if the program is well designed and implemented the benefits far outweigh the costs.

Having a socially responsible company is an easy way for your company to build its brand, reputation and public profile. Being socially responsible creates goodwill and a positive image for your brand. Trust and a good reputation are some of a company's most valuable assets. In fact, without these, you would not even have a business. You can nurture these important assets by being socially responsible. When used properly, it will open up a myriad of new relationships and opportunities. Not only will your success grow, but so will the company's culture. It will become a culture which management, staff and the wider community genuinely believe in.

Corporate Social Responsibility attracts and retains staff and has a higher percentage of staff committed and satisfied with their job. Therefore, by attracting, retaining and engaging staff, ‘doing good’ for others reduces your recruitment costs and improves work productivity.

Customers are attracted to socially responsible companies. Branding a business helps differentiate businesses in industry. For example the SHELL oil spills that happened a few years back have definitely slowed down their profits and damaged their image over the last couple of years their image is damaged and it will take some time to regain the public’s trust, people are less inclined to buy their gas from SHELL gas station.

From an accounting perspective, investors and financiers are attracted by Companies that are socially responsible. These decision-makers know this reflects good management and a positive reputation. They must not underestimate this influence; it can be just as important as the company’s financial performance. In fact, it may be the deciding factor in choosing to support the company.

Why Should Accountants Be Socially Responsible

In recent times it has become of great importance for accountants to take on a higher level of social responsibility. Due to the amount of accounting scandals that have surfaced in recent years and it is crucial that we lift high the title of accounting to its rightful position at the top of corporate social responsibility. The reason why it is of great importance even to accountants to remain socially responsible is that there is too much at stake, profits, customers, investors the list goes on, everyone wants to be seen associating with companies that have a good public image. However, it is an accountant’s role to punch numbers in the calculator and interpret their findings to decision makers; we should not pick sides and tell half a story. We need to be honest and have

great integrity. As accountants we are fiduciaries, we have been put in a position of trust; therefore we should honor and respect the position.

Due to there being scandals of different magnitudes in recent years, Acts like the Sarbanes-Oxley Act were upended to counter or supplement existing legislation dealing with security regulations, whereby accountants are held by a higher standard in terms of their financial reporting and that they can be personally held accountable for misrepresentation of information.

Conclusion on why CSR is important

Like I have stated earlier social irresponsibleness goes far beyond the scope it just being an accounting thing, but holistically from a company point of view. In our view if there is a bad apple in a bunch of apples it must be removed otherwise one might be faced with a dilemma where one would have to throw away more than they would have wanted due to the other apples being affected, putting that in context bad accountants should be ousted from the company. CSR must be implemented into a company program strategically. Just giving a donation is not enough. The best corporate social responsibility programs are based on a two-way relationship, amongst the related parties involved. This allows both parties to be challenged and grow together.

In finishing it is also important to get individuals who would buy into a company that has values and is committed to being socially responsible, I guess like the saying that goes it is hard to teach old horse new tricks. The same with CSR, it is hard to instill values to people who are not buying into the idea so you would need a workforce that is behind the policies being implemented. The same applies for the different departments in a company not only the accounting department.

What is a Balanced Scorecard?

The term balanced scorecard was first introduced by Drs. Robert Kaplan and David Norton, originally this was a measurement tool to provide managers with a more balanced view on financials and non-financials. When the model first arrived, it was fairly simple, and has become slightly more complex. It is now a complete strategic planning and management system, with four main perspectives; financials, customers, internal processes, and knowledge and growth. People are supposed to look at an organisation based on those four different perspectives, retrieve data, and then be able to make decisions based on the findings.

