THE GROWING IMPORTANCE OF INTEGRATED REPORTING FOR CORPORATE SOCIAL RESPONSIBILITY

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ABSTRACT

The recent scandal of Volkswagen AG has demonstrated one of the weaknesses of Corporate Social Responsibility–how much people can trust CSR reporting. At a time when CSR is moving from voluntary initiative to a required component for businesses in many countries, sustainability and the environmental standards of Environmental/Social/Governmental CSR have gained importance because there are existing regulations, especially in the emissions area. However, this focus has meant that CSR reporting can lack strategic focus and neglect profit reporting. This paper will briefly describe the ethical and stakeholder theories that underlie CSR, the importance of CSR and the consumer response to CSR based on the current Cone, LLC consumer research on CSR. It will then describe the current reporting organizations and the current CSR focus of different companies and the value of adopting integrative reporting. As the number of organizations that act as third-party assessors and that announce awards for being social responsible grows, the fact that there is an Integrated model on the horizon may be the solution to standardizing what is meant by being socially responsible and ensuring that the consumers' belief in the importance of CSR is translated into performance in reporting.

INTRODUCTION

The 2015 scandal of Volkswagen AG (VW) demonstrated one of the current weaknesses of Corporate Social Responsibility (CSR)–how much people can trust CSR reports. VW had just been named as the 2015 Automotive Industry Leader in its Dow Jones Sustainability Index. On October 6, 2015, the Dow Jones removed VW from all of its Sustainability Indexes. It had just removed Toshiba Corporation because of a fraudulent accounting scandal. Toshiba, too, was a CSR star and had published CSR reports from 2011 through 2014 (S&P Dow Jones Indices, 2015, para 1). Both companies focused on sustainability, specifically emissions, which is one CSR area that is regulated and publishes data. However, in both cases, CSR was not part of the companies' strategic mission and the CSR initiatives were outside the financial reporting.

At a time when CSR is moving from a voluntary initiative to a required component for business, accurate reporting of the Environmental/Social/Governmental (ESG) measures of CSR has gained importance. CSR reporting has always been separate from financial reporting; companies produced annual CSR or Sustainability reports as well as financial reports or published them as addendums to their financial reports. However, since CSR is now global, some governments now require CSR reports that identify achievements, not just initiatives. In April of 2014, the Indian government implemented CSR guidelines requiring

companies to spend 2% of their net profit on social development. This ties the CSR reporting to financial reporting. Additionally, consumers are increasingly using companies' CSR achievements as a basis for making buying decisions (Cone LLC, 2015a, 2015b). There is a growing need for CSR to be integrated into strategic planning and to have CSR results integrated with financial results.

> Unfortunately, while the ideals behind corporate social responsibility certainly have merit, the overall execution has been deeply flawed. The trend in CSR has been to focus more on goals and aspirations, and less on concrete and tangible results. Companies often highlight what they say they will do in 2020 or 2025, and focus less on what happened last year or in 2015. (Kaye, 2015, para. 7)

As more and more CSR awards are given by more and more organizations, the need for transparency and standardized accountability in reporting of data and results is increasing. There is an Integrated Reporting model on the horizon that may be the solution to standardizing not only the definition but the performance metrics for social responsibility. There is also an increase in the number of organizations, including accounting, engineering, and consulting firms that propose to act as third-party assessors for CSR reports (Global Reporting Initiative, 2013). The fact that one CSR area that is actually regulated and standardized, that of sustainability and emissions, could be reported falsely, as it was in the VW case, demonstrates the need for a new focus on reporting. If annual reports and awards cannot be trusted, CSR may have a diminishing impact on the world. Since the consumers are increasingly demanding accurate reporting because they have said they will make decisions based on CSR commitment, it is essential that reporting move from voluntary and additional to the business reporting to a significant part of business strategy. This paper will describe the why CSR in important for the future of business and the planet, provide a literature review, and then describe the current CSR reporting organizations and explain the value of adopting integrative reporting.

