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CORPORATE SOCIAL REPORTING IN GERMANY: CONCEPTUAL DEVELOPMENTS AND PRACTICAL EXPERIENCE*

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As in all other highly developed market economies of the Western world, the impact of business activities on the quality of human and social life, and specifically the living environment, has become a prominent subject of debate and concern in Germany during the past decade. This development is mainly influenced by a growing recognition of the social cost of economic development (Mintrop, 1976, p. 4; Budäus, 1977, p. 187) and the basic value change in the intellectual and political elite. Beyond this, an increasing proportion of the general public is gradually turning away from the purely economic orientation of the past towards the emphasis of post-industrial, post-material values (Strümpel, 1977, p. 10; Inglehart, 1977). After a period of tremendous economic growth and achievements, and a high degree of consensus about the prevailing economic interest in society in the late sixties/early seventies, other priorities, summarized as "quality of life" issues, have become increasingly prominent and politically significant.

Scholars of social change consider 4 developments as having been instrumental to these basic changes:

1. The tremendous volume of publications discussing the need for reorientation on society (Eppler, 1975), the ecological burden of mounting industrial production as well as the growing depletion of natural resources (Gruhl, 1974).
2. The rapid growth of citizen groups demanding participation in decision-making in areas like industrial location and the nuclear power debate (Battelle-Institute, 1975).

3. The reorientation of major unions from away demanding only higher wages and reduced working hours, to stressing the importance of a humane work environment for human health as well as for intellectual and personal development (Brinkmann-Herz, 1975, p. 109).

4. The increasing attention these concerns receive in the general media (Hartmann & Furch, 1974).

The growing recognition of the broad spectrum of social costs caused by rapid economic growth stimulated the search for a new paradigm — quality of life — and related academic research on "social indicators" and "social reporting" as an extension of traditional reporting on national growth rates, productivity achievements and the amount of consumption goods available to different parts of the population.

Added to the concern with the rising social costs of economic development was the strong movement criticizing the capitalistic system as an uncontrollable exploitive super-power in our societies. It was stimulated by the student revolution in the late sixties in Germany and produced an overwhelming volume of literature on this issue and stimulated nationwide discussions particularly among the intellectual elite. A merger of these 2 developments pointed to an obvious scapegoat: the business corporation was considered to be the main cause of the newly-perceived misallocation of natural and human resources. Smoke stacks and industrial complexes which up to now had been used as an indicator of progress, prosperity and wealth became symbols of wrong perspectives and goals when the physical

*Extracts from a paper presented at the joint session of the International Management and the Social Issues Division, Academy of Management Meetings, San Francisco, August 1978.

environment was recognized as a central basis for the existence of mankind.

Therefore, Harman's observation of these developments in the United States — "new evidence is presented daily that what is seemingly good business policy frequently turns out to be poor social policy" (Harman, 1972, p. 92) is true of the political situation in the Federal Republic of Germany in the early seventies, too. It was increasingly perceived that completely rational business decisions are contributing to a serious depletion of natural resources, to a destruction of the physical environment and an increasing alienation of the working population (Dierkes, 1974, p. 27).

Business as the key institution responsible, therefore, increasingly came under severe political pressure for these developments (Infas, 1973a, 1973b; IIUG, 1978) as Bell pointed out: "a feeling has begun to spread out in the country that corporate performance has made society uglier, dirtier, trashier, more polluted and noxious" (Bell, 1973, p. 272).

As a consequence of these conclusions, 2 developments have been observed which played a major rôle in determining the business/society relationship since the early seventies in the Federal Republic of Germany and in other European countries:

1. a growing demand and pressure on business to integrate more social consideration into its decision making, and
2. a significant frustration and alienation in the business community as well as a growing confusion about its future rôle in society (Schmölders, 1973, p. 109).

The combination of these trends represented a sharp change in the relationship between business and society. During 20 years of the "Wirtschaftswunder", business was considered a prime source of growth, wealth and well-being. The business community was not immediately prepared to understand this rather fast and profound value change and to adjust policies accordingly, and reacted at first with frustration and alienation. It was unsure about its future rôle and importance in society (Schmölders, 1973, p. 109). Even empirical studies revealing a quite acceptable public image of the business community (Dierkes, 1970) did not significantly alter the negative image the business community perceived itself as having in the general public. It was the institution in society taking the blame for all developments

which were suddenly considered to have been guided by wrong priorities (Tuchtfeldt, 1978, p. 10; Schmolders, 1973, p. 110).

This general phenomenon of frustration, alienation, and missing guidance for future developments was reinforced by an extensive discussion in political circles and also in academic research. Attempts were made to develop concepts to force business to integrate social consideration into its decision making along the following lines:

- basic changes in the overall economic system,
- extension of participation (*Mitbestimmung*) on the part of the employees and the unions, and
- more detailed and extensive governmental intervention.

Under the general umbrella of basic changes within the overall economic system, a variety of specific measures have been discussed to reduce the social costs of business activities and bring business decisions more in line with what generally has been perceived to be the quality of life. Investment control, central planning, as well as the nationalization of key industries or individual companies was intended to serve such rôles (Krüper, 1974; Zinn, 1973). An expansion of labor participation (*Mitbestimmung*) was basically intended to reduce the influence of capital interests on decision making within the firm and on the policy formulation on local, regional and federal levels in the political arena by shifting more power to unions within the concept of the "Überbetriebliche Mitbestimmung" (Brinkman-Herz, 1975, p. 18). The central point of this proposal was to establish economic and social councils to coordinate public and private decision making specifically with respect to investment, products, locations and infrastructure. These councils were expected to broaden the perspectives and goals of the decision making process: instead of merely focusing on assessing the contribution of a specific investment plan to the overall return on capital, these councils would force business as well as public institutions to take into consideration a broader spectrum of social goals.

While these 2 options have basically remained at the discussion stage, the third option moved beyond the sphere of academic and political debates to political implementation: government has tightened controls on business by setting rigorous standards specifically in the field of environmental protection and the quality of life at

the work place. Since 1971, an overwhelming amount of legislation, specific regulations and tighter controls on business by specialized agencies have been used as a major attempt to reduce the social cost of business decisions in at least these 2 areas of prime concern.

These 3 developments have clearly indicated to the business community that the future of the corporation as a social institution was considered to be at stake specifically in decisions perceived to be central for a company operating in a market economy: investment, choice of production technology, choice of products. Business realized that if it did not start taking a broader view of its relationship to society, it would be increasingly subject to detailed external control and intervention. This would represent a basic structural change in the market economy: the decentralized independent choice of options, and the guidance by feedback processes indicating success or failure.