- Financials: debatably the most important perspective. The question that is coming from the managers is how do we look to our shareholders? The managers must report to the board of directors with the most relevant and timeliness financial data available, to then be able to provide the shareholders with the best possible earnings.
- Customers: when dealing with customers, “the customer is always right”. Anyone who has ever worked retail for a company can say they have been told this expression at one point in their career. Customer satisfaction is the key element. Without happy customers, businesses would not receive repeat customers necessary to continue operations. Every day there is more emphasis on customer satisfaction and customer focus. A customer wants to feel special and they want to feel valued. If they do not feel valued, they will take their business elsewhere. How do our customers see us?

- Internal processing: Where are we excelling? How is the company operating?
This is purely an inside process, that allows managers to know the level of success of their company.
- Knowledge and growth: This perspective is looking at innovation, leadership, employee training, continuous learning etc. By looking at those aspects, how does a company improve and create value, or add to the already existing value.

Why is a Balanced Scorecard Important?

A balanced scorecard provides a framework that translates the aims and objectives of a business into a series of key performance measures and targets. From using a balanced scorecard, each company can find out how its performance contributes to their goals. It allows for better communication throughout the organisation and better overall performance. Having targets to try and attain and being able to measure the outcomes allows the organisation to track progress, success or failure. From an accounting perspective, it is clear to see that internal processing fits well with what accountants do. Like we had mentioned before that an accountant's role goes far beyond just crunching numbers, but also providing information to management. Therefore, as accountants we should be in a position to look at financial performances of a company and come up with good reasoning as to, the areas that are declining, why that is the case and list possible solutions to solve the problems, that would be just interpreting the numbers.

How Does a Balance Scorecard Relate to CSR?

The Balanced Scorecard shares many of the key characteristics that make up corporate social responsibility. One of the perspectives of the balance scorecard is customers; looking at what makes the customers happy, and what the clients deem as important. Everyone is trying to be

environmentally conscious, and that is important to most people. But if a company does not have the same values as their clients, then the clients might choose to find a similar company with similar values to their own. The second perspective is knowledge and growth; this focuses on the constant improvement of their employees. Some companies have daycares for their employees, to better assist in company morale, and to help those employees. For example, the outdoor clothing company Patagonia keeps their employee morale very high. The company understands that their employees have a life outside of work and rather than fight them about this, they have adopted a system which encourages their personal life. For instance, Patagonia offers a daycare service on the bottom floor of their office building. The reason being that if parents are close to their children, it leaves less time wasted on wondering how their child is. Another way they encourage their employees is allowing them to take flexible work hours, as in, if it is snowing in the mountains, go ride, and when it is not, then it is work time.

What is the Triple-Bottom Line

The triple bottom line in my view ties together both CSR and the balanced scorecard. The Triple bottom line (TBL) is an accounting framework that incorporates three dimensions of performance it was created by John Elkington. The big picture behind it was, to measure sustainability during the mid-1990s by encompassing a new framework to measure performance in corporate America. The TBL went beyond the traditional measures of profits, return on investment, and shareholder value, to include environmental and social dimensions. By focusing on comprehensive investment results—that is, with respect to performance along the interrelated dimensions of profits, people and the planet—triple bottom line reporting can be an important tool to support sustainability goals of a company.

The Triple Bottom Line Defined

The TBL is an accounting framework that incorporates three dimensions of performance: social, environmental and financial. This differs from traditional reporting frameworks as it includes ecological (or environmental) and social measures that can be difficult to assign appropriate means of measurement. The TBL dimensions are also commonly called the three Ps: people, planet and profits. We will refer to these as the 3Ps from here on.

Well before John Elkington introduced the sustainability concept as "triple bottom line," environmentalists wrestled with measures of, and frameworks for, sustainability. Academic disciplines organized around sustainability have multiplied over the last 30 years. People inside and outside academia who have studied and practiced sustainability would agree with the general definition of Andrew Savitz for TBL. His definition of TBL states that, it captures the essence of sustainability by measuring the impact of organizations activities in the world, including both its profitability and shareholder values and its social, human and environmental capital. But, putting it all into perspective the problem is not defining TBL, but measuring it.

