<研究 노트>

Corporate Social Audit: Is it Really Mandatory?

by

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CHAPTER I

INTRODUCTION

The idea that a business shouId adopt a 'social audit' of its activities was first proposed 36 years ago by Theodore J. Kreps, then Professor of Business Economics at Stanford University.(1) In his monograph, Professor Kreps states, "The acid test of business is not the profit-and-loss statement

Author: The George Washington University에서 경영학박사과정에 있음.

(1) In tracing back the concept of social audit, I made an interesting discovery, which may be pedagogically very important, that even such prominent authorities as George A. Steiner, and Keith Davis and Robert L. Blomstrom still credited Howard R.R. Bowen with proposing the term social audit. See George A. Steiner, *Business and Society*, 2nd ed., (New York: Random House 1975), p. 196 and Keith Davis and Robert L. Blomstrom, *Business and Society: Environment and Responsibility*, 3rd ed., (New York: McGraw-Hill Book Co., 1975), p. 511. In fact, Bowen himself asserts his first originality in his work, Howark R. Bowen, *Social Responsibilities of the Business Man* (New York: Harper & Brothers, 1953), p. 156. However, A. B. Carroll and G.W. Beiler have revealed that the term social audit and its employment as a business measuring device predates Bowen's 1953 volume by more than ten years, as shown in their enlightening article, "Landmarks in the Evolution of the Social audit, (*Academy of Management Journal*, September 1975), pp. 589—599.

but the social audit."[2] This statement is indeed a precursory message if we make allowance for the fact that it was made far back in 1940 and that it can also be one of the demanding norms that face the current business executives.

The idea virtually lay dormant for almost as long as thirty-six years with the exception of Bowen's work, whereas the concept of social performance or social responsibility in business did not. Business executives themselves have led the way in the recognition of the social responsibilities of corporations. Despite their daily problems of operating their various enterprises profitably, which might be expected to influence their judgements, they have come to see that corporations must meet the noneconomic expectations of society. Exemplary executives who expressed a great concern on corporate social responsibilities were, among other, Owen D. Young of GE in the 1920's and Arjay Miller of Ford in the 1960's. In the 70's, however,the concerns from the business circle seem to be overshadowed by the much greater concern from the government and the public, as will be discussed later. In fact, it has been only during the past three to four years that American corporations have thought seriously about social audits. It is a concept, however, which is evolving rapidly and becomes highly controversial due to its mandatory claim and its measurement problem.

Thus, the purpose of this research paper is to answer my primary research question: Is the corporate social audit really mandatory? In order to answer this question with conviction, I have to answer the following subsidiary questions: (1) Is corporate social responsibility myth or reality? (2) How can we define and conceptualize the corporate social audit? (3) What are the benefits and difficulties involved? (4) How can a company start to implement it?

These research questions will be dealt with in the said sequence in this paper. This paper is a result of non-empirical secondary research, based on the current literature published during past five years.

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(2) Theodore J. Kreps, *Measurement of the Social Performance of Business* (Monograph No. 7, An Investigation of Concentration of Economics Power for the Temporary National Economic Committee) (Washington, D.C.: United States Government Printing Office, 1940).

CHAPTER II

SOCIAL RESPONSIBILITY—MYTH OR REALITY?

There are two diametrically opposed schools of thought with respect to the notion of corporate social responsibility. Milton Friedman represents the conservative economists on the one hand; and some self-appointed guadians of the public interest on the other hand.

Social responsibility is "a fundamentally subversive doctrine," says the distinguished Nobel-laureate economist, Friedman,

> …few trends could so thoroughly undermine the very foundations of our free society as the acceptance by corporate officials of a social responsibility other than to make as much for their stockholders as possible.(3)

Perhaps it evokes an 18th century comforting vision, *à la* Adam Smith, where the businessman pursues his quest for profit led by an 'invisible hand'. And thus he does more good for society than if he deliberately sets out to do so. But, we may ask, what is the relevance of that to this complex western industrial society in the 70's? We may feel that Friedman's analysis is correct and he deserves a medal for courage in stating it so bluntly. Or our reaction may be one of genuine anger and dismay if the Friedmanian view reflects business thinking no matter how we are polluted and exploited.