LITERATURE REVIEW

With his seminal paper, Archie Carroll (1979) created a model for CSR "The social responsibility of business encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time" (p. 500). Much of the early commentary came from the legal discipline arguing against CSR and showing that Friedman (1970) was correct when he said that

> there is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. (p. 123)

Winegarden (2006) argued that CSR is inconsistent with the tenets of capitalism and weakens a market economy. Karnani (2010) claimed that CSR projects were unethical in public corporations with stockholders because all profit should be passed on to stockholders, investors, and employees who could then choose to give money to causes so they could qualify for tax deductions. Atkins (2006) argued that CSR is just an attempt at political correctness; others added that it is an attempt to pre-empt the role of governments as a watchdog over powerful multinational corporations. May, Cheney, & Roper (2007) explored the debate in their book, *The Debate over Corporate Social Responsibility*.

Newell (2014) edited a collection of articles on perceptions of CSR by CEOs and consumers and CSR in specific industries. Garriga and Mele (2004) separate corporate social responsibility theories into instrumental theories, political theories, integrative theories, and ethical theories. The majority of the research has flowed from its ethical roots. Ethical theories focus "on the right thing to achieve a good society" (Garriga & Mele, 2004, p. 64). CSR meets the ethical precepts of De George (1986) for multi-

national corporations that they should respect human rights and local cultures (unless they violate moral norms), pay fair taxes to the host country, and do no direct intentional harm. However, as Crane, Palazzo, Spence, and Matten (2014) correctly pointed out, there is always a conflict between doing good and making profit, so a company will have to make choices. It may have to make less profit in order to ensure that all stakeholders are treated fairly with respect and as ends not means. Maon, Lindgreen, & Swaen (2009) proposed an integrated model based on ethical theories.

While it is true that Corporate Social Responsibility (CSR) has never met the requirements of Kantian ethics, it has met the requirements of the stakeholder theory of ethics (Freeman, 1994; Donaldson & Preston, 1995; Mendonca & Miller, 2007). Thus, CSR and stakeholder theory is one area that has been the subject of scholarly research. "The considerable success of stakeholder theory in terms of scholarly and practitioner impact, however, has to do with the fact that (on the descriptive and instrumental level) it can still be made compatible with a corporate-centric, economic purpose-oriented view of the firm" (Crane, Palazzo, Spence, & Matten 2014, p. 143). The Global Integrative Social Contracts Theory of Donaldson and Dunfee (1994; 1999) is used for creating collaborative partnerships with stakeholders in the ethical area of CSR. Holme and Watts (2000) included improving the quality of life of the workforce, the local community, and society at large in their definition of CSR as a commitment by an organization to behave ethically and contribute to economic development.

Wilburn and Wilburn (2011, 2014a) studied using the global social license to operate as a business foundation for creating shareholder collaboration. Post, Preston and Sauter-Sachs (2002) examined social licenses to operate of Cummins Engine Company, Motorola, and the Royal Dutch/Shell Group, and found that

> although the ultimate justification for the existence of the corporation is its ability to create wealth, the legitimacy of the corporation as an institution–its "license to operate" within society, depends not only on its success in wealth creation but also on its ability to meet the expectations of diverse constituents who contribute to its existence and success. These constituencies and interests are the corporation's stakeholders–resource providers, customers, suppliers, alliance partners, and social and political actors. Consequently, the corporation must be seen as an institution engaged in mobilizing resources to create wealth and benefits for all its stakeholders. (p. 9)

From this stakeholder focus, Porter and Kramer (2011) have been criticized for focusing on instrumental theories, which achieve economic objectives through social activities, but that ignore social contracts, public responsibility, and stakeholder management (Crane, Palazzo, Spence, & Matten, 2014; Wilburn & Wilburn, 2014b). Jonker and de Witte (2006) and Lindgreen, Swaen, and Johnston (2009) focused on stakeholder engagement, finding inconsistencies and practical implementation problems in measuring the outcomes.

Lindgreen and Swaen (2010) studied the lack of consistent research in the areas of communication, implementation, stakeholder engagement, measurement, and the business case for CSR, on how CSR activity is or should be measured. Kotler and Keller (2008) argued that even though CSR is now a part of many companies, the research on how the organization is configured to achieve CSR is limited. Mitchell, Agle, and Wood (1997) developed a theory of stakeholder identification that can help companies determine how to respond to different stakeholders that creates problems explored by Wilburn and Wilburn (2011). Berman, Wicks, Kotha, & Jones, (1999) looked at stakeholder management and financial performance, which is important for the future of integrative reporting.

