



Social Accounting

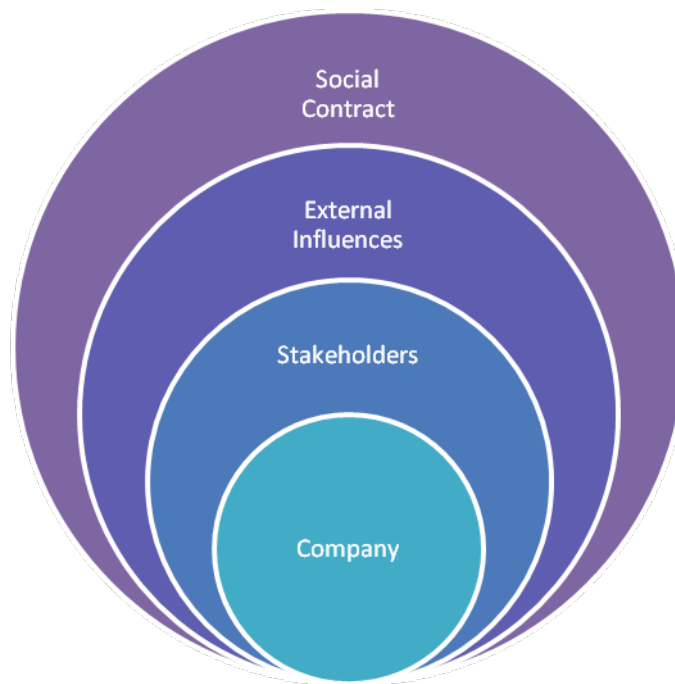
A wide variety of terms have been employed in social accounting. Historically the terms “social audit”, “social responsibility accounting” and “corporate social reporting” have from time to time been popular, while more recently social accounts have appeared under the titles of “social audits”, “ethical statements”, “values reports” and “social statement” . The confusion generated by the diversity of terms is partly illusory, but also partly real. Social accounting can be used as the generic term as it is the longest established and the simplest term.

The standard for social audits was set by Social Audit Ltd in the 1970’s which produced seminal reports on companies such as Tube Investments, Avon Rubber and Coalite and Chemical which brought about an explosion of explorations into managerial and corporate social responsibility (CSR). These ‘social audits’ were used by society to hold the company to account. As an essentially democratic activity it enabled society to challenge (publicly) the intentions of (perceived) power (typically Governments and Corporations). The message is always that if an organisation fails to act appropriately and fail to discharge their account to society, the social audit may well appear to do the job for them (Gray, 2001). The 1970’s also saw the emergence of the “Value Added Statement” which had its interest in employee and employment reporting.

Over the last 30 years organisations have been forced to become ‘accountable’ through statute law and the areas of disclosure required, particularly on such matters as employees, political and charitable donations and governance. In addition, data and information required through achieving standards and contractual ‘quasi-law’ disclosures provides the organisation with a good deal of ‘already prepared’ data that can be manipulated to form a ‘silent social account’. Many organisations may favour this version of social accounting as it is merely a re-arrangement of material already produced which can be collated at a negligible cost. Organisations can then use this “data” to help reconstruct the organisation as more than simply an economic entity. (Gray,R. 2001).

This approach to Social Accounting can also be classed as ‘Greenwash’ and can be a dangerous pursuit for the company if the motivation for the process of Social Accounting is purely to give the impression that the Company is ‘Socially Responsible’ without any commitment to the true process of being *accountable* for their actions.

The process of social accounting has a range of influences:



The company’s stakeholders are those groups of people who have a ‘stake’ in the activity of the company; this may be from an internal or external viewpoint. Stakeholders can be broken down into three groups:

Stakeholders with Power	Stakeholders with influence	Stakeholders with Legitimacy
Funders	Staff	Directors
Customers	Customers	Staff
Legislative Bodies	Partner Organisations	
Company Board/Directors	Media	

Outside stakeholders are taking an increasing interest in the activity of the Company and most are interested in the ‘external’ perception of the company, i.e. What the company has actually done, good or bad, in terms of its products and services, in terms of its impact on the environment and on local communities, or in how it treats and develops its workforce.

