

Corporate 'Silent' and 'Shadow' Social Accounting

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Many readers of *SEAJ* will be familiar with Rob Gray's statement, 'accountability should hurt', which arguably distils the underlying intent behind social and environmental accounting. However, based on the evidence of most current corporate social reporting (CSR) practice, it is often managers and shareholders who stand to gain most, rather than to 'feel pain'¹. At the same time the prospects for effective mandatory CSR in the UK seem distant: the much-vaunted Operating and Financial Review is not explicitly designed for this purpose, and is deficient in both form and substance.

The managerialism of recent voluntary CSR, and the absence of effective UK legislation, has prompted calls for a renewed and sustained academic engagement with organisations to actively experiment with social accounting². Some attempts at this type of engagement have taken place in recent years, but without real success³. In response to these difficulties some researchers have argued that, to be effective, new forms of accounting such as CSR should adopt more critically-motivated methodologies⁴. However, putting such ideas into practice is a radical, complex and time-consuming process, and few realistic opportunities exist for engaging directly in this way with commercial organisations.

Rather than pursue the development of CSR by this route, this short paper makes the case for a critically-inspired counterpoint to current CSR practice: corporate 'silent' and 'shadow' social accounting. This offers the potential to be a simple, practical and effective vehicle to create new forms of CSR.

WHAT IS 'SILENT' SOCIAL ACCOUNTING?

The new 'stakeholder' social audits have been criticised for their managerialism,

the backlash has already started on so-called 'corporate citizenship'⁵. Yet the irony is that aside from these high-profile developments a great deal of CSR is already being produced. This is the essence of the concept of 'silent' social accounting, which was first outlined by Rob Gray⁶. Companies use a range of channels to disclose information about themselves, but the annual report and accounts are clearly the most important single communication mechanism. Much of the content of the annual report is determined by law, which covers such items as the financial accounts, director's report and (where available) operating and financial review. In addition, other voluntary qualitative and quantitative disclosures are invariably made. As Gray points out, in these documents are substantial "nuggets" of social and environmental data.

For a large company in particular, this information, taken together, will amount to several pages of information on aspects such as corporate mission, directors, employees, customers, community, the environment, and corporate governance. Collecting this information would probably be most effective for companies that neither publish standalone CSR, nor restrict themselves to the minimum of required disclosure. This valuable information, whilst forming an important part of the overall annual report, is perhaps also diluted by it. The starting point for silent accounting is to identify this subset of the annual report (as well as other corporate documentation) and put it together as a document in its own right. This idea is something which, as Gray believes, seems to have eluded corporations to date, perhaps due to its very simplicity.

THE SCOPE AND PRACTICALITIES OF 'SILENT' SOCIAL ACCOUNTING

In his initial proposal for silent accounting, Gray makes some tentative

suggestions about how the concept might be applied in practice, using the annual report and accounts of a large pharmaceutical company to create a basic illustration of what a silent social account might look like. This represents the cheapest, simplest and quickest possible approach, in which only data from the annual report is used. However, it is clear that the amount of information produced by companies is rapidly increasing, particularly via the internet. It is therefore sensible to extend the boundaries of permissible data to include all corporate disclosures in the public domain. Of course, extending the scope of the document in this way increases the need for some kind of underlying framework against which the accounts could be compiled (and evaluated). For example, the notion of sticking to an 'accounting year' could be problematic, in terms of gathering and organising information.

'SHADOW' SOCIAL ACCOUNTS

Going further still, it is possible to conceive of an even wider scope for silent social accounting, in which information from external sources is used. To preserve the important distinction between internal and external sources, two accounts would be needed. The external 'shadow report' would be separate from the corporate 'silent account' (or if it exists, the corporate social report). However, the basic structure of both documents would be similar, with matching section headings perhaps corresponding to relevant stakeholders. The shadow report would ideally include (a) the voices of other stakeholders (where available), and; (b) wider sources of information from the public domain (primarily the media as well as other independent organisations).

By extending the account in this way, shadow reports may reveal 'gaps', between what companies choose to report about themselves and what they suppress⁷. In addition, the type of accountability underlying the account shifts away from an organisation-centred perspective, towards more independent and stakeholder-driven approaches⁸.

The construction of the shadow report is a subjective issue (as well as a potentially litigious one!), and would clearly depend on the scope and reliability of available information. Depending on the company concerned, this might vary considerably. However, sources of 'counter-information' about high-profile companies are now many and varied⁹, and the feasibility of this work is greatly increased with access to the internet, a medium in which free speech has at least the potential to flourish. (In)Famous anti-corporate websites are perhaps just the most visible tip of this information iceberg¹⁰. Two academic efforts at constructing such a combined silent/shadow account have already been produced¹¹, based on the activities of high-profile UK companies.

THE POTENTIAL OF SILENT/SHADOW SOCIAL ACCOUNTING

The essence of silent/shadow social accounting is certainly straightforward and uncomplicated, but its application may open up a potentially rich vein of opportunity in which the whole becomes greater than sum of its parts. As Gray argues, such a document represents a significant reconstruction of the social reality of the chosen company. It can be argued that such silent/shadow reports might collectively provide (1) an organisation-centred 'silent' account of the organisation's social performance; (2) an independent, externally produced 'shadow' social account of the organisation and its stakeholders; and (3) a polyvocal, stakeholder-driven view of (and response to) the organisation's behaviour.

Considering the organisation-centred silent account first, this has potential implications for internal and external perceptions of corporate social impact. Through the 'information inductance' effect, it may increase the decision-making importance placed on social and environmental issues. For example, the increasing awareness on the part of some investors and fund managers of the significance of social and environmental performance, especially

on the part of both UK pension funds and ethical investment funds, has created a demand for company-specific information which silent social accounting could help to satisfy.