However, when first reactions are followed by cooler analysis, a semantic booby trap in the words 'social' responsibility' is revealed. Friedmans statement implies corporate officials spending the stockholder's money on pet charities and schemes irrelevant to the enterprise. No one is going to endorse that behavior except the recipients. In fact, even Friedman supports socially desirable business actions in areas such as urban redevelopment, equal opportunity advancement, anti-pollution methods and so on, provided they contribute to the profitability of the business. Certainly the overwhelming evidence from the U.S., where the social issues have been

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(3) Milton Friedman, *Capitalism and Freedom*, (Chicago: University of Chicago Press, 1962), p. 133.

explosive in recent years, is that the doctrine of 'enlightened self-interest' (4) is the one that gets action. In other words, the assumption of appropriate social responsibilities by business is an integral part of,and not in any way separate from its function of profitably producing and distributing goods or services.

On the other hand, among those who advance the notion of corporate accountability or social responsibility are the self-appointed guardians of the public interest. Among others, Ralph Nader, the crusading lawyer and consumer advocate; Robert A Dahl, professor of political science, Yale University; and Neil H. Jacoby, professor of business economics and policy, UCLA, articulate the underlying logic on which the views of this group are based.

Nader contends that what is needed is "a great national debate on the whole question of corporate accountability."The reason for this, he argues, is that:

> We're heading into a greater and greater portion of the economy taking on the characterization of corporate socialism, which is basically corporate power utilizing government power to protect it from competition, for example, oil import quotas; to grant large subsidies, for example, to the maritime industry; or to socialize the risk and costs of a lot of corporate activities through the tax mechanism or through inflated and constantly renegotiated contracts, for example, Lockheed. (5)

The various observations and demands of these observers of contemporary corporate performance are certainly subject to debate. Their views are, however, noteworthy because they demonstrate a growing demand for fuller information so that firms can be held accountabls for the roles that different groups contend they should perform. I believe such demands will expand rather than diminish. The following evidences and support for this contention.

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(4) Mr. J.K. Jamieson, chairman of the board, Standard Oil Company tries to understand the philosophy of enlightened self-interest as a reflection of a mature assessment of the strengths and the limits of the organization and a sense of the social context in which business exists. Thus, enlightened self-interest is responsive to basic shifts in public attitudes; figuratively it is the wise bamboo which bends with the wind, consistently sensitive to human values, alerts to subtle and indirect effects, and long in view, it is responsive to increasing expectations of openness and accountability. In sum, it seeks to take into account the interest of others. Requoted from John Humble, *Social Responsibility Audit,* (London: The Foundation for Business Responsibities, 1973), pp. 1—2.

(5) John J. Corson and George A. Steiner, *Measuring Business's Social Performance: The Corporate Social Audit* (Committee for Economic Development, 1974), pp. 18—20.

The first evidence is the growth of governmental agencies to protect national resources and public interest. The Federal Energy Administration and the Environmental Protection Agency are two recent additions. The Equal Employment Opportunity Commission investigates the employment practices of corporations and requires the submission of data on employment of minority group members. In June 1971 the Securities and Exchange Commission instituted new disclosure rules that require corporations to set forth in their financial statements the accounting principles that were used and the effect these principles had on the financial results reported. With respect to the safety and health in the working environment the Office and Health Administration (OSHA) was set up according to the Occupational Safety and Health Act of 1970.

Second, consumerism movement gaining momentum in the 60's has continued on to the present, as reflected in: (1) the accumulation of consumer protection legislation, for example, Flammable Fabrics Act(1953), Fair Pair Packaging and Labeling Act(1966), Truth-in-Lending Act (1968), Consumer Product Safety Act(1972); (2) the existence of governmental machinery, for example, the special assistant to the President for consumer affairs and similar units in at least 29 states and 9 major cities or counties, and the new federal Consumer Product Safety Commission; and(3) a continuing volume of literature presenting the plight of the consumer or urging consumers to exercise their presumed economic power.

Third, the institutional investors (a group that includes mutual funds, insurance companies, trust companies, trust departments of banks, pension funds, university or foundation endowments, and individuals) and their advisors are being confronted with both moral and economic pressures by some whose funds they handle and by social critics. Those who make investment decisions are increasingly being pressed to form moral judgements on the behavior of the corporations in which they might invest. They are now required to give recognition to the prospective impact on future costs and earnings of 'unfunded past and future social costs' that society has imposed or is expected to impose on the corporations in which they would invest. The moral pressures, in fact, bear with special force on those responsible for investing the funds of churches, universities, foundations, and other non-profit institutions with similar social orientations.