Though frustration and even a questioning of the motivation for further entrepreneurial activities was the predominant first reaction on the part of the business community, particularly small and medium-sized companies, the political climate of severe pressure was perceived at the same time by a small but growing number of business leaders as a significant and important challenge. They began to recognize the need to reconsider the rôle and task of business in society and to develop new concepts guiding the future development of individual companies as well as the business community as a whole (Mohn, 1976, p. 16). Based on a revitalization of the philosophy of corporate responsibility, options to broaden the responsibilities of the business community received growing attention. As in other countries, the discussion gradually shifted from the level of arguing for the desirability of an extended social responsibility on the part of the business corporation, to developing management concepts integrating social and economic goals (Tuchtfeldt, 1978, p. 5).

Although top management in German industry still expects that government intervention in business decision making will increase during the forthcoming 2 decades, which they do not consider to be a positive development of the market economy (Dierkes, 1976, p. 20), it is increasingly convinced that a carefully designed, rigorous and transparent policy of expanding the social responsiveness and accountability of the business corporation will be the optimal *alter-*

native strategy. On the one hand, it would force business to take its social impact into consideration, and, on the other hand, it would avoid detailed and often ineffective governmental intervention or a centralization of decision making on investment, production technology and products, which is perceived to be similarly ineffective. A survey among 200 chief executives of the largest German corporations, for example, revealed that younger chief executives are more convinced that in the future German corporations will more actively try to develop an organized concept of broadening their responsibilities (Dierkes, 1976, p. 21). The efforts by the business community to initiate the change towards more socially responsive decision making have generally taken the following steps – basically reflecting on an overall societal level which Ackerman observed as the pattern of response to social demands on the part of an individual business corporation (Ackerman, 1973):

- First stage: Increasing recognition of the need for broadening business responsibilities and redefining business rôle and task in societies in statements of leading business representatives.
- Second stage: Specifying the concept of social responsibility by developing broadly-based goals and purpose statements as well as by discussing the overall philosophy of the social rôle of the business corporation in specific terms.
- Third stage: Experimentation with changing the overall management system to integrate social considerations into today's business decisions and operations.

It can be noted that approximately 200 of the largest corporations in Germany have already developed formal statements integrating economic and social goals (Manager Magazine, 1976). Although they are written in very general terms, they are more than public relations strategies. They serve as a reference for conflicts with respect to specific decisions as well as a starting point for further activities specifying corporate economic and social objectives in detailed terms. Since these statements are usually developed on the basis of intensive internal consultation, and are then brought to the attention of the general public they are a

considerable stimulus to move from mere rhetoric to countervail social pressure towards the development of specific policies in detailed areas of social concern to the business corporation.

Although only a few companies in Germany are currently pursuing a broadly-based change in the overall management system orientated towards integrating social considerations into business decisions and operations, considerable experimentation and conceptual work already is underway to help those moving from stages 2 to 3 in an organized and effective manner. It is anticipated that such a change should take place in the fields of business forecasting and planning, accounting, reporting and performance evaluation with second order consequences for marketing strategies, personnel selection, leadership style and organization, production program, production processes and overall investment and siting policy (Dierkes, 1974, p. 126).

Generally speaking, German business corporations which have recognized the need for change and are prepared to accept the new social rôle and responsibility are currently focusing predominantly on stage 2 and are gradually moving towards the more comprehensive and elaborate concept of change which is indicated by stage 3. The political environment has been willing to accept and promote experimentation in this area, providing a stimulus for attempts to convert the notion of corporate social responsibility into a practical and operational concept for the business corporation in Germany. There has been a broadly based discussion of the ethical dimension of business, research on the development of a solid data base on corporate social responsiveness, broadly based experiments in the field of corporate social planning and reporting as well as the search for concepts and strategies to evaluate business social performance.

Corporate social responsiveness cannot be discussed in a vacuum or merely based on perceptions of various groups in society. A rational policy of extending the responsibility of the business community in the social realm requires a solid data base both for management's planning and action as well as for external performance evaluation on the part of the various constituencies or stakeholders of a corporation. Business has been under pressure to extend its reporting to various specific groups, particularly to employees and labor representatives, and the general public. In addition to the external demands and pressures

for expanding the data base for evaluation of corporate performance into the social sphere, another prime motivator of this development is the perception of corporate management as of itself as a mediator among the various stakeholder groups or constituencies (Dierkes & Preston, 1977; Kempner, MacMillan & Hawkins, 1974, p. 262). The more business accepts this mediation rôle, the more solid the data base required on both the range of interest of existing stakeholder groups and variety of demands of the newly emerging "relevant public" (Dierkes & Preston, 1977, p. 3).

CORPORATE SOCIAL REPORTING: A KEY ELEMENT IN THE DISCUSSION OF BUSINESS SOCIAL PERFORMANCE

All the developments outlined above indicate that in the Federal Republic of Germany, as in other industrialized countries, the discussion on the social responsiveness of business has progressed from the initial phase in which businesses were increasingly recognizing their new rôle to a phase of planning and action. Planning and action, however, require a concept to integrate as far as possible the social cost of regular business activities in decision making, and, at the same time, to realize that a contribution to the solution of other social problems may be required by an individual company or a group of corporations. A rational concept for social involvement on the part of the business community, therefore, requires:

1. Information on the social impact of its regular business activities, as well as general social problems perceived to be important to the specific company
2. Information on various options and their implications for manpower and budget requirements, and finally,
3. Information on what has been achieved in the respective areas chosen to be part of the social responsiveness strategy of the corporation.

Obviously, the traditional information system tailored to the need for a comprehensive data base to decide on measures to be taken to enhance business economic performance is not suited to generate this kind of information. The same is true with respect to the traditional external reporting, which focuses on economic performance. Therefore, if corporations are seriously considering developing such a rational policy in the field of

social responsiveness, the initial and most fundamental step is to develop a data base helping management understand where the problems are and what can be achieved with a specific amount of manpower and financial resources being allocated to the solution of the problem.

Social reporting also plays an important rôle in the external control of corporate activity. An extension of the overall goals of the business corporation into the social realm would, as it is generally suspected, increase the sphere of influence and power of business beyond those areas which are perhaps inefficiently but at least rudimentarily controlled by market processes, financial reporting and feedback, as well as regulations to ensure competition. As Levitt pointed out when discussing the problems involved in expanding business responsibilities in the social realm:

the danger is that all these things will turn the corporation into a twentieth century equivalent of the medieval church. The corporation would eventually invest itself with all-embracing duties, obligations, and finally, powers, ministering to the whole man and modelling him in society in the image of the corporation's narrow ambitions and its eventually unsocial needs (Levitt, 1974, p. 30).

