CSR After Enron: A Role for the Academic Accounting Profession?

David L. Owen
Abstract

Recent years have witnessed the rise of a whole new CSR ‘industry’, comprising consultants, NGOs, professional bodies and public relations experts supporting corporate initiatives in the area. Whilst the birth of this movement clearly pre-dated the Enron and WorldCom debacles - indeed, Enron was a major player on the US social reporting scene - there has been a discernible quickening of pace in the past couple of years. This is particularly apparent in the UK in terms of the number of companies portraying their CSR credentials by means of producing substantial paper and/or web-based social and environmental reports. For example, whereas KPMG’s latest (2002) triennial survey of reporting practice indicated that 49% of the FTSE 100 produced such reports, later figures (www.CorporateRegister.com, 2004) suggest that the number now exceeds 80%. A similar trend is apparent on the international scene with an ever rising number of prominent multinationals signing up to the Sustainability Reporting Guidelines emanating from the Global Reporting Initiative (GRI).

Key-words

Corporate Social Reporting, Enron, Stakeholder, Accounting

Authors

David Owen is Professor of Environmental and Social Accounting at the International Centre for Corporate Social Responsibility (ICCSR) at Nottingham University Business School, UK.

Addresses for correspondence

David L. Owen
International Centre for Corporate Social Responsibility
Nottingham University Business School
Jubilee Campus
Wollaton Road
Nottingham NG8 1BB

Email: David.Owen@nottingham.ac.uk
Telephone +44 (0)115 846 6798
Fax +44 (0)115 846 5667
CSR After Enron: A Role for the Academic Accounting Profession?

David L. Owen

Introduction

Recent years have witnessed the rise of a whole new CSR ‘industry’, comprising consultants, NGOs, professional bodies and public relations experts supporting corporate initiatives in the area. Whilst the birth of this movement clearly pre-dated the Enron and WorldCom debacles - indeed, Enron was a major player on the US social reporting scene - there has been a discernible quickening of pace in the past couple of years. This is particularly apparent in the UK in terms of the number of companies portraying their CSR credentials by means of producing substantial paper and/or web-based social and environmental reports. For example, whereas KPMG’s latest (2002) triennial survey of reporting practice indicated that 49% of the FTSE 100 produced such reports, later figures (www.CorporateRegister.com, 2004) suggest that the number now exceeds 80%. A similar trend is apparent on the international scene with an ever rising number of prominent multinationals signing up to the Sustainability Reporting Guidelines emanating from the Global Reporting Initiative (GRI).

Perhaps not surprisingly in the light of the fall-out from Enron and similar affairs, issues of reputation and risk management appear to be primary motivating factors for companies going down the CSR route. Business in the Community’s (2003) ‘business case’ for CSR, for example, notes that it offers:

“…a means by which companies can manage and influence the attitudes and perceptions of their stakeholders, building their trust and enabling the benefits of positive relationships to deliver business advantage.” (p.3)
And:
“…more effective management of risk, helping companies to reduce avoidable losses, identify new emerging issues and use positions of leadership as a means to gain competitive advantage by influencing new regulation to strengthen competitive advantage.” (p.4)

Competitive advantage is now firmly driving the corporate agenda, rather than a moral case for strengthening corporate accountability (which for many early writers formed the whole raison d’être for CSR and associated reporting initiatives - see, for example, Medawar, 1976 and Gray et al, 1987). Nowhere is this more apparent than in the brochure accompanying the Observer and Guardian newspapers’ March 2004 conference on ‘Business and Society’ (one of an increasing number of high profile conferences promoting the CSR cause) which notes that:
“…boards of directors need to be able to show that any voluntary action they endorse will ultimately enhance shareholder value; they also need to understand how their social and environmental impacts can enhance or endanger shareholder value.”

To the extent that discharging accountability is acknowledged at all as a core objective of social reporting initiatives, it is seamlessly intertwined with the promotion of the ‘business case’ and pursuit of shareholder value. Significantly, the possibility of negative and conflicting relations between organisations and various stakeholder groups is largely ignored (Friedman and Miles, 2002). Thus, the banking group HSBC’s web-based social report, under the heading 'Living Our Values’, claims that a “…sense of responsibility underpins our everyday life and everyday decisions. We want our contribution to be as positive and sustainable as possible”.