CHAPTER III

DEFINITIONS AND CONCEPTS

There are so many different ideas about the social audit that we may have to seek its most generally acceptable definition at a high level of abstraction. The corporate social audit is a measurement or an appraisal of the social performance of a business in contrast to its economic performance as measured in the financial audit. Here, however, consensus ends.

I found out that there are fundamentally two different types of social audits. One is an audit required by the government. A large corporation must account to the government for many different programs incluing those reports mentioned earlier. Many concern economic programs and many relate to social programs. The reporting is though piecemeal, that is, one report is made at a time, covering only one subject. The second type of social audit is that for programs voluntarily undertaken by a company. This is the type of audit which will mainly be discussed here.

There are five basic different concepts and approaches to making a business social audit. They are briefly introduced here.

First, some businessmen have concentrated on identifying and totaling expenditure for social activities. This concept, described as the "cost or outlay approach," involves the recognition of costs and the search for ways to reduce such costs. The application of this concept poses difficult problems of cost allocation. For example, what part of the cost of orienting and training a new employee should be attributed to the regular costs of doing business, and what part, such as the reduction of unemployment among black youths, should be attributed to the employer's undertaking of a social activity? This approach is concerned only with cost inputs and not benfits or accomplishments.

Second, the "human asset valuation approach"is designed to measure the value of the productive capability of the firm's human organization and the value of shareholder loyalty, banker and finance community goodwill, customer loyaly, supplier loyalty, and loyalty in the communities where plants or offices are located. Those espousing this concept contend that it

(6) William J. Baumol, Rensis Likert, Henry C. Wallich, and John J. McGowan, *A New Rationale For Corporate Social Policy* (New York: Committee for Economic Development, 1970).

offers a positive evaluation of the worth of social activities and is preferable to a negative approach that focuses on costs and perhaps measures of what is done. Critics of this concept, while accepting it as an aid to executive decision making and stockholder understanding, fault this approach on the grounds that it measures social accomplishments in terms that are not meaningful to constituents outside the corporation.

A third concept of the social audit has been described as the "program management" approach, which focuses on measuring only those activities in which a particular company is involved largely for social reasons, used by the Bank of America in such activty as the student loan program or the provision of scholarships for the children of employees, this concept seeks to measure costs and effectiveness of those activities the company is engaged in voluntarily for social reasons.

A fourth concept, generally called the "inventory approach," involves the cataloging and narrative description of what the corporation is doing in each area where it recognizes the socity (or articulate segments of society) expects it to do something. The results of this approach may be a massive descriptive listing of the corporation's activities with little or no analysis of results or costs. This approach does not provide a measure of the aggregate costs entailed; of the value to the company in terms of morale, goodwill, and public image; or of the benefits contributed to the society.

The final concept can be called the cost/benefit approach, which is of many possible types. One approach called "balance sheet approach" tries to quantify values contributed to society (assets) and detriments to society for actions taken or not taken(liabilities) and arrays them in a fashion comparable to the typical financial balance sheet. This is fundamentally an accounting approach to making a social audit and entails difficult and costly calculations. Very few companies have tried this approach. Another simpler approach is to calculate costs of social programs and benefits, to the company and/or society, for programs undertaken, in either quantitative or qualitative.

CHAPTER IV

BENEFITS AND PROBLEMS

Essentially a company may conduct a social audit becanuse it exists in a social world and in order to live effectively in that world it needs social data to guide its actions. Within that broad context, what does a company expect from a social audit? Certainly one benefit is that it supplies data for comparison with policies and standards so that mangement can determine how well the company is living up to its objectives, improve future social action planning and identify areas requiring greater or less emphasis.

A second benefit is related to the first benefit that a social audit encourages greater concern for social performance throughout the orginization. It has been shown that subordinate managers and employees tend to give their attention to activities where reports are required and and evaluations made by higher management. In the process of preparing reports and responding to evaluations, employees became more aware of social data and the social implications of their actions, and corporate social objectives are more strongly reinforced in all areas of the organization.