Internal stakeholders are becoming increasingly more interested in the social activities of the Company that they work for, many studies in the USA have shown that the productivity of staff can be greatly increased when the values of the company meet their own personal



values and this increases further when the Company invests in and makes efforts to also support the values and motivations of its workforce.

With the move in society towards 'ethical consumerism' more consumers (be it individuals or organisations) are looking towards the **Added Value** of their interaction with a Company (or supplier), this is evident within the Economy where large scale corporations have entire departments dedicated to social responsibility and will tell you that this effort has had a direct impact on the triple bottom line outputs that they produce (Economic, Social and Environmental).

In this way, social responsibility becomes an integral part of the wealth creation process – which if managed properly should enhance the competitiveness of the business and maximise the value of wealth creation to society.

The External Influences on a Company are that of a wider perspective and are concerned with the Political, Environmental, Social and Technological impacts that drive the Companies operation. Added to these influences are business ethics – the way in which a business should operate in society's point of view. This forms the 'Social Contract' in which businesses are forced to operate.

The Social Contract is very powerful; it underpins the legitimacy of the organisation which can be destroyed very quickly if society perceives that the Company is in Breach of its Social Contract.

Social Accounting ensures that the Social Contract (and ultimately the legitimacy) of the Company is not at risk.

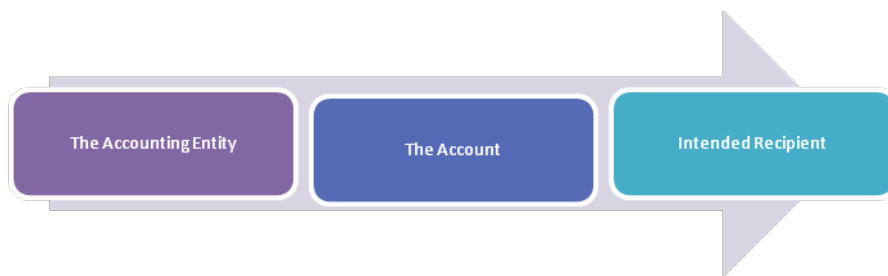
In addition, social accounting can have a benefit to the Company in the following ways:

- From an external marketing perspective, in order to communicate to the organisations stakeholders that you are a 'socially minded' organisation.
- To increase brand recognition.
- From an internal perspective; valuing staff and the culture of the organisation

Social Accounting – The Process

The Social Accounting process is different for every organisation, there are so many variables in terms of stakeholders, external influences, company values, activities and services it is difficult to know where to start first!

In addition there are many standard models that can offer a tried and tested approach to the process; essentially the main elements involved in the process are as follows:



- The Accounting Entity – *What do you want to account for?*
- The Account – *The formal structure in which you report your social impact*
- Intended Recipient - *Who do you want to tell about your social impact?*

Considerations are as follows (although this will be specific to the Company)

Accounting Entity	The Account	Intended Recipient
Company Aims, Mission, Vision and Values.	Social Accounts	Internal:
Governance.	Statement of Corporate Social Responsibility	- Directors
Human Resources Management.	Added Value Statement	- Board
Operational processes.	Annual Report	- Shareholders
Products and Services.	Ethical statement	- Members
Stakeholder Involvement	Value Report	- Staff
Environmental Impacts	Social Statement	External:
Social Impacts		- Customers
Partnerships.		- Service Users
		- Suppliers
		- Commissioners
		- Funders
		- Partner organisations
		Wider Impact:
		- Society as a whole
		- Community
		- Media



There is also a consideration of **Verification** and whether there is a need and/or want to have the 'Account' verified by a suitable auditor. The Social Accounting process is not, as yet a legal requirement and is undertaken voluntary by the Company, therefore it is the choice of the Company as to the process undertaken as well as the choice to verify the accounts. External verification of the account will provide additional legitimacy to the process as it provides an external and trusted viewpoint, however it can be costly as the auditor will require that the accounting process is carried out in-line with their principles and standards.

Make it Happen's Approach

We believe that the approach to Social Accounting is different for each client and therefore we will tailor the best solution for the Company, taking into account restraints on resources such as cost and time.

We understand that Social Accounting can be a complex process, but it needn't be that way. We like to keep it simple.

We will work with you to identify your accounting entity, the accounting process that suits you and ways in which to communicate your social impact.

If you would like to discuss social accounting further, give us a call or pop us an e-mail to discuss your ideas further.

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