3
However, no rigorous rebuttal is offered to the charge levied by consumer organisations that the bank’s earlier announced record profits largely came off the back of vigorous promotion of personal lending that has resulted in levels of debt in the UK that are far from sustainable (Wachman, 2004). Equally, HSBC’s unquestionable success in promoting shareholder value, whilst no doubt welcomed by its investors, is unlikely to impress many of the 4,000 UK staff being made redundant as work is located to India, China and Malaysia as part of an ongoing cost-cutting drive. The HSBC case provides but one, albeit particularly stark, example of the tendency for stakeholder conflict, rather than harmony, to permeate much economic activity, and for that conflict to be invariably resolved in favour of shareholders (Shaoul, 1998). Indeed, as Jones (1999) points out, whereas the market power of large companies provides the necessary discretionary resources to allocate to CSR activities, a powerful combination of external financial hegemony and internal bureaucratic control conspire to prevent them being socially responsible in anything but an instrumental sense.

Here in a nutshell we have the key deficiency of the shareholder value driven ‘business case’ for CSR, in that it offers a financially constrained, tactical response to recent fundamental questioning of the moral accountability of business enterprise – even though such enterprise, in its endless pursuit of financial gain, stands accused of riding roughshod over the interests of vulnerable communities and workforces across the globe (see, for example, Monbiot, 2000; Frank, 2001; Korten, 2001; Palast, 2002; Bakan, 2004). Crucially, CSR does not deliver a level of accountability that can ‘hurt’ (Gray, 2001). Nor does it suggest that the business world has learnt any real
lessons from a corporate governance crisis that, from the recent evidence of Parmalat, is very much ongoing.

Increasingly, there is a suspicion that much present-day social reporting amounts to little more than a smokescreen, diverting attention away from core issues of ethical and moral accountability. These core issues include those of: corporate tax avoidance, which Lopatin (2004) has termed the ‘$50 billion black hole at the heart of CSR’; lobbying activity, prevalent on both sides of the Atlantic, designed to limit the degree of corporate social and environmental accountability (Korten, 2001; Palast, 2002); and the under-funding of company pension schemes. In terms of the latter issue, given that many companies suspended contributions to their schemes in the stock market boom years of the 1980s, thereby benefiting shareholders considerably, it is telling that no compensating sacrifice is now called for from the latter group. Apparently it is far more acceptable to close the schemes lest shareholder value be compromised – a clear demonstration that, despite the line peddled by today’s ever swelling CSR industry, pursuing shareholder value and discharging accountability to other stakeholder groups are fundamentally different concepts.

**Emerging Trends in CSR Research: The Significance of Critical Engagement**

The above analysis reflects a considerable level of disquiet on the part of many public commentators concerning the genuineness of much avowed corporate commitments to CSR. The question arises as to what contribution academic accounting can make to such debate, particularly in terms of promoting heightened levels of corporate accountability and transparency?
Traditionally, critical accounting theorists have taken social and environmental accounting researchers to task for their failure to recognize social conflict as endemic to society, and consequent adoption of a position of political quietism concerned with the symptoms, rather than the causes, of environmental and social degradation (see Tinker et al., 1991). Certainly, this is fair comment concerning much research activity up to the early 1990s. In my view, it also equally applies to more recent research in environmental accounting addressing the implications for management information system design of growing corporate environmental awareness or seeking to encapsulate an environmental dimension within traditional accounting concepts (Owen, 2004). However, in some contrast, recent research in the CSR field has exhibited an increasingly radical, campaigning flavour, centering on a desire to engage critically with practice in an attempt to transform it (Bebbington, 1997). Encouragingly, this development appears to be leading to something of a rapprochement between the work of mainstream CSR scholars and critical theorists thereby offering the potential for much in the way of mutual empowerment (Tinker and Gray, 2003).