Therefore, the problem of controlling the activities of the business corporation in the social field is central to the whole notion of corporate social performance. External social reporting could fulfil this rôle in the same manner as external financial reporting is serving as the basis for society's control over economic activities on part of the business community. The objective of such an external reporting would be as suggested by Prakash Sethi (1973, p. 33):

to assist various institutions and groups through political processes, to assign relative weights and priorities to various elements of social responsibility, fix responsibility for over-seeing performance, and assist existing and emerging social-economic institutions, notably large corporations, to alter their modus operandi and goals to meet the new performance criteria thus established.

Therefore social reporting, internally as well as externally, seems to be one of the critical elements in helping the business corporation to effectively take on the new responsibilities and, at the same time, in permitting society to effectively control business activities in these fields (Plessner, 1977,

p. 49).

The development of corporate social reporting in Germany – a brief summary

The beginning of the discussion on social reporting as an instrument for defining and portraying the changing rôle and task of business corporations in society coincided with the initiation of the discussion on corporate social responsiveness in the early seventies. The first articles to appear are of a predominantly theoretical and analytical nature. Their main objective was to describe initial achievements in the U.S. and to transpose them to the socio-political and cultural conditions in the country (Dierkes, 1972, 1973; Bartholomäi, 1973; Eichhorn, 1974). This activity was stimulated largely by the "Business and Society" Foundation in Frankfurt, an institution established by business leaders to study social developments of importance to the business community; the Social and Behavioral Science Division of Battelle-Institute, eV., in Frankfurt, a private contract research organization; more recently, the International Institute for Environment and Society at the Science Center, Berlin, a government-financed independent research institute; and the Arbeitskreis Sozialbilanzen Praxis (Study Group on Practical Aspects of Social Reporting), a group formed by seven leading companies co-operating in the effort to develop common guidelines for compiling and interpreting their social report.

This initial work stimulated visible and significant research activity in the academic community: numerous theses, articles and books have been written discussing the earlier conceptual work and the first experiments in the business community. Today, therefore, Germany probably is, as stated by Schreuder, "a country with the largest collection of elaborate, theoretically well-grounded models of social reporting proposed in the literature" (Schreuder, 1978, p. 13).

The first attempt to put these ideas into practice was the social report of the STEAG company for the fiscal year 1971-1972. What was often considered at the time to be a purely academic exercise, of a new strategy for a public relations manager, has since entered a stage of intense discussion among researchers and business practitioners in the country, as is evidenced by the plethora of publications, seminars and papers.

The discussion of the general desirability of

corporate social accounting and the need for a sound theoretical basis is subsiding, indicating that after the usual initial attention cycle has run its course, the period of active work has begun. In other words, both in research and in management, attempts are now being made to apply and further develop what is practical. There is clearly a great willingness in the business community to participate actively in the learning process. Though credit for the initial development of social reporting is mainly due to researchers, who, in close cooperation with business, first proposed a variety of theoretically conceivable approaches, the questions now in the foreground, namely, standardizations, the possibilities and constraints of integrating social cost and benefits into specific reporting schemes, and the problems of measuring and describing social benefits are predominantly being discussed in working groups primarily composed of business managers. Intensive work is being undertaken in several corporations by a few research teams to bridge the gap between the needs of management and the desire of academic research to produce coherent comprehensive and theoretically well-grounded concepts. The goal behind these experiments is two-fold: they are designed to test the practicability of the measurement methods and of the techniques of integrating and presenting relevant information in a suitable reporting scheme. They are also aimed at discovering the information needs of the various constituencies or "stakeholders" of a company with respect to social impact of its activities.

Both in practice and academic research in the early stages of the discussion, expectations and demands were excessively high. Needless to say, many of these high-blown demands have not been met nor is it likely that they will be met. It must be stressed that the *integrated* system that meets every theoretical and practical demand has not been found and surely will not be in the near future. On the other hand, the extensive discussion and experimentation on this subject clearly indicates that social reporting has become a part of the day-to-day procedures in many companies.

It should also be noted that experiments in German corporations, specifically those which are considered to be leading in the field, have been taking a considerable amount of time before being made publicly available, or, in many instances, have not been considered to be advanced enough to be published, although they meet the standards set by other published reports.

The practice of corporate social reporting: three concepts

The times when the company's social report was jotted down "on the back of an envelope" (Bauer, 1973, p. 18) are gone in Germany like in other industrialized countries. So too are the times of the single staff person quickly piecing together a report based on what has been discussed at a more theoretical and conceptual level. More typical of the present stage in development is the work of teams representing different functional sectors of the company, usually under the direction of the accounting or personnel department. It is worth noting that integrated systems such as those proposed in the initial stage of the theoretical discussion, for example, by Abt and Linowes, have not been taken over by German industry (Dierkes, 1974, p. 101). The difficulty of obtaining data and the present apparent impossibility of finding a common denominator to integrate such diverse information as indicators on job satisfaction and improvement in the quality of the environment make this approach unrealizable in the short and medium term.

Business in Germany is at present pursuing 3 different systems in most experiments:

1. A broadly based and partially integrated reporting linking companies' expenditures to social benefits;
2. an extension of the traditional reporting of socially relevant information, and most recently,
3. corporate goal accounting and reporting.

One of the "classic" examples of German corporate social reports employing the *first concept* are those of STEAG and the Saarbergwerke A.G. which were the first to attempt to relate companies' expenditures to specific societal benefits. They were also the first firms to publish a social report in Germany labelled, "Sozialbilanz", the comprehensive catchwork being used as a shorthand notion to describe the various efforts. The first social report was published in 1972. Table 1 reproduces the summary of the report of 1972-1973. In later years, the general format of the report remained basically unchanged, although some modifications were made with respect to certain items. The basic weaknesses of this system which became already evident with the first STEAG report in 1973 have not been eliminated. Reports using this concept still have difficulties presenting social benefits in a quantifiable form comparable to company expenditures and social

TABLE 1. Summary of the STAEG social report for 1972-1973

Performances	Costs of STAEG				Benefits for society in catchwords
	1972/1973 MDm	1971/1972 MDm	Change MDm	%	
A. Inner constituency					
– Performances for employees	49.37	52.80	–3.43	–6.5	Income rises
– Addition to the general reserves	9.50	8.11	1.39	17.1	Security of work through growth and reservation
	58.87	60.91	–2.04	–3.3	
B. Outer constituency					
– Performances for research and development	9.20	8.25	0.95	11.5	Security of energy supply and abatement of pollution
– Anti-pollution measures at existing plants	11.02	10.34	0.68	6.6	Abatement of emissions
– Relations with the public	17.24	16.81	0.43	2.6	Fostering of public goals
C. Total of the performances					These performances are set against an unchanged dividend of 10 million Dm (10%) to stockholders
Inner and outer constituency	96.33	96.31	0.02	0.02	The price of energy remained with an increase of 6.6% in 12 years almost constant

costs or negative consequences of company activities are complete omitted. The particular merit of these reports lies in their pioneering attempt to present at least a reduction of damages and a broad spectrum of benefits to society related to the company activities. Though detailed aspects of this approach will no doubt be further refined, no significant process in the reporting of social benefits can be expected until appropriate indicators are available that contain agreed measurement and aggregation techniques.