> And smart partnering is not for the faint of heart. It requires greater focus, work, and long-term commitment than do many standard CSR pet projects, philanthropic activities, and propaganda campaigns, but the rewards are potentially much greater for both sides. (Keys, Malnight, & Van der Graaff, 2009, p. 8)

THE CONTINUED IMPORTANCE OF CSR

In 2010, Carroll described CSR's path as starting after WWII. He traced its changing focus from the responsibility of business for doing good for society in the 1950s and 1960s, to linking CSR with corporate financial performance (CFP) in the 1970s and 1980s and then to sustainability, or sustainable development in the early 2000s (Carroll & Shabana, 2010).

> Within the world of business, the main "responsibility" for corporations has historically been to make money and increase shareholder value. In other words, corporate financial responsibility has been the sole bottom line driving force. However, in the last decade, a movement defining broader corporate responsibilities–for the environment, for local communities, for working conditions, and for ethical practices–has gathered momentum and taken hold. This new driving force is known as corporate social responsibility (CSR). CSR is oftentimes also described as the corporate "triple bottom line"–the totality of the corporation's financial, social, and environmental performance in conducting its business. (Catalyst Consortium and USAID, 2002, p. 2)

While there is no universal definition of corporate social responsibility, most references include transparency in business practices that are ethical, legally compliant, and respect people and the environment. People are business stakeholders, including employees, customers, suppliers, investors, and the community. For global companies this means respecting host country culture and community values. Profit is important as the means by which a company can have a positive impact on people and the planet.

The use of the term 'sustainability' became a focus of CSR reporting in this century. Researchers for the 2010 U.N. Global Compact–Accenture CEO Study surveyed more than seven hundred of its member CEOs, and found that sustainability is increasingly perceived as a necessary part of a business strategy, not just a nice-to-do add-on, and that integrating it into strategy and operations requires a long-term view. According to the study, "96% of CEOs believe that sustainability–environmental, social, and governance–issues should be fully integrated into the strategy and operations of a company (up from 72%) in 2007" (Lacy, Cooper, Hayward, & Neuberger, 2010, p. 13). More than half of the CEOs said that they would focus on consumers as the stakeholder group to manage expectations; "88% of CEOs believe that they should be integrating sustainability through their supply chain" (Lacy, Cooper, Hayward, & Neuberger, 2010, p. 13).

"Approximately 68 million U.S. consumers have stated a preference for making purchasing decisions based upon their sense of social and environmental responsibility" (Clark & Babson, 2012, p. 819). The 2015 Cone Communications/Ebiquity Global CSR Study surveyed "9,709 consumers in nine of the largest countries in the world by GDP, including the United States, Canada, Brazil, the United Kingdom, Germany, France, China, India and Japan" (Cone LLC, 2015a, p. 3). CSR was defined as "companies changing their business practices and giving their support to help address the social and environmental issues the world faces today" (Cone LLC, 2015a, p. 3). The major finding was that

> global consumers have officially embraced corporate social responsibility–not only as a universal expectation for companies but as a personal responsibility in their own lives. Consumers see their own power to make an impact in so many ways: the products they buy, the places they work and the sacrifices they are willing to make to address social and environmental issues. (Cone LLC, 2015a, p. 4)

Other findings were important for companies. One was that half of the global consumers need proof before they believe a company is socially responsible, and they pay attention to companies that are doing more than is required. Global consumers also pay attention to companies that are identified for poor CSR performance. There is an increase in those who believe that good CSR performance is making an impact on society. "Consumers are willing to make personal sacrifices for the greater good. They are even willing

to compromise quality, pay more or reduce how much they buy if it will have a positive impact on social or environmental issues" (Cone LLC, 2015a, p. 3).

There is also the fact that once a CSR outcome becomes the norm for the industry, it no longer counts for the consumer. A recent report in *The Economist* reported almost all soaps and detergents are environmentally friendly because the Environmental Protection Agency (EPA) and environmental groups forced the industry to take harmful ingredients out of their formulas. The EPA now awards grades to the chemicals with labels that consumers can see (Green Wash, 2015, para. 6). The fact that the government entity monitors ingredients in the products may provide an element of trust for consumers. In the VW emissions scandal, the government entity did not provide sufficient autonomy in its investigations.