One significant strand of critical engagement work in the CSR area has been concerned with exposing the woolly thinking of ‘consultant speak’ and the ‘corporate spin’ that informs current reporting practice (Gray and Milne, 2002; 2004). A neat practical illustration in this context is provided by Adams (2004) whose painstaking comparison of voluntary corporate disclosure with information gleaned from other, more independent, sources points to a reporting-performance portrayal gap, which certainly calls into question the accountability credentials of the former. Interview-based work by O’Dwyer (2003) and Owen et al. (2000; 2001) similarly highlights the
domination of managerial conceptions of CSR. Owen et al.’s work points clearly to the need for institutional reform (via changes in corporate governance structures) to accompany administrative (reporting) reform in order for the emancipatory, democratizing potential of such (CSR) reporting to be realized. More recent work by Thompson and Bebbington (forthcoming) and Unerman and Bennett (2004) further indicates the necessity for such reform - highlighting managerial control and manipulation of the stakeholder dialogue processes that many companies claim do underpin their reporting initiatives.

Drawing upon a detailed analysis of recent engagement-based research, Dey (2004) suggests that, as part of a strategy to engage with organizations, a simple, practical and effective vehicle to create new accountings is the development of a combined system of ‘silent’ and ‘shadow’ social accounts. The former are derived by collating the various bits and pieces of environmental and social disclosure made by companies in their annual reports, and via other media, in order to produce an organizational social statement (see Gray, 1997). Subsequently, a shadow statement is produced, utilizing information from external sources, and addressing the same range of issues as the company derived statement. Taken together, the two statements could reveal different perceptions on corporate performance, with the shadow statement potentially revealing what information the company chooses to suppress. In Dey’s view, such an approach opens up the possibility of active dialogue between companies and their stakeholders, whilst also providing the opportunity for academics to engage with both parties.
The crucial question here, of course, is whether corporate management is likely to respond positively to such attempts to initiate constructive engagement? The omens, it has to be said, are not good. As Bebbington and Gray (2001) note, when working with organizations the capture of the CSR agenda by managerial interests is an ever present threat, due to the immense difficulty of moving beyond a ‘business as usual’ scenario. Crucially here, macro level market constraints, together with perceived economic ‘realities’, greatly limit the range of new practices and associated new accountings that organizations feel able to contemplate in practice. The past experience of producers of external social audits in the 1970s together with that of the 1980s plant closure audits (see Gray et al., 1996; Harte and Owen, 1987), perhaps all too readily exemplifies this point. Indeed, I can see little in the current corporate landscape to suggest that the mind-set of organizational management has undergone much in the way of change since this time.

The above remarks should not be taken as suggesting that pursuing a strategy of critical engagement is inevitably destined to fail. Such efforts at least enable us to highlight the scale and techniques of the propaganda tendencies in current corporate-led social reporting. As Collison (2003) points out, in evaluating the purposes of the powerful in this way, the less effective so-called state-of-the-art CSR is likely to be - and the closer we may come to a pluralist, accountable and democratic ideal. However, critical engagement is likely to more effective if researchers are prepared to extend their scholarship from the generally prevailing managerialist perspective to the point where the less comfortable areas of real conflict lie (Tinker and Gray, 2003).
Sadly, as O’Dwyer (2002) indicates, there is a paucity of research in CSR that engages directly with non-managerial stakeholder interests. Whereas this gap is beginning to be addressed by research that seeks to elicit the views of, and thereby provide a voice to, NGOs (see, for example, O’Dwyer et al., forthcoming) little work has been done with other stakeholder groups, most notably trade unions (Ezzamel et al., 2004). Despite a significant reduction in its power and influence over the past twenty years, the trade union movement remains the main forum through which ordinary people’s interest in the workplace can be directly represented (Sampson, 2004), and thereby, the one potential source of meaningful countervailing power to that of the corporate lobby. Indeed, there are clear signs of the trade union movement beginning to re-assert its central relevance via participation in ‘social partnerships’ bringing together employer, union, community and other stakeholder interests (see Ackers and Payne, 1998; Andersen and Mailand, 2002). Intriguingly, working with trade union interests also holds out the prospect of starting to realize the potential for mutual empowerment between CSR and critical scholars alluded to earlier (see Cooper et al., forthcoming).