The *second concept* is the more cautious policy of a step by step extension of material traditionally collected and sometimes reported, though not in an encompassing framework like a social report. For decades, German businesses have collected a variety of data now presented under the banner of social reporting. But this activity was generally restricted to aspects of the relationship between the firm and its employees, whereas many more societal aspects of corporate

activities are now being included. In view of the great amount of material that exists it is not possible to provide a general survey of the development within this conceptual system. To refer only to a few examples, the earlier publications of Rank Xerox GmbH, Bertelsmann A.G. and Hoechst are considered to be the most advanced German reports of this kind. A similar degree of professionalism has been achieved, for example, by Roussel Uclaf in France and by several Dutch and Belgian companies.

Although reports employing this concept of incremental extension have been criticized because of the gaps remaining between the demands placed on social reporting in Europe and the information included in these reports, the policy guiding these approaches seems to be quite promising, for they reflect a cautious inclusion of important social aspects. Traditional and new constituencies alike express an increasing need for information in these areas and this system is a response which meets

their demands.

It appears that the *third concept* may prove to be the most successful in Germany in the long run: the integration of the annual report and social reporting described most appropriately as the already mentioned goal accounting and reporting. The concept was first applied by Deutsche Shell A.G. with the assistance of the author in the annual and social report of 1975. Similar attempts have been undertaken in Sweden and Switzerland. At the same time, several companies in Germany decided to move gradually toward goal accounting type of concepts, companies which traditionally either reported in the social sphere along concept one or two. Examples from the Deutsche Shell

TABLE 4. Deutsche Shell: the policy statement in the area of environmental protection as a central aspect of attempts to "pay regard to the general public welfare"

1.	Obligation to participate
2.	Degree of responsibility
3.	Consideration of environmental protection during investment decisions
4.	Responsibility of the individual employee
5.	Contribution to research
6.	Cooperation during enforcement
7.	Public information

TABLE 3. Deutsche Shell: the specific goals in the area of "paying regard to the general public welfare"

With regard to the following groups	Objectives
Government	Observance of all government laws, regulations and conditions Payment of all applicable taxes and fees Making available to the government of know-how and experience in specialized fields
Economy, society and science	Support by means of substantive actions and the contribution of our employees' specialized knowledge
General public	Comprehensive information about the company and our activities for all interested groups
Youth	Encouragement of youth in the broadest sense with emphasis on certain specially chosen areas (youth research and traffic education)
Minorities and disadvantaged groups	Substantive and moral support for groups which have difficulty in bringing their interests to bear, as well as participating in the general prosperity
Physical environment	

TABLE 2. Elements of the goal accounting/reporting approach: Deutsche Shell AG as an example

The overall goals of Deutsche Shell
Supplying the consumer on conditions determined by the market
Developing new applications of techniques and products
Achieving a reasonable return on investment
Taking into account our employees' interests
Paying regard to the general public welfare

report should illustrate basic elements of this approach. The first chapter of the report deals with developments in the overall political, social and economic environment of the company. The statement of general goals and objectives is presented next (see Table 2) followed by the performance of the company in these areas (Tables 3-6). These sections of the report include a description of the specific goals and a summary of the achievements of the firm in meeting it, the resources used, and comments on future plans with respect to that objective. It should be noted again that financial and economic performance reported as an integral part of this section in exactly the same manner as other goals. Currently

TABLE 5. Deutsche Shell: the goal-performance reporting in a specific area – reducing pollution in manufacturing and storage as an example

Ziele für 1977	<ol style="list-style-type: none"> 1. Schnelle und sichere Inbetriebnahme einer weiteren Neuanlage zur Herstellung bleiarmer Ottokraftstoffes der gewohnten Qualität (Klopffestigkeit) 2. Entwicklung von Lösungsmöglichkeiten zur Verminderung der Luftbelastung durch Abgase von katalytischen Crackanlagen 3. Entwicklungen zur verbesserten Verbrennung in bestimmten Prozessöfen 4. Leistungserhöhung der Abwasserreinigung 5. Verbesserung des Abwassersystems 6. Verminderung der Geräuschemission von Raffinerieanlagen 		
Massnahmen	<ol style="list-style-type: none"> 1. Fertigstellung und Inbetriebnahme der Isolierungsanlage 2. Grosstechnische Versuche in der katalyt. Crackanlage, um die Durchführbarkeit des Lösungsvorschlags zur Abgasreduzierung/-verbesserung zu prüfen 3. Änderung des Brennersystems an div. Öfen 4. Erweiterung einer Abwasserreinigungsanlage um 260 m³/h 5. Modernisierung und teilweise Ersatz von Sielsystemen 6. Verschiedene konstruktive und bautechnische Massnahmen zur Verminderung der Geräuschemission 		
Kosten	Investitionen für Massnahmen:	zur Luftreinhaltung	DM 120,0 Mio
		zum Gewässerschutz	DM 21,5 Mio
		zur Geräuschverminderung	DM 2,0 Mio
		Gesamtinvest.	DM 143,5 Mio
Ergebnisse	<ol style="list-style-type: none"> 1. Erfolgreiche Inbetriebnahme der Isomerisierungsanlage im Sept. 1977. Damit ist die ausschliessliche Herstellung bleiarmer Ottokraftstoffe erreicht 2. Erkenntnisse, die zu apparativen Änderungen in der katalytischen Crackanlage führen werden 3. Übertragung der Versuchsergebnisse auf die Anlage 4. Abschluss der Erweiterung zur Vergrößerung der Verweilzeit von Abwässern, um die qualitative Reinigungskraft der Gesamtanlage zu erhöhen 5. Vermeidung unkontrollierbarer Abwasser-Leckagen in den Untergrund 6. Verbesserte Geräuschemission 		

From Hoffmann, 1978, pp. 30–33.

the company is undertaking to develop a comprehensive structure of goals linking medium term policy statements to the overall goals reproduced in Table 4 and developing specific objectives within those still broadly defined program policy statements. Policy statements as well as specific objectives are published regularly with a few exceptions, for example, in the research and development and marketing field. The Annual and Social Report for 1977 contains a significant new development: a period of considerable financial losses led to the inclusion of an intensive discussion of its priorities in the social field. The achievements of a reasonable return investment as a goal will therefore receive more attention in the forthcoming performance period than other goals. At the same time, activities in the goal area "supplying the consumer on conditions determined by the market" shifted from consumer protection issues toward being instrumental to the