Cone's 2010 study found that more than three-fourths of consumers expect companies to support CSR in addition to making a profit and to communicate their CSR results. Like global consumers, "Americans say when a company supports social or environmental issues, they have a more positive image (91%), more trust (87%) and more loyalty (87%) toward that business" (Cone LLC., 2010, p. 34). In its 2015 survey of millennials (age 18-34) in the United States, Cone found that "more than nine-in-10 millennials would switch brands to one associated with a cause (91% vs. 85% U.S. average) and two-thirds use social media to engage around CSR (66% vs. 53% U.S. average)" (Cone LLC, 2015b, p. 1). They will pay more for a product with a social benefit than the U.S. average and take a pay cut to work for a responsible company. Wilburn and Wilburn (2015) studied how social media are impacting the consumers' perception of CSR.

Although the research found differences among younger millennials vs. older ones, and females vs. males, the results supported the earlier research that CSR is important to the American consumer. Other findings focused on social media, and the fact that only 25% of global consumers say they do not read CSR reports but they still pay attention to the data from the reports as it is reported on Websites and through social media (Cone LLC, 2015a). Thus, companies must promote their CSR results in various channels to ensure consumers can find the information and act on it.

> Consumers view their role in creating social and environmental change as extending well beyond the cash register. Companies can serve as a catalyst for sparking donations, volunteerism, and advocacy by giving consumers a spectrum of ways to get involved. Partnering with consumers in this way can serve as both a reputation and bottom-line builder. (Cone LLC, 2015a, p. 4)

Today's global consumers hold companies accountable for producing and communicating results. This makes the actions by Volkswagen and Toshiba very damaging because consumers will now not trust what they read in annual reports, and they may not trust what organizations that announce winners of CSR/Sustainability Awards now either. It is important that there be more focus on accuracy and truth telling. Evan Harvey, Director of Corporate Responsibility for Nasdaq, said the stock exchanges care about the CSR performance of public companies because their value is in providing other stakeholders key performance results in all areas, including environmental, social, and governance data that help them make decisions. This requires transparency in how the results are measured and verified.

> Imagine a world where the reporting expectations for public companies are essentially uniform. Every business is tracking and disclosing the same metrics in the same ways, using the same framework. The data has been assured or verified in some ways. It's a world where the common language of corporate performance includes ESG just as readily as it does EBITDA [earnings before interest, taxes, depreciation, and amortization] and EPS [earnings per share]. Then investors can truly make apples-to-apples comparisons. This could encourage longer holding periods and even cross-market participation. Companies built on bad strategy or short-term value will be exposed. The engagement between investors, regulators, and issuers would be much more substantive and meaningful. The range of indexes and other financial products would dramatically

increase, because the niche data possibilities (and evaluative criteria) also increase. In short, you have markets with more transparency, more choice and more inclusion. (Skroupa, 2015, para. 4)

REPORTING

CSR reporting has been voluntary throughout much of its history. However, that is changing. The 2013 sustainability report, *Carrots and Sticks*, compiled by the United Nationals Environmental Programme (UNEP), the Global Reporting Initiative (GRI), KPMG (2013), and The Center for Corporate Governance in Africa covers forty-five countries (the 2006 report covered only nineteen). "This includes a notable increase in the number of mandatory reporting measures. In 2006, 58 percent of policies were mandatory; now, more than two-thirds (72 percent) of the 180 policies in the 45 reviewed countries are mandatory" (Governance & Accountability Institute, Inc., 2013, p. 8).

The Global Reporting Initiative (GRI) is becoming the gold standard for global companies to report CSR and sustainability initiatives and for third party assessment of those initiatives. GRI is an international not-for-profit organization that has developed its reporting framework in collaboration with stakeholders from business, government, labor, and professional groups in order to ensure credibility and relevance (Global Reporting Initiative, 2014). GRI's vision is "A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently" and its mission is "To make sustainability reporting standard practice by providing guidance and support to organizations. Its Sustainability Reporting Framework provides metrics and methods for measuring and reporting sustainability-related impacts and performance (Global Reporting Initiative, 2014, para. 4) enabling organizations to measure and report sustainability performance.

The GRI Guidelines establish the principles and performance indicators that organizations can use to measure and report performance in six categories: Economic, Environment, Social, Human Rights, Society, and Product Responsibility. GRI classifies reports as Application Level A, B or C, depending on the particular set of Guidelines' disclosures and the number of indicators used by the reporting organization. Application levels are not a grade evaluating the quality of the report, but only represent the extent to which the Guidelines have been used in an organization's report. The "+" behind the Application Level on a report signifies that external assurance was used. GRI has just adopted its G4 Reporting Framework, which will have more granularization for specific industries and types of initiatives as well as allow small organizations to participate.