**The Critical Engagement Potential of Teaching**

For those pursuing an engagement path, a central component of any strategy to bring about change has to be the teaching function, which offers academics their most direct opportunity of influencing the next generation of accountants, whether they become future accounting practitioners, researchers or managers utilizing the services of accountants. Significantly here, a number of writers (see, for example, Gioia, 2003; Swanson and Frederick, 2003) have accused modern day business education, in its elevation of the principles of property rights and narrow self-interest above broader
values of community and ethics, of being complicit in creating a climate that breeds Enrons and WorldComs. Accounting scholarship itself is singled out for particular criticism by Williams (2004b), in that in its search for scientific respectability, and consequent colonization by the tenets of positive economic science, it has effectively deprived itself of any moral foundation by which the propriety of actions may be judged. Indeed, for Williams (2004a), accounting education can only be recovered as a worthy endeavour if it can free itself from the shackles of the vested interests of the accounting profession.

Of course, it must be understood that Williams is writing from a US perspective, and whether such claims are equally applicable to the UK, and wider European, context is open to some doubt. Certainly, within a UK context, the Quality Assurance Agency (2000) subject benchmark statements for Accounting, which prescribe the expected nature and characteristics of programmes within the subject area, lay great stress on the necessity of fully addressing conceptual and theoretical foundations. Furthermore, it is clearly acknowledged that the study of accounting is to be informed by perspectives from the social sciences, which in addition to the economic may include behavioural, political and sociological perspectives. Additionally, it should be noted that the dramatic decline in the importance of professional accreditation as a factor influencing curriculum design in recent years, presents a real opportunity to rethink the predominantly technicist driven core of the accounting curriculum (Owen, 2001).

In view of this, it is perhaps depressing to note that Stevenson (2000) is able to point to a continuing pattern of (largely passive) resistance amongst accounting academics to the introduction of courses in social and environmental accounting identified by
Owen et al. (1994). Quite possibly, the perceived malaise in accounting education is too deep to be tackled by ‘bolt on’ courses, should the key foundations of the curriculum remain unchanged (and, quite obviously, courses in social and environmental accounting themselves may be taught from a corporate or managerial perspective). However, as Boyce (2004) points out, there is considerable scope for academics to develop a critical education programme, which introduces a much-needed moral foundation, in standard, or core, courses. Essentially, what this means is:

“…subjecting accounting systems, technologies, policies, procedures and practices to scrutiny insofar as they have real direct and indirect consequences for social actors and groups.” (Boyce, 2004, p.578).

Significantly, it is these very consequences that are the fundamental concern of CSR researchers seeking to pursue an engagement strategy. Boyce’s perceptive analysis offers a route into the teaching curriculum that effectively counters the marginalization that CSR teaching programmes delivered as stand-alone electives have generally hitherto encountered. Whereas evidence as to how social and environmental accounting programmes in the UK have changed post-Enron is largely anecdotal (see, for example, Thomson and Bebbington, 2004), Matten and Moon’s (forthcoming) recent substantial survey of CSR education patterns in general within European business schools certainly suggests that the subject area is enjoying increased prominence. Significantly, the majority of schools responding to the survey claimed to be mainstreaming CSR into their teaching programmes, either via introducing compulsory modules or embedding the material in other modules or courses. However, somewhat worryingly, Matten and Moon’s study goes on to note
that the major perceived driver for the future success of CSR teaching in business schools is ‘business approval and support’, whilst use of business speakers provides the most widely employed special teaching tool. It would, therefore, seem here that business capture of the teaching agenda provides a similar threat as it does for the research agenda referred to earlier.

Gioia (2003) produces strong evidence that student values and attitudes do change over the course of (in this case MBA) programmes as a whole. Hence we shouldn’t be surprised when narrow minded and morally bankrupt accounting programmes produce narrow minded and morally bankrupt graduates. A real fear I have here is that the general lack of critical academic engagement prevalent in the research arena, notwithstanding the continuing efforts of a few stalwarts, is likely to be increasingly repeated in the teaching arena. Many years of chronic under-funding of UK higher education has inevitably led to a situation where interaction with students is not encouraged (if not positively discouraged) as attention is focused on the production of deliverable mass courses in order to free up time for research. Research that is arguably ever more divorced from the realm of public policy and praxis (Harley, 2000).