TABLE 6. Sources used in content analysis

Bayer in Wirtschaft und Gesellschaft (1975)
BASF Menschen Arbeit Geschäft (1977)
Hoechst 1976 (short version)
Wella Geschäftsbericht (1975)
Deutsche BP Sozialreport: das Unternehmen, seine Menschen, seine Umwelt
Deutsche Shell Geschäftsbericht/Sozialbilanz (1975–1977)
Steag Sozialbilanz (1976)
Saarbergwerke AG Sozialbilanz (1976–1977)
RUD Sozialbilanz 101. Geschäftsjahr (1975–1976)
Rank Xerox Geschäfts- und Sozialbericht (1976)
Pieroth Sozialbilanz (1975–1976)
Bertelsmann Sozialbilanz (1976–1977)
Kölner Bank Geschäftsbericht-Sozialbilanz (1977)
Stadtsparkasse Köln Geschäftsbericht (1977)

achievement of financial goals. The report clearly indicates the dilemma of corporate management in this situation and argues for an interim change in priorities with respect to the different goal areas and the various interest represented by constituencies. However, the temporary nature of this change in company policy is emphasized.

The need for consensus and standardization of social reporting was recognized in Germany at a relatively early stage. In the summer of 1976, a group of 7 leading corporations in this field formed a study group on practical aspects of social reporting (*Arbeitskreis Sozialbilanz Praxis*) which published guidelines for social reporting in April 1977. The intention of the working groups was to develop recommendations for the content and formal structure of social reporting to be suggested to be used by companies starting to get involved in this field. The objectives are to increase the comparability of information by suggesting common terminology, indicators, and schemes of reporting. The objective also has been to provide the general public with a basis for evaluating companies' social reports.

The study group suggested the following goals to be achieved by social reporting:

1. Formulation of goals and measures relevant to social concerns and corporate interests, as well as the collection and systematic presentation of performance and its effects in order to extend the corporate planning and control mechanism into the social sphere.
2. Provision of information to all groups or persons interested in the social performance of the corporation (e.g. employees, investors and the general public), on the extent of the development of socially relevant activities and expenditures of the corporation as well as a description of these activities, and, as far as possible, a quantification of the effect (output) of expenditures for socially relevant activities (input).
3. Periodically controllable presentation of the concept of social responsibility as perceived and practiced by the corporation.

With respect to the content of the social report the task force suggests the following 3 elements:

1. The social report (*Sozialbericht*): a primarily verbal presentation enriched with statistical material of the goals, actions taken and the achievements in areas of social concern.
2. The value-added statement (*Wertschöpfungsrechnung*): an indication of the distribution of

net value-added generated by the corporation to the various constituencies (employees, shareholders, government, company itself, etc.).

3. The social account (*Sozialrechnung*): a quantitative presentation of all societally-related corporate expenditures in the reporting period as well as the company's revenues which are socially related and directly measurable.

Though the guidelines and recommendations of the task force are far from perfect, they serve as a first step towards standardization and are perceived to be a helpful tool for those corporations starting to get involved in developing a corporate social reporting function. The specific content of the recommendation has not been unchallenged. For example, unions are increasingly critical of the way depreciation is included in the account. The task force does not consider it to be a part of the value-added distributed to shareholders or the company itself. Obviously, the decision to include or not to include depreciation into the distributional part of a value-added statement considerably influences the percentage of value-added distributed to the employees. Unions are concerned that the value-added part of the social report may become a forceful tool in labor negotiations, and they are challenging this part of the recommendation more than other sections. In this respect, they perceive the work of the task force as being predominantly political in nature.

Areas, schemes and techniques in current practice

To understand the changes which have taken place under the influence of intensive discussion on corporate social accounting and reporting in Germany, a content analysis was conducted for the purpose of this article (Dierkes & Hoff, 1978). The analysis includes those company reports which integrate traditional, financial, and economic reporting and social reporting within the concept of goal accounting and reporting.

Social reports are published by German companies under a variety of labels: *Sozialbilanz*, social balance and societal profit and loss statements, *Unternehmen in Wirtschaft und Gesellschaft*, report on business-society relations, and *Sozialbericht*, social report. Obviously, the analysis had to limit itself to published reports. If reports have been issued for several years, the most recent reports have been used for the analysis.

Table 6 lists the 14 company reports included in the analysis. The study represents the majority of the 20 corporations currently issuing intensive

social/societal reports on a more or less regular basis. Most of the corporations studied are large and often German-based trans-national corporations, although 2 medium-sized companies are included. The majority are in the field of chemical and petro-chemical industry; second with respect to frequency are mining companies and banks; the rest are involved in a variety of fields like publishing, food processing and machine tool industry as well as consumer goods.

The analysis addresses itself to the following questions:

- Which concept of reporting has been used, referring to the recommendation of the study group on practical aspects of social reporting (Arbeitskreis Sozialbilanz Praxis)?
- To whom is the social report directed?
- Which functional group in the company has the ultimate responsibility in compiling the report?

- Does it provide the reader with comparative information from previous performance periods or based on other companies' activities?
- Is the report just narrative or does it give detailed technical information? and
- are goals, measures and plans mentioned in relatively specific terms or in very selective general statements?

The variety of concepts used in social reporting is indicated by Table 7. Six companies out of 14 are reporting in an integral manner as a part of overall performance reporting. The rest issue a specific report exclusively focusing on company performance in the business-society field. Just 2 companies are currently using the goal accounting and reporting concept, though several stated in their reports that they would move towards such reporting in the forthcoming years. Five companies are following completely the structural

TABLE 7. Concepts used in social reporting

	Integration SA/SR	Concept SA	Elements SA (according to AK)	Member AK	Certified by accountants	Responsible unit	Relevant public
Bayer	No	SR	SR, VA		Yes	P	P, M, V
BASF	Yes	SR	VA, SAC	Yes		PD, PR	E, P
Hoechst	No	SV, AR	VA (SR)				
Wella	Yes	SAC				BA	P
BP	No	SR	SR, SAC			BA + CWC	(E)
Shell	Yes	G	SR, SAC	Yes		BA	P
STEAG	No	SA	All	Yes		BA	P
Saarberg	No	SA	All	Yes		BA (E)	P (E)
Rud	No	SR	SR, SAC			BA + WC	P
Rank	Yes	SA	All	Yes		BA	P
Pieroth	No	SA	All	Yes	Yes	BA + SD	P, E
Bertelsmann	No	SR	SR, SAC	Yes		BA + CWC	E, P
Kölner BK	Yes	G	All			(PD)	P
Stadtspk	Yes	SR	(SR)			(BA)	P

Notes to Table 7.