Thirdly, it provide data for comparing effectiveness of different types of programs. In one branch plant, for qualitative terms, a number of companies have done this.

In actual practice, I have found no type of social audit that predominates either conceptually or operationally.There are combinations of approaches ranging from highly simplified descriptive statements to substantial documentation and quantification. The pressures for accountability suggest that a concept of the social audit that most businessmen may accept will likely evolve and that a standard operational format will be developed.

Nonetheless, a surprising amount of interest and activity about the social audit is found in American business today, especially among the larger corporations. This is revealed in a survey of the business social audit completed in late 1973 by George A. Steiner and John J. Corson, who reported 58 different business activities covering 10 fields of social responsibility.(7)

(7) Corson and Steiner, *Measuring Business's Social Performance*, pp. 26—39. The ten fields were (1) economic growth and efficiency, (2) education, (3) employment and training, (4) civil

These activities, I find, can be grouped even into the four simpler category; namely, (1) activities required by legislation, (2) activities performed to meet contractual arrangements with labor union, (3) activities voluntarily or philanthropically undertaken by the company,(4) socially useful programs designed to make a profit. For example, a firm may emphasize counseling in the employment of hard-core unemployed persons, while in another branch it emphasizes an elaborate training program. An examination of the problems and progress made in each of these programs will give management useful inputs for establishing better programs.

A fourth benefit is the provision of cost data on social programs so that management can relate the data to budgets, available resources, company objectives, and projected benefits of programs.

Fifth, the social audit enables the top management to evaluate to the extent possible the social impact of various investment decisions.

Sixth, it will also help in determining how much corpoate social involvement is in the interest of the company.

Last, it provides information for effective response to external claimants that make demands on the organization. News reporters, minority groups, and a variety of others want to know what a business is doing in areas of their special interest, and a business needs to respond as effectively as possible. It shows a business where it is vulnerable to public pressure and where its strength lies.

Now, so much for the benefits, what are the main difficulties or obstacles to the implementation of social audit? The respondents to the survey of Corson and Steiner replied major obstacles in the way of developing the social audit as follows in order of importance[(8)]: (1) inability to develop measures of performance which everyone will accept, (2) inability to make creditable cost/benefit analysis to guide company actions, (3) inability to develop consensus as to what activities shall be covered, (4) inability to develop consensus on ways to organize information, (5) danger to the company in publishing the results of social audits.

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rights and equal opportunity, (5) urban renewal and development, (6) pollution abatement, (7) conservation and recreation, (8) culture and the arts,(9) medical care, and (10) government.

(8) Ibid., p. 36.

Implicit in these responses is the feasibility problem of measuring accomplishments and of determining the scope of social activities. Since this is the key issue of the usefulness of social audit, I will elaborate in some depth upon the measurement and scope problems in the next chapter.

CHAPTER V

PROBLEMS OF ENCOMPASSMENT AND MEASUREMENT

It has been demonstrated in preceding chapters that society's expectations have grown to include a wide range of business activities: amenities, products, sevices, and information for the governmemt, employees, consumers, investors, and the community. If a social audit is to include all such activities, it embraces everything a company is doing or not doing. If the social audit is to verify the various costs entailed and the benefits produced, it becomes an impossible task and the information which might be produced, were a large company to try to make it available, would most likely be indigestible.

On the other hand, if a social audit includes only a cataloging of activities which top managers are interested in pursuing and/or those activities which might improve the public image of the company if publicized, the corporation indeed would not be making an accounting of the extent to which its social performance met expectations of its constituencies. The social audit should, like the financial audit, satisfy the informational needs of those it is designed to serve — employees, consumers, shareholders, the general public, opinion makers, and others.

Of strategic importance in defining the scope of the audit is the identification of those activities of such concern to the constituencies of the company at a particular time as to merit inclusion in the social audit. Today the scope of few if any social audits are accountings of acceptable expectations of constituents. There are many reasons for this but three seem to stand out[9]: (1) the whole idea of public accountability reporting is new; (2) the methodology for identifying social expectations and determining appropriate corporate response is in its infancy; (3) very little has

(9) Steiner, *Business and Society*, p. 202.

been done to develop creditable measures of social performance.