Concluding Remarks

The moral bankruptcy of the present day corporate world, of which the Enron, WorldCom and Parmalat scandals are but the more visible manifestations, presents accounting academics with a major dilemma. Do we continue to pursue a conservative research and teaching agenda which offers no challenge to an increasingly rapacious business system that, despite the lip service it pays to CSR, has the sole aim of
maximizing shareholder wealth whatever the societal cost, or do we critically engage? The latter route is, admittedly, a difficult one to pursue, entailing as it does a commitment to long term institution building activities, should critical intervention in the realm of policy making and praxis stand any chance of success (Neu et al, 2001). Furthermore, as Gray (2002) points out, the ad hoc, pragmatic nature of engagement exercises, together with the difficulty of grounding the issues theoretically, provides a major stumbling block as far as publishing in conventional academic journals is concerned. Equally, engagement in the teaching arena, designed to enable the student to become a critical co-investigator in dialogue with the teacher (Thomson and Bebbington, 2004) as opposed to simply a passive learner, is both challenging and time consuming. Clearly, therefore, the former route is by far the safer one career wise, but equally ensures that we continue to act, as Swanson and Frederick (2003) put it, as accomplices to corporate crime. The essential point is that there is a choice to be made, for as Parker et al. (1998) rightly emphasise; “We are embedded in the system of knowledge production and retain considerable influence over its shaping, despite other forces that may at times seem overwhelming.” (p.399).
References


Research Paper Series
International Centre for Corporate Social Responsibility
ISSN 1479-5124

Editor: Jeremy Moon

The ICCSR Research Papers Series is intended as a first-hand outlet for research output of ICCSR. These include papers presented at symposiums and seminars, first drafts of papers intended for submission in journals and other reports on ongoing or completed research projects.

The objective of the ICCSR Research Papers Series is twofold: First, there is a time goal: Given the quality of ICCSR publication, the targeted journals normally require large time spans between submission and publication. Consequently, the ICCSR Research Papers Series serves as a preliminary airing to working papers of ICCSR staff and affiliates which are intended for subsequent publication. By this, research output can be made available for a selected public which will not only establish ICCSR’s lead in advancing and developing innovative research in CSR but will also open the opportunity to expose ideas to debate and peer scrutiny prior to submission and/or subsequent publication. Second, the ICCSR Research Papers Series offers the opportunity of publishing more extensive works of research than the usual space constraints of journals would normally allow. In particular, these papers will include research reports, data analysis, literature reviews, work by postgraduate students etc. which could serve as a primary data resource for further publications. Publication in the ICCSR Research Paper Series does not preclude publication in refereed journals.

The ICCSR Research Papers Series consequently is interested in assuring high quality and broad visibility in the field. The quality aspect will be assured by establishing a process of peer review, which will normally include the Editor of the ICCSR Research Papers Series and one further academic in the field. In order to achieve a reasonable visibility the ICCSR Research Papers Series has full ISSN recognition and is listed in major library catalogues worldwide. All papers can also be downloaded at the ICCSR website.

Published Papers

No. 01-2003  Wendy Chapple & Richard Harris
Accounting for solid waste generation in measures of regional productivity growth

No. 02-2003  Christine Coupland
Corporate identities on the web: An exercise in the construction and deployment of ‘morality’

No. 03-2003  David L. Owen
Recent developments in European social and environmental reporting and auditing practice – A critical evaluation and tentative prognosis

No. 04-2003  Dirk Matten & Andrew Crane
Corporate Citizenship: Towards an extended theoretical conceptualization

No. 05-2003  Karen Williams, Mike Geppert & Dirk Matten
Challenges for the German model of employee relations in the era of globalization

No. 06-2003  Iain A. Davies & Andrew Crane
Ethical Decision Making in Fair Trade Companies