> A robust sustainability report is far more than a mere data gathering or compliance exercise. It makes abstract issues tangible and concrete, helping organizations to set goals, measure performance, and manage change. These are matters directly related to an organization's core business strategy. (Global Reporting Initiative, 2015a, p. 3)

Governance & Accountability Institute, Inc. recently published *Sustainability–What Matters?* on its research examining GRI G3 and G3.1 sustainability reports published in 2012. The research looked at organizations that utilized the Global Reporting Initiative (GRI) Framework to identify level of disclosure on all 84 key performance indicators. "The objective of this report is to serve as a starting point for discussion and planning around sector-specific materiality–as seen through the lens of these 1,246 reporting organizations as well as the lens of their respective stakeholders" (Governance & Accountability Institute, Inc., 2014, p. 1). The report listed the ranking of each sector: Society, Human Rights, Economic, Labor Practices and Decent Work, Environment, and Product Responsibility for each sector, and then identified the top ten aspects of the categories. The top ten categories for all sectors: Diversity & Equal Opportunity, Economic Performance, Energy, Training & Education, Child Labor, Compliance, Non-discrimination, Labor/Management Relations, Prevention of Forced & Compulsory Labor, Corruption. Table 1 below identifies only the top three for each sector:

Table 1: Ranking of Sectors

Agriculture	:	Child Labor, Prevention of Forced & Compulsory Labor, Biodiversity
Automotive	:	Products & Services, Overall (environmental), Customer Health & Safety
Aviation	:	Customer Health & Safety, Local Communities, Assessment
Chemicals	:	Assessment, Overall (environmental), Water
Commercial Services	:	Customer Privacy, Anti-Competitive Behavior, Training & Education
Computers	:	Transport, Assessment, Products & Services
Conglomerates	:	Child Labor, Water, Compliance
Construction	:	Anti-Competitive Behavior, Non-discrimination, Corruption
Construction Materials	:	Materials, Freedom of Association & Collective Bargaining, Transport
Consumer Durables	:	Investment & Procurement Practices, Indigenous Rights, Products & Services
Energy	:	Overall (environmental), Biodiversity, Security Practices
Energy Utilities	:	Compliance, Anti-competitive Behavior, Labor/Management Relations
Equipment	:	Customer Health & Safety, Indigenous Rights, Energy
Financial Services	:	Customer Privacy, Materials, Marketing Communications
Food & Beverage Products	:	Customer Health & Safety, Marketing Communications, Products & Services
Forest and Paper Products	:	Materials, Biodiversity, Labor/Management Relations
Healthcare Products	:	Customer Health & Safety, Products & Services, Water
Healthcare Services	:	Diversity & Equal Opportunity, Marketing Communications, Non-discrimination
Household and Personal Products	:	Public Policy, Customer Health & Safety, Investment & Procurement Practices
Logistics	:	Labor/Management Relations, Economic Performance, Energy
Media	:	Materials, Equal Remuneration for Women & Men, Local Communities
Metals Products	:	Materials, Overall (environmental), Water
Mining	:	Biodiversity, Water, Market Presence
Public Agency	:	Overall (environmental), Market Presence, Equal Remuneration for Women & Men
Railroad	:	Local Communities, Remediation, Freedom of Association & Collective Bargaining
Real Estate	:	Employment, Non-discrimination, Diversity & Equal Opportunity
Retailers	:	Transport, Customer Health & Safety, Assessment
Technology Hardware	:	Prevention of Forced & Compulsory Labor, Child Labor, Products & Services
Telecommunications	:	Customer Privacy, Marketing Communications, Indirect Economic Impacts
Textiles and Apparel	:	Transport, Prevention of Forced & Compulsory Labor, Child Labor
Tobacco	:	Marketing Communications, Water, Materials
Travel and Tourism	:	Customer Privacy, Security Practices, Non-discrimination
Universities	:	Equal Remuneration for Women & Men, Customer Privacy, Materials
Waste Management	:	Materials, Overall (environmental), Transport
Water Utilities	:	Water, Customer Privacy, Assessment

It is notable that many of the top ten are not identified in the top three; in fact, consumer health and safety is listed in seven segments for top three, materials is listed in five, and assessment is listed in four. This demonstrates the value for integrated reporting that could allow all companies in all sectors to have standards that meet their needs and report them with financial results. According to Michael Meehan, GRI's CEO, GRI "envisions a future beyond reports, where information from sustainability reporting empowers decision making throughout organizations" (Global Reporting Initiative, 2015b, para. 3). This would seem to help GRI achieve some of its goals in its new five-year plan through 2020 such as supporting reporting and disclosure by increasing the number of reporters and by "helping companies extract more value from the sustainability reporting process" (Macower, 2015, para 4) through making better use of technology to make the process of using its process easier.