There is no accurate and unchallenged method, however, to identify those constituent expectations of importance to a company nor the degree of obligation of the company to respond. The evolution of the corporate social audit will be restrained until an acceptable methodology of identification is perfected. Exhibit 1 of social audit matrix may be used to spell out systematically constituent expectations.

Once constituent expectations are identified, a major problem still remains in appraising the strength and direction of the expetations. There are really no accurate and tested ways to do this. Assuming that some conclusions

Exhibit 1. A Matrix Table for Recording Expectations of Major Constituents by Selected Social Program.

	Social Audit Matrix								
	Customers	Investors	Employees	Dealers Distributors	Suppliers	Competitors	Communities	Public	Government
Product and technical performance									
Economic performance									
Employment performance									
Environment and natural resources									
Community welfare and development									
Government-Business relations									
International trade and development									

can be reached about thrusts of expectations, the problem then becomes one of determining to what extent, if any, a company should respond. If it chooses not to respond, is it obliged to mention it in the social audit? There is not satisfactory answers to these basic questions.

Presuming that the scope of a social audit can be determined, how we can develop acceptable measures of business social performance. There exists yet no generally accepted yard stick. Meanwhile, the nature of social performance measures depends upon who is looking at the programs and why. This implies then at least four different types of measures, as follows. And the development of useful measures is progressing.

(1) *Contributions to constituents.* This approach focuses attention on consumers of social activities with respect to either their broad needs or

specific demands. Measurement may be in terms of value received or benefits related to costs incurred. Probably the most ambitious one of this approach is that of Clark Abt:(10) He lists, in financial terms, a company's social assets and liabilities—in other words, its social impact—in a sort of modified and combined balance sheet and income statement, which includes social assets of a company; social commitments, obligations and equity; and social benefits and costs to staff, to the community, and to the general public, and comes to a net social income to clients. However, considering the novelty of this effort, it is no surprise that many accountants do not give it their official section. There may be many reasons why Abt's format is not the one most likely to be adopted by large, complex companies:(11)

First, it does not appear to respond to the currently perceived needs of the executives of such organizations nor to the realities of their situations. For example, the Abt's audit is organized around the total social impact of the company rather than around an assessment of its social programs.

Second, since the goal of the Abt's audit is to render social performance in dollar terms in balance sheet form, it does not disclose, it may even hide the firm's performance in social programs in which its executives are interested.

Third, Abt's audit is designed for external reporting. However, most executives are interested at this time in internal reporting for internal assessment. The prospect of external reporting exacerbates the already considerable anxiety of such executives.

Fourth, the Abt form of a social audit is so abstract and complicated that we find few, if any, executives who claim to understand it as an overall entity nor do I feel we can explain it as a totality.

Finally, this method would be prohibitively expensive for a company of even moderate size.

Another dollar-term method is that of David F. Linowes:(12) who proposes

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(10) Clark Abt, "Managing to Save Money While Doing Good," (*Innovation*, January 1972). A form of Abt's 'social balance sheet' is introduced in Appendix A.

(11) Based on the criticism of Raymond A. Bauer and Dan H. Fenn, Jr., "What Is A Corporate Social Audit?" *Harvard Business Review*, January 1973, pp. 42—43.

(12) David F. Linowes,: "An Approach to Socio-Economic Accounting," *The Conference Board Record*, November 1972, pp. 58—61. Idem, "Contemporary Businese Problems": the Corporate Social A-

a "Socio-Economic Operating Statement (SEOS)". The SEOS calculates, again in dollars, for specific major programs, the "social improvements" and "detriments" that are involved. He winds up, like Abt, with an aggregate plus or minus for society. While simpler than Abt's, Linowes' method is still too complex for practical application. An example of Linowes' SEOS is shown in Appendix B.

Another evaluative method is subjective polls of opinion. Some activist groups periodically poll their readers and publish the results in the form of ranked standings of companies with respect to how socially responsible they are deemed to be. Opinions of individuals about how they perceive the impact of social programs on themselves can be useful measures.An example is Blum's poll made to determine the extent to which acompany was satisfying the basic human needs of its employees.(13)

(2) *Traditional Benefit Measures.* A company may wish to evaluate its social programs in terms of benefits to itself. The standard may be in the form of the traditional return on investment. In most instances, however, the cost/benefit analyses have been extremely rough and far from complete in the sense of considering all the major costs and benefits.

