

Evaluation on companies' social accounting

[Business](#), [Accounting](#)



Evaluation on companies' social accounting Executive summary This report explains the concept of " social accounting" and analyzes the execution of social accounting in the two companies Corning incorporated and AM-PM Glass Company. The analysis is based on the " good" principles of social accounting and the accordance to the global standards.

And the analysis shows that Corning's sustainability has a better understanding and consideration about the requirement of social accounting and it makes its own evaluation system based on ISO 14001, and build up a series of standards, but the standards of EMS can not match with GRI on the completeness and concreteness. AM-PM begins well in the practicing of social accounting. But it is not that easy to do well in all aspects of the social accounting, so it has only considered four " good" principles.

While AM-PM takes both AA1000 and GRI as the evaluation standards to assess its performance, and got clear and systematic report results and good reference to its development in the future. Contents Evaluation on companies' social accounting1 1. Introduction3 2. Definition and explanation of the concept of Social Accounting3 2. 1 Definition and development of concept3 2. 2 Reasons for producing social accounting4 2. Principles of " Good" and global standards5 3. Critical evaluation on quality of social accounting of two glass companies5 3. 1 Corning Incorporated6 3. 2 AM-PM Glass & Mirror Company8 4. Conclusion10 Reference12 1. Introduction Social accounting is a voluntary process that organizations use to account for their environmental and social impacts. There are both pros and cons telling why organizations decide to engage with this concept of social accounting.

The purpose of the report is to evaluate the two glass companies Corning and AM-PM's social accounting according to the "good" principles and global standards of social accounting. 2. Definition and explanation of the concept of Social Accounting 2. 1 Definition and development of concept Social accounting refers to the process dealing with organizational assessment and communication of its impacts and activities on relevant issues related to ethics, society and the environment with their appropriate stakeholders (Yanovsky, 2006).

It aims to address companies' social and environmental impacts. Social accounting is also known as social and environmental accounting, corporate social responsibility reporting, or sustainability accounting, and different individual companies usually give different titles, like in Corning, it is called corporate social responsibility report, and in AM-PM Glass & Mirror, it is called sustainability report. The concept of social accounting has got more than 40 years' development.

Abt Associates is among the earliest social accounting practitioners, its social concerns included contribution to knowledge, environment and so on, but there is no specific definition for social accounting. In 1980s, the short book "Social Audit- A Management Tool for Co-operative Working" is the basis of the early private sector companies' social responsibility reporting (Spreckley, 1981), and "Social responsibility reporting" is the early relative formal concept.

And in this book, an internal organizational social accounting and audit model are designed to measure individual companies' social and environmental performance. And with the development of economy and <https://assignbuster.com/evaluation-on-companies-social-accounting/>

society, the concept of social accounting also gets to a broad and deep domain, which includes the evaluation about every aspect of companies' social and environmental impacts (Robinson, 2001; Schwartz and Carroll, 2003).

2. 2 Reasons for producing social accounting

The reasons that individual companies develop social accounting and related reports are as follows. On the negative aspect, employees' internal pressures in their urge of wanting to report the environmental and social impacts of the company (Crane and Matten, 2007) can make companies practice the social accounting; and external forces by government agencies, non-governmental organizations, consumers or investors as they seek the company to disclose its impacts of social accounting can also lead to the social accounting.

On the positive aspect, social accounting can help individual companies identify and utilize opportunities for cost effectiveness, introduction of profitable eco-friendly products and services, energy saving and environmental protection (Defourny and Thorbecke, 1984). Also, both current and future concerns of stakeholders forewarn companies about any possible area of conflict. Yanovsky (2006) further claimed that companies become aware of the probable risk factors that are capable of affecting their business operations, which afford the chance for companies to prepare the coping mechanism.

3 Principles of " Good" and global standards " Good"

accounts must accord a series of principles. In general, good principles of social accounting have to be inclusive, involving dialogue with stakeholders; to be complete, highlighting the key areas of the individual company's activities; to be embedded within the organization; to be comparable, undergo external verification, and give room for continuous improvements.

These principles should take both companies own management practices and the performance measurements comparison with other companies into consideration (Montgomery and Porter, 1991). Such principles have to be incorporated within the organizational structure, be verified by external auditors and be reviewed on regular basis in order in relation to the targets of its performance and cost effective business opportunities. There are some global standards that are available for companies' social and environmental reports.