No. 07-2003  Robert J. Caruana
Morality in consumption: Towards a sociological perspective
<table>
<thead>
<tr>
<th>No.</th>
<th>Authors</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>08-2003</td>
<td>Edd de Coverly, Lisa O'Malley &amp; Maurice Patterson</td>
<td>Hidden mountain: The social avoidance of waste</td>
</tr>
<tr>
<td>09-2003</td>
<td>Eleanor Chambers, Wendy Chapple, Jeremy Moon &amp; Michael Sullivan</td>
<td>CSR in Asia: A seven country study of CSR website reporting</td>
</tr>
<tr>
<td>12-2003</td>
<td>David A. Waldman, Donald Siegel &amp; Mansour Javidan</td>
<td>Transformational leadership and CSR: A meso level approach</td>
</tr>
<tr>
<td>14-2003</td>
<td>Anita Fernandez Young, Jeremy Moon &amp; Robert Young</td>
<td>The UK Corporate Social Responsibility consultancy industry: a phenomenological approach</td>
</tr>
<tr>
<td>15-2003</td>
<td>Andrew Crane</td>
<td>In the company of spies: The ethics of industrial espionage</td>
</tr>
<tr>
<td>16-2004</td>
<td>Jan Jonker, Jacqueline Cramer and Angela van der Heijden</td>
<td>Developing Meaning in Action: (Re)Constructing the Process of Embedding Corporate Social Responsibility (CSR) in Companies</td>
</tr>
<tr>
<td>17-2004</td>
<td>Wendy Chapple, Catherine J. Morrison Paul &amp; Richard Harris</td>
<td>Manufacturing and Corporate Environmental Responsibility: Cost Implications of Voluntary Waste Minimisation</td>
</tr>
<tr>
<td>18-2004</td>
<td>Brendan O’Dwyer</td>
<td>Stakeholder Democracy: Challenges and Contributions from Accountancy</td>
</tr>
<tr>
<td>19-2004</td>
<td>James A. Fitchett</td>
<td>Buyers be Wary: Marketing Stakeholder Values and the Consumer</td>
</tr>
<tr>
<td>20-2004</td>
<td>Jeremy Moon</td>
<td>Government as a Driver of Corporate Social Responsibility: The UK in Comparative Perspective</td>
</tr>
<tr>
<td>21-2004</td>
<td>Andrew Crane and Dirk Matten</td>
<td>Questioning the Domain of the Business Ethics Curriculum: Where the Law ends or Where it Starts?</td>
</tr>
<tr>
<td>23-2004</td>
<td>David Owen and Brendan O’Dwyer</td>
<td>Assurance Statement Quality in Environmental, Social and Sustainability Reporting: a Critical Evaluation of Leading Edge Practice</td>
</tr>
</tbody>
</table>
No. 24-2004  
*Robert J. Caruana*  
Morality in consumption: towards a multidisciplinary perspective

No. 25-2004  
*Krisha Bondy, Andy Crane & Laura Browne*  
Doing the Business: A film series programmed by ICCSR in conjunction with Broadway Cinema

No. 26-2004  
*Stanley Chapman*  
Socially Responsible Supply Chains: Marks and Spencer in Historic Perspective

No. 27-2004  
*Kate Grosser and Jeremy Moon*  
Gender Mainstreaming in Corporate Social Responsibility: Reporting Workplace Issues

No. 28-2004  
*Jacqueline Cramer, Angela van der Heijden and Jan Jonker*  
Corporate Social Responsibility: Balancing Between Thinking and Acting

No. 29-2004  
*Dirk Matten and Jeremy Moon*  
‘Implicit’ and ‘Explicit’ CSR: A conceptual framework for understanding CSR in Europe

No. 30-2005  
*Nigel Roome and Jan Jonker*  
Whistling in the Dark

No. 31-2005  
*Christine A. Hemingway*  
The Role of Personal Values in Corporate Social Entrepreneurship

No. 32-2005  
*David L. Owen*  
Corporate Social Reporting and Stakeholder Accountability: The Missing Link

No. 33-2005  
*David L. Owen*  
CSR After Enron: A Role for the Academic Accounting Profession?