(3) *Efficient Conducts of Progams.* We may ask how efficiently the company has conducted its programs. For most programs this evaluation must be subjective. In some instances, however, evaluation can be quantitative. For instance, we have had for some time mathematical models to improve company efficiency and these are now being directed to social programs. To illustrate, one input-output matrix has been developed to show how a firm can minimize wasteful use of resources.

The above illustrates the range of approaches to measurement that exists today. The literature on the measurement is rather bleak at the present time. It is a grim fact that there are today no creditable generally accepted standards for measuring business social performance in genral or with respect to most if not all of of the social programs undertaken by business. It

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udit," *Vital Speeches of the Day*, January 9, 1975, pp. 315—319. Idem, "The Corporate Social Audit," in *Social Responsibility and Accountability* edited by Jules Backman (New York: New York University Press, 1975, pp. 93—109. Idem, Strategies for Survival(New York: AMACOM, 1973), Chapter 11.

(13) Fred H. Blum, "Social Audit of the Enterprise," (*Harvard Business Review*, March-April, 1958).

may be a long time before such measures are developed and receive wide acceptance in and out of business.

In developing measures it must be widely understood that a measure suitable for evaluating one purpose of a company's social program may be completely inadequate to measure a different objective. Furthermore, it will be impossible to satisfy all dimensions of the problem of measurement and evaluation. There are certain dimensions that defy quantification and sometimes they may be the most important ones to evaluate.

Thus, it is in point here to observe that, until better and generally accepted measures of social performance are available, much of what passes for social audits will be in descriptive terms. Now, despite the measurement problems, should making a social audit still be mandatory? Let us entertain this question in the following chapter.

CHAPTER VI

IF AT ALL MANDATORY, HOW TO LAUNCH IT?

Yes, making a social audit should be mandatory. There is, of course, logic behind this answer as follows. The present-day annual financial reporting of corporations is mandatory. It reflects an accounting of performance which society in decades past has expected from corporations. Today, as amply described in preceeding chaptrs, society is expecting much from its corporations. Why should corporate performance in meeting these new demands not be the subject of mandatory reporting? Actually, as noted previously, reporting is mandatory for many of the government's dictated social programs. It is not for voluntarily undertaken programs or for societal expectations not registered in law or contract. Once the problem of identifying expectations which corporations properly should meet has been reasonably well resolved, and once the measurement issue is reasonably resolved, the logic of mandatory audit seems apparent.

Respondents of the CED social audit survey were asked: "In general, do you think that business firms will be required to make a social audit in the future?" A surprising 49% of the respondents answered this question affirmatively. The larger the corporation the higher the proportion of "yes" responses.(14)

If we accept the view that business does have social responsibilities to perform and to report, the next question then becomes: What type of social audit should be made, especially in the initial step?

First issue to solve is what areas to cover in our initial audit. Considering difficulties in reaching a consensus and in using a generally acceptable measuring rod, we may begin with some areas that are relatively more external concerns and pressures, and sensitive to the more easily recognizable and/or quantifiable. Such areas may be recommended as; (1) ensuring employment and advance opportunities for minorities: (2) direct financial aid to schools; (3)active recruitment of the disadvantaged; (4)improvement of work/career opportunities; and (5)installation of modern pollution abatement equipment.(15) Although the range of possible activities which a social audit may encompass is rather wide, I recommend a partial audit at first in such areas as introduced just above since the spectrum of possible action is obviously well beyond the scope of even the giant corporations. Secondly, as to the question of who should do the social audit, Bowen suggested that an outside team should make the audit for company in order to assure high objectivity.(16) However, I am of opinion that initial audit may as well be conducted by the internal team without the fear of outside disclosure and with no commitment to the publication of the first-round audit. The initial internal team may be composed of six senior level managers who are conversant with business practices and problems, socially oriented, and technically capable, respectively, in one of the major areas related to the audit(e.g., management, economics, engineering, sociology, law, etc.)