For example, SocialAccountabilityInternational produced SA8000, and it provides workplace issues standards; AccountAbility developed the AA1000S Assurance Standard; The SAN framework, which is suitable for third-sector organisations; ISO1400, which are series of international standards that deal with issues related to environmental management (Porter, et. al. 2009) and Global Reporting Initiative (GRI), which is one of the most practiced standards across the globe and is in its third generation format (G3). 3.

Critical evaluation on quality of social accounting of two glass companies
This report provides a critical evaluation of two case studies of how the organizations have made use of social accounting concept. The Corning Glass and AM-PM Glass & Mirror Company will be used as examples of companies which have fully put into consideration the social accounting concept. It is a reflection of organizational values and evidence-based actions they undertake towards showing concern to their stakeholders in dealing with these issues.

The evaluation about the two companies is mainly focus on analyzing the adoption of the “ good” principles and their accordance to the global
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standards. 3. 1 Corning Incorporated Corning is a multinational company which has about 160 years' history. Corning is among the best social responsibilities practitioners. The history practicing social responsibilities began before World War One. The chairman James Houghton laid out Corning's seven Corporate Values: Quality, Integrity, Performance, Leadership, Independence, Innovation, and the Individual.

Corning's strategies are based on the attributes of collaboration, risk-taking, and long-term thinking and so on. According to Corning's strategy and value system, the best form of corporate social responsibility is equal to "simple good business" or "enlightened self-interest" and the good business is constructed by a series of good behaviors including constant interaction with customers, local communities and government. The social accounting in Corning is named sustainability report. 3. 1. 1 The adoption of "good" principles

First, Corning emphasizes the care and feeding of its major stakeholders, especially the care and feeding for its customers and employees, according to Houghton's speech in 2004's company strategy conference. Corning clearly obeys its seven values and takes a set of stakeholders into consideration. It puts attention to labor, women and minorities. Since 1970s, Corning began made efforts to employee women and minorities (Graham, 2010). Second, Corning has complete consideration on social accounting, and highlights impacts of the company's producing activities to the society and environment.

Corning put attention to working conditions, products safety and efficacy, and the environment. According to Corning's sustainability report, the <https://assignbuster.com/evaluation-on-companies-social-accounting/>

central elements of the companies' operation excellence are protection safety, health and environment (Graham, 2010). Specifically, in order to protect the air, Corning produces ceramic substrates for catalytic converters and tries to eliminate hazardous chemical materials. Third, Corning has a continuous improvement in practicing the social responsibility. Since 1970 to now, Corning consistently shows its care to its stakeholders and the environment.

The recent sustainability report is also planned for a long period, and forms a completed environmental protection system, which is including mission, vision, strategy and specific action plans. In process of the energy management, Corning tracks and measures its greenhouse gas emission, and conducts its related inventory, also, Corning launched a global energy management program to guarantee the energy productivity and environmental negative influence. Fourth, Corning has got verification from external organization.

Corning reports its previous greenhouse gas emission and got the Registry from California Climate Action and the Registry can give a consistent supervision on the continuous execution of the environmental protection and energy management. Fifth, Corning emphasizes finding the potential improvement, especially those related to performance targets, cost-saving and profitable business opportunities. Corning commits to maintain a long period view of energy and the advanced view requires its facilities to utilize energy in a cost-effective and environmentally responsible way.

Sixth, Corning has embedded professionals related to the social accounting in the process key to success. Corning's approach embeds an environmental,
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health and safety professional in the designing group. This embeddability enhance the safety and facilitate the health management system in Corning.

3. 1. 2 Accordance to the global standards In the year of 2004, Corning developed and deployed an Environmental Management System, short for EMS, whose format and substance follows ISO 14001(Corning Environmental Health & Saftey Brochure, 2007).

ISO 14001 is a very series of recognized global standards, and it affords clear and specific requirement for the corporate environmental control group in Corning. Corning facilities have gained many benefits through instituting and adopting the management systems, and due to the rigorous execution, the bad influence to the environment has been reduced. Corning has a pyramid system about EMS, the ISO 14001 stands in the center of the pyramid. And the pyramid shows clear the social accounting procedures. 3. 2 AM-PM Glass & Mirror Company

AM-PM Glass & Mirror is a residential and commercial glass company that provides exceptional craftsmanship, unsurpassed satisfaction to their customers and gives prompt service through their sustainable innovation and social accounting concept. The company recently outlined its values and objectives in the annual sustainability report, which encompass support to community trade of glass products and its internal judgments on environmental and social performance in relation to achieving its objectives (AM-PM, 2012). 3. 2. 1 The adoption of “ good” principles

AM-PM Glass & Mirror Company follows the three principles of completeness, materiality and responsiveness. First, AM-PM’s sustainability report relates to complete contents of the social responsibilities. It has put attention to both

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inside and outside of the organization, for example the employee relationships, the sexual and racial ratio, the consideration of the disabled people inside of the organization; and the communication with communities, the campaigns to protect environment outside of the organization. Second, AM-PM's emphasize the materiality of the action.