OTHER REPORTING STANDARDS

Although the GRI is the gold standard of CSR reporting, there are many other organizations that have developed guidelines for measuring CSR and Sustainability such as International Integrated Reporting Council (IIRC), United Nations Global Compact (UNGC), and OECD Guidelines for Multinational Enterprises. "The MSCI KLD 400 Social Index is a capitalization weighted index of 400 US securities that provides exposure to companies with outstanding Environmental, Social and Governance (ESG) ratings and excludes companies whose products have negative social or environmental impacts" (MSCI, 2015, para. 1). AccountAbility (2014) has developed accountability tools and standards that help companies develop sustainably.

Additionally, there are other guidelines. Some like ISO 26000, Carbon Disclosure Project (CDP), Greenhous Gas Protocol (GHG), and Extractive Industries Transparency Initiative (EITI) are specific to industries. Others focus on employees and stakeholders like International Labor Organization (ILO), and Core Labor Standards (CLS). Others have standards for companies' policies like the Tripartite Declaration of Principles concentrating multinational enterprises and social policy, the UN Guiding Principles on Business and Human Rights Protocol Corporate Standard, and Principles for Responsible Investment (PRI) Framework.

There are forums and networks that promote CSR and standards. The International Business Leaders Forum (IBLF Global, 2014) promotes responsible business leadership and partnerships for social, economic, and environmentally sustainable international development, especially in emerging markets. The Caux Round Table (2014), a network of business leaders, developed principles through which "principled capitalism can flourish and sustainable socially responsible prosperity can become the foundation for a fair, free, and transparent global society" (para. 2).

There are also organizations that rank CSR such as Newsweek's Greenest Companies, CRO's 100 Best Corporate Citizens, Ethisphere's World's Most Ethical Companies, Dow Jones Sustainability World and North America Indexes®, NASDAQ OMX CRD Global Sustainability Index, CRD Analytics' SPV Ratings®, and Carbon Disclosure Project score. Reports studying CSR and Sustainability are published by Governance & Accountability Institute, Inc., the United Nations Global Compact/Accenture, and CONE Communications. Business Roundtable's 2015 *Create, Grow, Sustain: Leading by Example* has narratives from 148 CEOs about their CSR achievements. Some of the companies covered are: 3M, AT&T, Bayer, Boeing, Caterpillar, Chevron, CVS Health, Deere & Co, DIRECTTV, Dow Chemical, Edison Internationally, FedEx, GE, General Mills, IBM, Johnson & Johnson, JPMorgan Chase & Co, Lockheed Martin, MasterCard, Motorola, Oracle, PepsiCo, Pfizer, SAS, Siemens AG, State Farm Insurance, UPS, Wyndham, Whirlpool, and Xerox.

There is movement toward collecting the standards and data. The 2015 edition of *The Conference Board Sustainability Practices Dashboard* is a collaboration of The Conference Board, Bloomberg, and the Global

Reporting Initiative. It is "a database and online benchmarking tool that captures the most recent disclosure of environmental and social practices of business corporations" and "captures data on 79 environmental and social practices of business corporations in the S&P Global 1200 and segments results by market index, geography, sector, and revenue group" (Hardcastle, 2015, para. 5). It features data on two new practices: "the number of companies adopting executive compensation policies inclusive of long-term incentives of environmental, social and governance performance as well as the number of companies disclosing the presence of child labor policies" (Hardcastle, 2015, para. 3). It found that reporting continues to rise especially from large multinationals, many of whom are required to issue reports.