Calculating the Triple-Bottom Line

The 3Ps do not have a common unit of measure. Profits are measured in dollars. What is social capital measured in? What about environmental or ecological health? Finding a common unit of measurement is one challenge.

Some advocate monetizing all the dimensions of the TBL, including social welfare or environmental damage. While that would have the benefit of having a common unit dollars many object to putting a dollar value on wetlands or endangered species on strictly philosophical grounds. On the contrary, others question the method of finding the right price for lost wetlands or endangered species.

Another solution would be to calculate the TBL in terms of an index. In this way, one eliminates the incompatible units issue and, as long as there is a universally accepted accounting method, it allows for comparisons between entities, an example would be, comparing performance between companies, cities, development projects or some other benchmark.

An example of an index that compares a Province against the national performance for a variety of components. There remains some subjectivity even when using an index however. For example, how are the index components weighted?, Would each "P" get equal weighting?, What about the sub-components within each "P"?, Do they each get equal weighting?, Is the people category more important than the planet?, and Who decides?.

Having discussed the difficulties with calculating the TBL, we turn our attention to potential metrics for inclusion in a TBL calculation. Following that, we will discuss how businesses and other entities have applied the TBL framework.

What Measures Go into the Index?

There is no universal standard method for calculating the TBL. Neither, is there a universally accepted standard for the measures that comprise each of the three TBL categories. This can be viewed as a strength because it allows a user to adapt the general framework to the needs of different entities both business and non-profits, different projects or policies this could be infrastructure investment or educational programs, or by different geographic boundaries like a city, region or country.

Both a business and local government agency may gauge environmental sustainability in the same terms, say reducing the amount of solid waste that goes into landfills, but a local mass transit might measure success in terms of passenger miles, while a for-profit bus company would

measure success in terms of earnings per share. The TBL can accommodate these differences. Additionally, the TBL is able to be case or project specific or allow a broad scope—measuring impacts across large geographic boundaries—or a narrow geographic scope like a small town. A case or project specific TBL would measure the effects of a particular project in a specific location, such as a community building a park. The TBL can also apply to infrastructure projects at the state level or energy policy at the national level.

The level of the entity, type of project and the geographic scope will drive many of the decisions about what measures to include. That said, the set of measures will ultimately be determined by stakeholders and subject matter experts and the ability to collect the necessary data. While there is significant literature on the appropriate measures to use for sustainability at the state or national levels, in the end, data availability will drive the TBL calculations. Many of the traditional sustainability measures, measures vetted through academic discourse, are presented below.

Economic Measures

Economic variables ought to be variables that deal with the bottom line and the flow of money. It could look at income or expenditures, taxes, business climate factors, employment, and business diversity factors. Specific examples include:

- Personal income
- Cost of underemployment
- Establishment churn
- Establishment sizes

- Job growth
- Employment distribution by sector
- Percentage of firms in each sector
- Revenue by sector contributing to gross state product

Environmental Measures

Environmental variables should represent measurements of natural resources and reflect potential influences to its viability. It could incorporate air and water quality, energy consumption, natural resources, solid and toxic waste, and land use/land cover. Ideally, having long-range trends available for each of the environmental variables would help organizations identify the impacts a project or policy would have on the area. Specific examples include:

- Sulfur dioxide concentration
- Concentration of nitrogen oxides
- Selected priority pollutants
- Excessive nutrients
- Electricity consumption
- Fossil fuel consumption
- Solid waste management
- Hazardous waste management
- Change in land use/land cover

Social Measures

Social variables refer to social dimensions of a community or region and could include measurements of education, equity and access to social resources, health and well-being, quality of life, and social capital. The examples listed below are a small snippet of potential variables:

- Unemployment rate
- Female labor force participation rate
- Median household income
- Relative poverty
- Percentage of population with a post-secondary degree or certificate
- Average commute time
- Violent crimes per capita
- Health-adjusted life expectancy

In our view if all these inputs are included in the matrix calculation comprehensive feedback that could be used for decision making purposes will be our solution at the end.