Thirdly, though not with a dollar term yard-stick, we can certainly launch a social audit in a combined quantitative descriptive measures. In this context, the following Corson and Steiner Model is very enlightening and practical as it embodies the whole process of the social audit.(See Exhibit 2)

Finally, we can assure ourselves that our first-round audit will be improved in quality soon to become more objective and more comprehensive,

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(14) Corson and Steiner, *Measuring*, pp. 36—37.
(15) A more comprehensive lists associated with Drucker's classic lists of key goal areas are demonstrated in Appendix C.
(16) Bowen, *Social Responsibilities*, p. 156.

since it will bring about four immediate benefits: (1)it becomes a basis for further periodic audits to improve data collection method and to gradually cover all pertinent areas: (2)though external auditors may be invited, internal specialized audit team may be established and trained: (3)it will stimulate a more refined and profound inquiry into the true social costs on the part of a controller; and (4)management can decide whether a periodic social audit is worth-while and/or how much it costs.

Exhibit 2. The Corson-Steiner Model for Social Auditing/Reporting

A Model for Social Auditing/Reporting	
1. An Enumeration of Social Expectations and the Corporation's Response	A summary and candid enumeration by program areas (e.g., consumer affairs, employee relations, physical environment, local community development) of what is expected, and the corporation's reasoning as to why it has undertaken certain activities and not undertaken others.
2. A Statement of the Corporation's Social Objectives and the Priorities Attached to Specific Activities	For each program area the corporation would report what it will strive to accomplish and what priority it places on the activities it will undertake.
3. A Description of the Corporation's Goals in Each Program Area and of the Activities It Will Conduct	For each priority activity, the corporation will state a specific goal (in quantitative terms when possible) and describe how it is striving to reach that goal (e. g., to better educational facilities in the community it will make available. qualified teachers from among members of its staff).
4. A Statement Indicating the Resources Committed to Achieve Objectives and Goals	A summary report, in quantitative terms, by program area and activity, of the costs direct and indirect assumed by the corporation.
5. A Statement of the Accomplishments and/or Progress Made in Achieving Each Objective and Each Goal	A summary, describing in quantitative measures when feasible and through objective, narrative statement when quantification is impracticable, the extent of achievement of each objective and each goal.

Source: Corson and Steiner, *Measuring*, p. 61.

CHAPTER VII

CONCLUSION

All in all, if the corporations do not take the initiative voluntarily, I think the ever increasing governmental concern and public pressure may, any way, lead to a periodic reporting requirement for social audits. David Rockefeller once observed that:

> Because of the growing pressure for greater corporate accountability I can foresee the day when, in addition to the annual financial statement, certified by independent accountants, corporations may be required to publish a 'social audit' similarly certified.(17)

This day may be some distance ahead but it seems to be the direction in which we are headed. Societal demands are and will be ever growing, and are not likely to diminish that corporations, especially the large ones, continue to expand their efforts to appraise and inform about how well they are serving the needs of society. The social audit is a tool to do this. It is my judgement that it is not a current fad which will soon disappear. It is a new managerial requirement.

By the corporate social audit we may develop an acceptable method to institutionalize in business desirable and evolutionary reforms which will make business both stronger and more able to serve the social purpose. Any it may be this experience will stimulate thinking about, and methods to make, social audits of insitutions aside from business, such as government, nonprofit corporations, and universities.

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(17) David Rockfeller, address to the Advertising Council, reported in the *Los Angeles Times*, January 3, 1971, quoted in George A, Steiner, "Should Business Adopt the Social Audit?" *The Conference Board Record* (May 1972), pp. 9—10.

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Appendix A. Abt's Social Balance Sheet