AK – Arbeitskreis "Sozialbilanz-Praxis"; AR – annual report; CBA – cost-benefit approach; CG – capital gains; G – goals; SA – social audit; SAC – social accounts; SR – social report; VA – value added report; SV – short version; BA – board of directors; CWC – central works council; E – employees; M – media; P – public; PD – publicity department; PR – public relations; SD – sociopolitical department; V – visitors.

- Was the report certified by a certified public accountant?
- Which are the important sections of such a report and which areas are still neglected?
- What indicators are used?
- How intensive is the reporting with respect to giving specific data on expenditures or achievements?

recommendations of the study group on practical aspects of social reporting, while others are using just 1 or 2 of the elements of the concept suggested by the study group. Those following this concept are predominantly members of the study group itself, with the one exception of the Kölner Bank, whose report is basically tailored along the model of Shell.

In only 2 cases is an explicit statement of a certified public accountant included in the report testifying to the correctness of the information given. Other reports are not certified, or, in the case of integral reporting, the certification is limited to figures like expenditures derived from traditional financial accounting.

No major difference can be found with respect to the groups to which the report is directed: 8 companies do not state to whom they are specifically reporting; obviously they were aiming at all constituencies concerned. A few of them specify 2 major groups — employees and the general public, in particular the media. This is especially true of those companies issuing a specific report and covering extensively the company-employee relationship.

Table 8 indicates the importance attached to various elements of the social report as well as areas of concern and constituencies. As can be found in column 1, social reports vary considerably in length, ranging from 10-72 pages. When general illustrations and the non-social section in the integrated financial and social report are included, variation in length is even larger, ranging from 5 to 49 pages. Only a few companies are

reporting on goals and the section seems to be rather short. The statistical information on social involvement, value-added account, as well as expenditures for social reporting take up a considerable amount of space in all reports.

A content analysis reveals that the main emphasis is on the company-employee relationship, second is the physical environment, third is the social environment, while all the other areas of concern like company-customer relations, company-supplier relations, company-stockholder relations, the societal dimension of research and development are largely neglected. None of the companies are reporting on the social implications of their relationships to other companies.

Tables 9-14 provide an overview of the various areas of concern included in the social reports, what specifically has been reported on and the intensity of reporting, ranging from a narrative statement to detailed technical information, including internal or external information for the purpose of comparison.

As already indicated by the proportion of the report devoted to the various areas, the company-employee relationship is subject to the most

TABLE 8. Importance attached to various elements of the social report

	Scope of the report (in number of pages)										
	Scope of brochure	Scope of SA (without illustrations)	Goals	VA	SAC	Work	Physical environment	Social environment	Customers	Suppliers	Stockholders
Bayer	72	49		4		23	6	5		1	10
BASF	48	24		3	8	12		1			
Hoechst	12	5		1		1	1				1
Wella	61	6		1	2	1			1		1
BP	39	12,5			(4)	9	1	1	1/2		1
Shell	72	27	2	1(1)	(2)	10	2	7	(2)		2
STEAG	30	23,5		4	3	8	2	1/2			6
Saarberg	31	20		2	4	14					
Rud	~10	5,5			(2)	4	1/2	1			
Rank	39	10		3	3	4					
Pieroth	22	18		2	7	9					
Bertelsmann	31	14		1	2	10		1			
Kölner	35	11,5	1	1/2	1	2		2	5		
Stadtspk	61	~7	1	(1/8)		1,5		1	2		

TABLE 9. Content of the social reports – personnel structure – education – training

WORK (1)	PERSONNEL STRUCTURE														PAY				EDUCATION + TRAINING (BASIC + ADDITIONAL)					
	PERSONNEL	PERSONNEL POLICY	PLACEMENT	ACCORDING TO STATUS	ACCORDING TO QUALIFICATION	ACCORDING TO FUNCTIONS OF THE BUSINESS ORG.	REGIONAL DISTRIBUTION	HOME/ABROAD	AGE	WOMEN	FOREIGNERS	DISABLED	PART TIME WORKERS	TEMPORARY ASSISTANTS	WAGES & SALARIES	DISTRIBUTION OF WAGE GROUPS	REAL WAGE DEVELOPMENT	PAY IN KIND	APW	TRAINING	EDUCATIONAL CERTIFICATES	EDUCATION AND TRAINING	COURSE CONTENT	PROMOTION
BAYER	●	●		●	●	●	●			●	●				●	●	●		●				●	
BASF	●		●	●		●	●	●	●						●	●			●	●		●		
HOECHST	●							●							●				●	●				
WELLA	●	●													●							●		
BP	●	●		●					●	●					●			●	●	●		●	●	
SHELL	●	●		●	●				●	●					●	●	●	●	●	●		●		●
STEAG	●	●		●					●			●			●	●	●	●	●	●		●		
SAARBERG	●	●	●	●		●			●		●				●			●	●		●	●	●	
RUD	●	●		●					●						●					●		●		
RANK	●	●							●						●		●			●		●		
PIEROTH	●	●		●			●	●				●			●	●		●	●	●		●	●	
BERTELSMANN	●							●							●		●			●	●	●		
KÖLNER BK	●	●	●	●	●				●	●					●				●	●		●		
STADTSPK	●			●					●	●			●	●	●					●		●		

comprehensive and detailed reporting. In this field, information tends to be rather specific, and consensus on what should be reported is high, particularly as regards the various kinds of benefits available to the staff. However, it must be noted that in some specific areas, for example, the employment of handicapped, qualifications, wage structure, changes in the employment of women, foreign labor and part-time employees, much less information tends to be given. The same is true with respect to general personnel policy. Perhaps the mounting pressure on the part of the unions for more information on the work environment may lead to an extension of reporting in this field quite soon.

With respect to the "softer" dimension of the quality of the work environment, leadership and employee information, the only field covered satisfactorily by all reports is the description of internal information systems. Data on subjective satisfaction with the work environment are scarce and given only by a few companies. The same is true with respect to absenteeism, turnover and similar types of information indicating in an

indirect manner the satisfaction of the employees with the work environment in general. The other fields in the company-employee relationship which are covered extensively and with a high degree of consensus with respect to the indicators used are education, training and participation. Nearly every company is reporting on educational programs in relatively specific terms. The same is true with respect to the description of the various organizational devices intended to ensure labor participation in decision making. Though the majority of the companies are reporting on occupational health and safety issues, only a few of them give exact figures on accident rates and on activities to reduce accidents and work-related diseases. This is also the case with activities in the field of humanizing the work environment which is increasingly perceived to be an important item on the political agenda. A few reports mention in a very general and narrative manner, activities in this field like job enrichment, job enlargement and establishment of autonomous work groups. Again, a glance at the pattern in this section of the table reveals that there is a need for more intensive

TABLE 10. Content of the social reports – personnel structure – social services.