It stresses that social responsibilities should not only be written in the sustainability report, it must be based on specific actions first, the real practice result and data of the protection, but not only the plans in the report. Third, responsiveness is the main part that is stressed in the report, it means that AM-PM not only like to be the pioneer in the practice of environmental protection, but also would like follow other companies' environmental steps. Forth, the values reported in the sustainability report have been externally verified by auditors and a panel of stakeholders.

The customers, employees and the communities all give positive comments on the values and actions of AM-PM. 3. 1. 2 Accordance to the global standards AM-PM Glass & Mirror values follow the AA1000 standards of assurance. And its three principles are from these standards. Also, the company values are compliant with the Global Reporting Initiative (GRI) Level A guidelines. And the third generation version of GRI gives a series of very clear standards for AM-PM to evaluate its performance comprehensively, which is with respect to specific assessment according laws, codes, norms, and voluntary initiatives.

Specifically speaking, the compilation of AM-PM Glass & Mirror Company report was based on covering all the company activities that is vital as far as environmental and social impacts are concerned (AM-PM, 2012). Its social <https://assignbuster.com/evaluation-on-companies-social-accounting/>

accounting also responds to issues that arise out of its previous reports. The wholesomeness of this report is also realized in that it covers all the areas that the company operates on as required by global reporting initiative which covers the company management approaches, overall company profile, and the categories for measuring performance. . Conclusion In summary, it can be deduced that social accounting is a voluntary process that organizations use to account for their environmental and social impacts. Both pros and cons exist why organizations decide to engage with this concept of social accounting. The analysis of Corning Glass Company and AM-PM Glass & Mirror gives a specific evaluation about their execution of social responsibilities. The result shows that the two organizations both have embraced the concept of social accounting.

Corning incorporated is a big multinational which has long history of practicing social responsibility, and it has enough experiences to evaluate what kinds of actions would do well to both the company and the environment, and afford benefits to all the shareholders. So in the adoption of “ good” principles, Corning’s sustainability report shows that it has a better understanding and consideration about the requirement of social accounting. In the accordance to the global standards, Corning makes its own evaluation system based on ISO 14001, and build up a series of standards.

Corning has not used GRI as its standards to evaluate performance. To some extent, the standards of EMS can not match with GRI on the completeness and concreteness. AM-PM is also a glass company that has short history. It enters the glass industry in a new age that stresses environmental

protection and the full communication with shareholders. So, it begins well in the practicing of social accounting. But to a new company, it is not that easy to do well in all aspects of the social accounting, so it has only considered four “ good” principles.

While AM-PM did well in the accordance to the global standards, it takes both AA1000 and GRI as the evaluation standards to assess its performance, and got clear and systematic report results and good reference to its development in the future. Reference 1. Spreckley, F. (1981). *Social Audit: A Management Tool for Co-operative Working*. Wales: Beechwood College. 2. Rohinson, S. et al. (2001). “ Updating and Estimating a Social Accounting Matrix Using Cross Entropy Methods”. *Economic Systems Research*. Vol. 13, No1: 47-64. 3. Schwartz, M. S. , Carroll, A. B. (2003). *Corporate Social Responsibility: A Three-Domain Approach*”. *Business Ethics Quarterly*. Vol. 13, No. 4: 503-530 4. Defourny, J. , and Thorbecke, E. (1984). “ Structural Path Analysis and Multiplier Decomposition within a Social Accounting Matrix Framework”. *The Economic Journal*. Vol. 94, No 373: 111-136 5. Graham, M. B. W (2010). “ Corporate Responsibility at Corning. Incorporated”. *History of Corporate Responsibility Project*. No. 7 6. Crane, A. , and Matten, D. (2009). *Business Ethics*. New York: Oxford University Press, p. 9-286. 7. Montgomery, C. A. , and Porter, M. A. 1991). *Strategy: Seeking and Securing Competitive Advantage*. New York: HarvardBusiness Press. 8. Porter, M. E. , Kramer, M. R. , and Zadek, S. (2009). *Corporate Social Responsibility (HBR Article Collection)*. New York: Harvard Business Press. 9. Yanovsky, M. (2006). *Accounting Systems*. London: Transaction Publishers. 10. Corning Environmental Health & Saftey Brochure, 2007. Available at <http://www.>

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