Abt Associates Inc. Social Balance Sheet

Year ended December 31, 1971 with comparative figures for 1970

	1971	1970
Social Assets Available		
Staff		
Available within one year (Note I)	$ 2,594,390	$ 2,312,000
Avallable after one year (Note J)	6,368,511	5,821,608
Training Investment (Note K)	507,405	305,889
	9,470,306	8,439,497
Less Accumulate Training Obsolescence (Note K)	136,995	60,523
Total Staff Assets	9,333,311	8,378,974
Organization		
Social Capital Investment (Note L)	1,398,230	1,272,201
Retained Earnlngs	219,136	—
Land	285,376	293,358
Buildings at cost	334,321	350.188
Equipment at cost	43,018	17,102
Total Organization Assets	2,280,081	1,932,849
Research		
Proposals (Note M)	26,878	15,090
Child Care Research	6,629	—
Social Audit	12,979	—
Total Research	46,486	15,090
Public Services Consumed Net of Tax Payments (Note E)	152,847	243,399
Total Social Assets Avallable	$11,812,725	$10,570,312
Social Commitments, Obligatlons, and and Equlty		
Staff		
Committed to Contracts within one year (Note N)	$ 43,263	$ 81,296
Committed to Contracts after one year (Note O)	114,660	215.459
Committed to Administration within one year (Note N)	62,598	56,915
Committed to Administration after one year (Note O)	165,903	150,842
Total Staff Commitments	386,424	504,512
Organization		
Working Capital Requirements (Note P)	60,000	58,500
Financial Deficit	—	26,814
Facilities and Equipment Committed to Contracts and Administration (Note N)	37,734	36,729
Total Organization Committments	97,734	122,043
Environmental		
Government Outlays for Public Services Consumed, Net of Tax Payment (Note E)	152,847	243,399
Pollution from Paper Production (Note O)	1,770	770
Pollution from Electric Power Production (Note R)	2,200	1,080
Pollution from Automobile Commuting (Note S)	10,493	4,333
Total Environmental Obilgations	167,310	249,582
Total Commitments and Obligations	651,468	876,137

Society's Equity		
Contributed by Staff (Note T)	8,946,887	7,874,462
Contributed by Stockholders (Note U)	2,182,347	1,810,806
Generated by Operations (Note V)	32,023	8,907
Total Equity	11,161,257	9,694,175
Total Commitments, Obligations and Equity	$ 11,812,725	$ 10,570,312

Source: *Business Week*(Sept. 23, 1972), p.89.

Appenpix B. Linowes' Socio-Economic Operating Statement

Jones Corporation

Socio-Economic Operating Statement

for the year ended December 31, 1972

I. Relations with People:			
A. Improvements:			
1. Training program for handicapped workers	$10,000		
2. Contribution to black college	4,000		
3. Extra turnover costs because of minority hiring program	5,000		
4. Cost of nursery school for children of employees, voluntarily set up	11,000	$30,000	
B. Less: Detriments			
1. Postponed installing new safety devices on cutting machines (cost of the devices)		14,000	
C. Net Improvements in People Actions for the Year			$16,000
II. Relation with Environment:			
A. Improvements:			
1. Cost of reclaiming and landscaping old dump company property	§70,000		
2. Cost of installing pollution-control devices on Plant A smokestacks	4,000		
3. Cost of detoxifying waste from finishing procss this year	9,000		
Total Improvements		$83,000	
B. Less: Detriments			
1. Cost that would have been incurred to relandscape strip mining site used this year	$80,000		
2. Estimated cost to have in stalled purification process to neutralize poisonous liquid being dumped into stream	100,000	$180,000	
C. Net Deficit in Environment Actions for the Year			($97,000)
III. Relations with Product;			
A. Improvements:			
1. Salary of V.P. while serving on government Product Safety Commission	$25,000		
2. Cost of substituting lead-free paint for previously used poisonous lead paint	9,000		

Total Improvements	$34,000	
B. Less: Detriments		
1. Safety device recommended by Safety Council but not added to product	22,000	
C. Net Improvements in Product Actions for the year		$12,000
Total Socio-Economic Deficit for Year		($69,000)
Add: Net Cumulative Socio-Economic Improvements as of January 1, 1972		$249,000
Grand Total Net socio-Economic Actions to December 31, 1972.		$180,000

Source: Linowes, *Strategies for Survival*, pp. 174—175.

Appendix C. A Check List of Social Audit Headings

Business key Areas	Selecteted Area for Analysis	Secondary Areas
Profitability		
Innovation		
Market standing		
Productivity		
Financial and physical resources		
Manager performance and development		
Worker performance and attitude		
Social Responsibility →	Social Responsibility	→External Environment
		1. Social responsibilities and new opportunities
		2. Community relations
		3. Consumer relations
		4. Pollution
		5. Packaging
		6. Investment relations
		7. Shareholder relations
		→Internal Environment
		1. Physical environment
		2. Working conditions
		3. Minority groups
		4. Organization structure and management style
		5. Communications
		6. Industrial relations
		7. Education and training

Source: Humble, *Social Responsibility Audit*, p. 19.