> Growing support for the business case among academic and practitioners is evident. Generally, the business case for CSR is being made by documenting and illustrating that CSR has a positive economic impact on firm financial performance. The broad view of the business case, however, brings attention to the details of the relationship between CSR and firm financial performance. Mediating variables and situational contingencies affect the impact of CSR on firm financial performance. Therefore, the impact of CSR on firm financial performance is not always favorable. Rather, firms should understand the circumstances of the different CSR activities and pursue those activities that demonstrate a convergence between the firm's economic objectives and the social objectives of society. Only when firms are able to pursue CSR activities with the support of their stakeholders can there be a market for virtue and a business case for CSR. (Carroll & Shabana, 2010, p. 102)

A PATH FORWARD

The previous paragraphs make it clear that an integrated reporting platform with third-party assessment is needed if CSR reporting is to meet the needs of consumers. In August 2010, HRH the Prince of Wales, together with the International Federation of Accountants and the Global Reporting Initiative, launched the International Integrated Reporting Council (IIRC). Integrated Reporting is a tool to communicate strategy holistically.

> The project was intended to establish integrated reporting–covering the non-financial capital aspects of a business as well as the usual financials–within mainstream business practice with the aim of aligning capital allocation and corporate behaviour to the wider goals of financial stability and sustainable development through the integrated reporting cycle. (Izza, 2015, para. 1)

In June, 2014, the IIRC launched the Corporate Reporting Dialogue (CRD), a platform to coordinate and align corporate reporting, that will " promote greater coherence, consistency and comparability between corporate reporting frameworks, standards and related requirements relevant to <IR>, leading to improved efficiency and effectiveness" (International Integrated Reporting Council, 2015, para. 1). The organizations participating in the CRD are Carb CDP, Climate Disclosure Standards Board, Financial Accounting Standards Board, Global Reporting Initiative, International Accounting Standards Board, IIRC, International Public Sector Accounting Standards Board, International Organization for Standardization, and Sustainability Accounting Standards Board.

> As sustainability becomes more central to the business, companies should align internally on what they stand for and what actions they want to take on these issues, whether it's economic development or changing business practices. Whatever approach companies take, they should develop a strategy with no more than five clear, well-defined priorities–one of the key factors for successful sustainability programs. (McKinsey & Company. 2014, p. 10)

These priorities could be part of an integrated report, rather than being priorities that are lost in a sea of other standards. It would also encourage all companies to report their CSR and sustainability priorities and

progress so that stakeholders could compare goals and achievements by country and sectors. Forbes writer Enrique Dans (2015) said that the reason Volkswagen got into trouble is reporting.

> the problem with CSR pretty much comes down to this: we are asking companies to self-regulate. . . . The Volkswagen case shows in stark contrast that we must reinvent CSR. The people who head these departments must be made responsible for their companies' actions, even if that means going to jail. . . . The Volkswagen crisis highlights the failings of capitalism, of a system that has closed its eyes to the reality of the future, and a clearly unsustainable future. (p. 7)

CONCLUDING COMMENTS

The authors are convinced that an integrative reporting platform with third-party assessors is essential to achieve clarity in the realm of evaluating CSR performance. Integrative reports will allow regulators, investors, and consumers to have metrics that are understandable across all industries and allow comparison of the CSR objectives and outcomes. It will also provide barriers for greenwashing and promoting goals and objectives without data to support achievements. These reports will allow for more and better research in the CSR field, especially in the area of investigating financial commitments to CSR initiatives and the possible trade-offs that might be necessary.

An integrative reporting platform will allow small businesses and businesses in developing countries to have a model to follow the social business concept articulated by Muhammad Yunus, a social entrepreneur from Bangladesh who founded Grameen Bank to establish a microcredit system for the poor. A social business would be "a defined legal and regulatory structure for social business–preferably one with consistent rules in countries around the world" that would make it easier "for entrepreneurs and corporations to create a multitude of social businesses to tackle the human problems that are plaguing society" and could be used by for-profit companies as well as non-profit organizations (Yunus, 2010, p. 117).

> Sabeti (2011) said a new business model would "create enterprises that combine a social mission with a business engine–and refuse to compromise on either front" (p. 103), which would become a fourth sector of the economy "interacting with, but separate from, governments, non-profits, and for profit businesses." (p. 99)

The new benefit corporations now passed by thirty-one state legislatures in the United States follow this model. The authors believe that the same consumer demand for CSR results from established businesses will support this new corporate entity. The benefit corporations have a social or CSR purpose at their core and pledge to use profit not only to grow the company but also to fund their CSR initiatives.

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