WORK (2)	SOCIAL SERVICES																		
	LEGAL	BASED ON CONTRACTS WITH UNIONS	VOLUNTARY																
			FRINGE BENEFIT PREMIUMS	PENSION	HEALTH CARE	CAFETERIA	LIVING	COMMUTING	LEISURE HOLIDAYS	SPORT	EMPLOYEE SUGGESTION SYSTEM	WORK CLOTHING	VACATION PAY	KINDERGARTEN	LIBRARY	CAPITAL FORMATION	FINANCIAL SUPPORT AND ASSISTANCE	SOCIAL COUNSELING	INSURANCE
BAYER	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
BASF	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
HOECHST	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
WELLA	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
BP	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
SHELL	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
STEAG	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
SAARBERG	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
RUD	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
RANK	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
PIEROTH	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
BERTELSMANN	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
KÖLNER BK	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
STADTSPK	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

reporting as well as for further standardization of areas to be covered, indicators to be used, as well as the specificity of reporting.

The impact of business activities on the physical environment ranks second to the company-employee relations as a field widely covered by all relevant reports – obviously banks and publishing houses are not reporting intensively on these problems. However, it has to be stated that reporting in this field tends to be rather global and narrative. This is probably due to difficulties encountered in disaggregating general expenditure data into problem-related outlays. Even so, the presentation of expenditures without detailed reporting on the external effects of enterprise activities would not provide very useful information. Therefore, the only figures given by the majority of companies refer to expenditures for pollution abatement equipment. Only very few report on performance dimensions like the total reduction of pollution. Companies which do provide more specific information focus mainly on air and water pollution. Solid waste, noise and visual pollution do not get much attention. The same is true with respect to scarce resources

beyond physical environment. Only a few reports cover recycling strategies and this in very narrative terms. The problem of scarce resources in the energy field does not receive any attention at all. Only one company is reporting in vague terms on the environmental impact of its product. Resource depletion, particularly energy, are two obvious areas quite high on the social agenda which did not get appropriate attention in the reporting of German companies.

Reporting in the field of company relations to the social environment focuses on tax matters and philanthropic expenditures. Here, too, reporting tends to be either quite narrative or limited to expenditures. Only a few companies are reporting on specific cultural and social activities or programs. The use of infrastructure as an important type of societal support for companies operations, is mentioned in no report at all; some reports do discuss the company's contribution to the regional infrastructure. Further, there is hardly any mention of the benefits such as subsidies which the company draws from its relation with the government. This occurs only in connection with expenditures for R and D. Areas completely

TABLE 11. Content of the social reports – personnel structure – work environment and co-determination.

WORK (3)	ATMOSPHERE AND WORK SATISFACTION								WORK CONDITIONS							CODETERMINATION				
	DISMISSALS	RESIGNATIONS	FLUCTUATION	ABSENCE DUE TO ILLNESS	LENGTH OF EMPLOYMENT	EMPLOYEE INFORMATION	EMPLOYEE SURVEYS	MANAGEMENT DIRECTING PRINCIPLES	WORK SAFETY	RATE OF ACCIDENT	CAUSES OF ACCIDENTS	SAFETY COMPETITION	IMPROVEMENTS	FLEXIBLE WORKING TIME	OVERTIME	SHORT TIME WORK	CODETERMINATION COMMITTEE	CONTRACTS WITH UNIONS A. EMPLOYEE REPR.	UNION AGREEMENTS	SOCIAL PLANS AND COMPENSATIONS
BAYER			•		•	•			•			•					•	•		
BASF		•		•	•	•			•	•	•		•	•	•		•	•	•	
HOECHST																•				
WELLA					•															
BP					•	•			•	•							•	•		•
SHELL		•	•	•	•	•			•	•		•	•	•			•	•		
STEAG				•	•	•			•	•		•	•	•			•			•
SAARBERG		•	•	•		•			•	•										•
RUD						•			•								•			
RANK						•											•	•		
PIEROTH			•			•			•	•							•			
BERTELSMANN	•	•	•	•		•	•	•					•				•	•		•
KÖLNER BK					•	•			•									•		
STADTSPK			•	•	•	•														

neglected in the majority of the reports are company-customer relations, as well as company suppliers. Only 4 companies report on their customer relationships; 3 give some information on their policy with respect to suppliers. The issues of consumer protection are gaining increasing prominence in the Federal Republic, and further extension of reporting in the company-customer area would be desirable. They should be placed at the top of the agenda for further research and experimentation.

Company-shareholder relations as well as research and development activities are fields which are more extensively covered, though in most areas the reports focus primarily on expenditures.

THE FUTURE OF CORPORATE SOCIAL ACCOUNTABILITY IN GERMANY: THE NEED FOR FURTHER EXPERIMENTATION

Although international comparisons indicate that the overall interest in Germany in the issue of corporate social responsiveness and accountability is high and the state of the art is relatively

advanced (Schreuder, 1978, p. 13), a great deal of work needs to be done to refine the concepts and the techniques. Despite the significant research efforts on a world-wide basis during the last decade, a concept which satisfies the expectations of business, its various constituencies and the research community has not been found. This, however, should not be surprising in view of the long-term development in the field of conventional financial reporting and the higher degree of complexity encountered in the field of corporate social reporting. Therefore, the most important aspect of future development of corporate social responsiveness and accountability in Germany as in all other countries is the need for further experimentation. Legislation or discussion on legislation should be considered a stimulus for promoting such experimentation rather than an effort to prescribe already existing concepts.

Looking into future experimentation from a German perspective, it seems to be worthwhile to distinguish between developments already envisioned based on current interests and orientations, and those which are desirable from a conceptual and methodological point of view.

TABLE 12. Content of the social reports –
personnel structure – physical environment

PHYSICAL ENVIRONMENT	ENVIRONMENTAL PROTECTION EQUIPMENT							OTHER MEASURES			
	ENVIRONMENTAL PROTECTION DEPARTMENT	EMISSIONS (AIR)	EMISSIONS (WATER)	WASTE	NOISE	LANDSCAPE	GLOBAL	RECYCLING	ENERGY	ANALYSIS & MEASUREMENT TECHNIQUES ENVIRONMENTALLY	SOUND PRODUCTS
BAYER	●	●	●	●		●	●	●		●	
BASF	●	●	●	●	●		●	●			
HOECHST			●				●	●			●
WELLA	●						●				
BP	●	●	●				●				
SHELL	●	●	●		●		●	●			
STEAG		●	●		●			●			
SAARBERG		●	●	●	●	●	●				
RUD		●	●		●	●					
RANK											
PIEROTH							●	●			
BERTELSMANN											
KÖLNER BK											
STADTSPK											

The following 5 developments already can be envisioned as the focal points of further experimentation in Germany:

1. A broad implementation of goal accounting.
2. Further research on the indicators.
3. Efforts to increase the comprehensiveness of data presentation.
4. Empirical research on the information needs of various constituencies.
5. Efforts toward standardization of reporting.