The 'shadow' social account leans in the direction of previous experiments in the 1970s in 'external social audits'¹². Free from an organisation centred accountability approach, it would provide a space for an independent, critical interpretation of corporate social performance. Such an approach could be seen as attractive to activists and pressure groups, but few external 'social audits' have appeared in recent years¹³. However, as stated earlier, the growth of the internet means that availability of 'counter-information' sources has improved dramatically, especially for large companies with a high public profile. From a 'polyvocal' stakeholder perspective, this type of shadow account would also be more inclusive. The voices of wider stakeholders could form an important part of the shadow report, either indirectly or directly.

A combined silent/shadow account could also create the conditions for an active *dialogue* between companies and their stakeholders. In this way, a more explicit emancipatory objective of stakeholder empowerment and education could be pursued¹⁴. The silent/shadow account could provide (potentially) a shared starting point for both management and stakeholders of the companies concerned to confront their accountability relationships. Using the silent/shadow reports as a resource, an open (electronic) forum could allow the organisation and its stakeholders to systematically formulate 'situations of concern' to stakeholders, and together problematise (and perhaps even change) their relationships through effective dialogue. The practicalities of this would obviously require development.

PRODUCING SILENT/SHADOW SOCIAL ACCOUNTS

Silent/shadow social accounts need not be laborious one-off experiments, but could be produced quickly and on a

relatively large scale, since no direct access to, or permission from, the organisation is necessary. Consequently, I hope that more individuals could become involved in the construction of several silent/shadow accounts. Such collective effort, if undertaken across a range of well-known companies, could provide a significant and visible response to current CSR 'best practice'.

Beyond academia, some interesting developments in the activist movement have recently occurred. Action on Smoking and Health's *Other Report to Society* effectively 'shadows' British American Tobacco's 2002 social report¹⁵. Secondly, in addition to the many established web-based counter-information sources, an intriguing project to construct a live database of 'shadow' social information has also been started¹⁶.

These developments suggest that the best approach for academics may be to work with existing information sources to construct combined silent/shadow accounts and use them to engage with corporate management and wider stakeholders. The next steps in marking out a way forward for the construction of such accounts might be to:

- construct a basic template for the silent and shadow accounts, including subject headings, format, referencing, length, etc.;
- identify interested researchers and suitable companies;
- set up and maintain a shared list of information sources for shadow reports;
- create a web-based space for the publishing and development of accounts;
- invite contributions and reactions from management and stakeholders to the accounts.

¹ Owen, D.L., Swift, T.A., Humphrey, C. and Bowerman, M. (2000) "The New Social Audits: Accountability, Managerial Capture or the Agenda of Social Champions?", *European Accounting Review*, Vol. 9, No. 1, pp. 81-98.

² Gray, R.H. (2002) "The social accounting project and *Accounting, Organizations and Society*: Privileging engagement, imagination, new accountings and pragmatism over critique?", *Accounting, Organizations and Society*, vol. 27, no. 7, pp. 687-708.

³ Dey, C.R. (2000) "Bookkeeping and Ethnography at Traidcraft plc: A Review of an Experiment in Social Accounting", *Social and Environmental Accounting Journal*, Vol 20, No, pp. 16-19, and O'Dwyer, B. (2002) "The Construction of a Social Account: A Case Study in an Overseas Aid Agency".

⁴ Dey, C.R. (2002) "Methodological Issues: The Use of Ethnography as an Active Research Methodology", *Accounting, Auditing and Accountability Journal*, vol. 15, no. 1, pp. 106-121, and Thomson, I. and Bebbington, J. (forthcoming) "Social and Environmental Reporting in the UK: A Pedagogic Evaluation".

⁵ See, for example, Hertz, N. (2001), *The Silent Takeover: Global Capitalism and the Death of Democracy*, Heinemann.

⁶ Gray, R.H. (1997) "The Silent Practice of Social Accounting and Corporate Social Reporting in Companies" in Zadek *et al.* (Eds.) *Building Corporate Accountability: Emerging Practices in Social and Ethical Accounting, Auditing and Reporting*, Earthscan.

⁷ Adams, C. (forthcoming) "The reporting – performance portrayal gap in ICI", *Abacus*.

⁸ Gray, R.H., Dey, C.R., Owen, D., Evans, R. and Zadek, S. (1997) "Struggling with the Praxis of Social Accounting: Stakeholders, Accountability, Audits and Procedures", *Accounting, Auditing and Accountability Journal*, Vol. 10, No. 3, pp.325-364.

⁹ Lubbers, E. (Ed.) (2002) *Battling Big Business: Countering Greenwash, Infiltration and Other Forms of Corporate Bullying*, Common Courage.

¹⁰ See, for example, www.mcspotlight.org and www.stopesso.com.

¹¹ Gray, R.H., Gibson, K. Laing, Y. and Dey, C.R. (2001) "The Silent Accounts Project: Draft Silent and Shadow Accounts 1999-2000" (separate publications for Tesco plc and HSBC Holdings plc), presented to the British Accounting Association, Scottish Group Conference, September 2001.

¹² Medawar, C. (1976) "The Social Audit: A Political View", *Accounting, Organizations and Society*, Vol. 1 No. 4, pp. 389-394.

¹³ Although see Entine, J. (2003) *A Social and Environmental Audit of Body Shop: Anita Roddick and the Question of Character*, www.jonentine.com/body_shop.htm.

¹⁴ Thomson, I. and Bebbington, J. (forthcoming) "Social and Environmental Reporting in the UK: A Pedagogic Evaluation".

¹⁵ For more information, see www.ash.org.uk/html/conduct/html/reporttosocietysum.html.

¹⁶ More information on the 'Pandora Project' can be found at www.xs4all.nl/~evel/pandora/.