Disadvantages of Triple-Bottom Line

Some of the difficulties faced by the TBL are that it is difficult to quantify, by difficult to quantify I mean that some companies may quantify financial aspects such as earnings, revenues and costs, it is difficult to quantify social and environmental aspects. An example TBL makes the commitment to protect the environment by the recycling for example, its impact is not easily discernable.

Management conflict, a business's management traditionally aims to maximize returns to shareholders. TBL reporting might create a conflict for such a business. The downside is that, it will always be hard to fully satisfy all three aspects of the TBL because in our view when focus is geared more on one aspect other aspects are bound to suffer.

Conclusion of Triple-Bottom-Line

The Triple Bottom Line concept developed by John Elkington has changed the way businesses, non-profits and governments' measure sustainability and the performance of projects or policies. Beyond the foundation of measuring sustainability on three fronts people, planet and profits, the flexibility of the TBL allows organizations to apply the concept in a manner suitable to their specific needs.

There are challenges to putting the TBL into practice. These challenges include measuring each of the three categories, finding applicable data and calculating a project or policy's contribution to sustainability. These challenges aside, the TBL framework allows organizations to evaluate the ramifications of their decisions from a truly long-run perspective.

The Triple bottom line would also tie into CSR and, you could also say to some extent the balanced scorecard as well, it has input factors which would apply to both and from an accounting point of view it seems to also gradually growing. In finishing, you cannot talk about CSR unless you love your people and your country.

What is Green Accounting? Does it exist?

Green accounting, also known as environmental accounting, is a way of changing the bottom line by putting a dollar value to nature, and how much we use certain resources. Accountants referred to the bottom line of earning as red or black, now they are looking at a green line as well. This

green line is referring to the environment, that the bottom line no longer only matters what the financial earnings will be for the year, but how did the company do at eliminating their carbon footprint, finding new and cleaner ways to dispose of items and improving their all-around social responsibility. Companies can now be loosely based around this accounting method, a great example being apparel company Ten Tree, whose entire operation is green. For every purchase, the company vows to plant ten trees, globally, and even go as far to say "...often plant more than ten trees per item to guarantee ten trees SURVIVE for every item sold". Reducing their emissions on the environment by replanting the emissions that they are creating. The final green line on their accounting would reflect their dedication to a greener way of business. A company sustaining efforts to reduce their carbon footprint can now viably increase their bottom line.

Concluding Remarks

With organizations playing such a large role in their respective communities, dominating such factors as employment, it is becoming the norm to operate with a certain level of dedication and transparency to a community around which a business operates in. Corporate Social Responsibility is a full circle approach which targets the relationship between corporations and the environment which they surround themselves with. A thorough approach is taken to reduce the corporations' carbon footprint, engage in proper ethics, and communicate their efforts to the community which they support. Companies are working hard to have a balanced score in an attempt to track their progress in every aspect of business operation. To reward environmentally conscious companies, green accounting offers bottom line enhancement by offering a green bottom line to companies which give back and attempt to revitalize the company around them. The key to successful accounting and operation in today's market is to engage in ethical, green business which supports the community around it.

In finishing again, it is clear that all of these methods are somewhat inter-related so it would be important that a company could implement one of the different programs. The corporation picking the program that stands behind their vision and mission statement, as well as the best possible image, because like we said earlier image is everything in the business world.

It is also of great importance that the program implemented, should be done so strategically, which means, if you try to become socially responsible overnight it will not work, but doing it gradually is the idea. As well as, you should implement this to staff that buy into the idea that you would want to achieve. The success of your idea is determined will be determined by the impact it has on your staff, they can make or break the implementation of a program that a company would like to implement, so therefore, sell your dream to them and sell it well.

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