Beyond this, experimentation in the following fields seems to be highly desirable, based on research needs stimulated by past experience in Germany:

6. Expansion of experimentation, in industries not involved yet, specifically into the service sector.
7. Research on social reporting as an internal management tool.
8. Theoretical research on the salience of social reporting for the overall economic system.

Increasingly, companies experimenting with various concepts of corporate social reporting in Germany, specifically those represented in the Study Group on Practical Aspects of Social

Reporting (Arbeitskreis Sozialbilanz Praxis) are turning towards the *goal accounting and reporting approach as the prime concept for further experimentation*. The theoretical advantages of this concept are increasingly recognized. Broadening the experimentation would provide empirical evidence in the forthcoming years as to whether this concept may bring about the additional advantage for business as well as its constituencies which are suggested above. Moving toward goal accounting and reporting would cause an increasing distinction of the German development from the situation in France, Holland and Great Britain, on the one hand. On the other hand, it would bring it closer to concepts considered to be viable extensions of corporate reporting by a variety of international organizations (OECD, 1976; European Communities, 1977; United Nations, 1976; 1977). Moving toward a stronger emphasis on goal accounting, however, would require extensive experimentation with the development of social forecasting or social "intelligence" functions in business, to help them to screen their social environment and to have as comprehensive an overview of social priorities as

TABLE 13. Content of the social reports –
personnel structure – social environment.

SOCIAL ENVIRONMENT	GOVERNMENT						PUBLIC RELATIONS					CUSTOMERS				
	TAXES AND CHANGES	ASSISTANCE TO INTERNAL REVENUE SERVICE	TIME OFF	INFRASTRUCTURE	GAINS	CONFLICTS BETWEEN GOVERNMENT & BUSINESS	MAIL AND TELEPHONE	CHARITY	CULTURAL AND SCIENTIFIC SUPPORT	PUBLICITY	TOURS OF BUSINESS PREMISES	SOCIAL PROGRAMS	SUPPLY	ADVICE	EDUCATION	POLICY
BAYER	●		■	●			●	●	●		●	●				
BASF	●	●	■	●				●	●	●						
HOECHST																
WELLA	●	●						●	●	●						
BP	●	●								●				●	■	
SHELL	●		●		●	●		●	●	●		●	●			●
STEAG	●	●		●	●			●		●						
SAARBERG	●							●		●						
RUD	●	●			●			●								
RANK	●							●				●				
PIEROTH	●				●			●	●			●				
BERTELSMANN			●							●						
KÖLNER BK	●		●					●	●	●			●			●
STADTSPK										●			●			●

possible. It also would require further experimentation with concepts to include the interests of the various constituencies in the process of setting specific operational goals for a performance period.

The *development of indicators* has thus far focused on company-employee relations and to a lesser degree on the impact of corporate activities on the physical environment. As a comparative analysis would indicate, current development not only in Germany, but in France and Holland too, seem to be reacting to a general consensus on what should be reported on and which indicators should be used. The research interest and further experimentation should direct attention to the 2 other areas of social concern to the business corporation: company-customer, specifically company-consumer, relations as well as the interlinkage between a company's activities and the social environment. In this field, the state of the art is far from being satisfactory, as is indicated by the lack of reporting in existing social reports all over Europe. Similar methodological and conceptual development and experimentation seems to be necessary in the field of company-

supplier relations, though this does not seem to have prime political significance.

Even a very quick glance at the reports published in all countries thus far indicates the *need for increasing and improving the comprehensiveness of data presentation*. The majority of social reports published until now is still greatly influenced by a traditional public relations philosophy. The enormous amount of "nice pictures" and statements trying to show the company's performance in a favorable light clearly indicate the need for more comprehensive reporting. Although the move toward focusing on goal accounting and reporting as a prime concept may improve the situation, there is still a need to increase the comprehensiveness of the social report. Current experiments are attempting to develop an overall comprehensive format, reporting briefly on goals, activities, expenditures, performance, as well as goals for the forthcoming period. This schematic overview of corporate social performance would be supported by an extensive verbal report discussing, for example, why specific goals have been chosen, why goals have not been achieved or why the corporation

TABLE 14. Content of the social reports –
personnel structure – shareholders R & D

BUSINESS	COMPANY SHAREHOLDERS					R & D				
	INVESTORS	DIVIDENDS AND BONUSES	INTEREST	INFORMATION	STOCK PRODUCTION	ACTIVITIES	EMPLOYEE	R + D POLICY AND ORGANISATION	INVESTMENTS	GAINS (GOVERNMENT)
BAYER	●					●●	●●	●		
BASF	●	●●	●●	●●	●●	●●	●		●●	
HOECHST	●	●●	●			●	●			
WELLA						●				
BP						●●	●	●		
SHELL		●●	●●			●●				
STEAG		●●	●●			●			●	●
SAARBERG						●				
RUD										
RANK		●●								
PIEROTH	●	●●	●●			●				
BERTELSMANN										
KÖLNER BK	●	●●	●●							
STADTSPK	●									

may have changed priorities during the planning period. Such a comprehensive statement on the overall social impact of business activities, positive or negative, as *prime target of already emerging research* is intended to serve also as a link between the various loosely-related elements of social reporting (Sozialbericht, Wertschöpfungsrechnung, Sozialrechnung) currently in practice in Germany. The common understanding, however, is that no effort will be undertaken to try to move toward overall unified statement of a company's total cost and benefits to society as suggested in earlier years of research.

The existing social reports are mainly based on management's perceptions or those of the research community of the *information needs* of traditional as well as emerging new constituencies of the business corporation with respect to its social performance. This perception may be distorted, therefore research on information needs of various constituency groups is needed in the forthcoming years. This is planned with the use of a variety of empirical social research techniques ranging from large scale surveys and questionnaires appended to

published social reports, to intensive discussions with small groups representing various constituencies. The idea is to evaluate whether existing reports are serving their information needs, to identify areas in which additional information needs are emerging and to specify sections which could be omitted due to lack of interest. Beyond this, the overall format and concept of presentation should be discussed to make it more consistent with the expectations of the various constituencies.

Though the consensus on performance areas to be covered and indicators to be used in reporting and evaluating corporate social performance seems to be rather high in Germany, there is still a need for further *standardization of reporting*. Beyond what already has been agreed upon as basic concepts for social reporting, including the 3 elements suggested by the Working Group on Practical Aspects of Corporate Social Performance Measurement, further standardization should focus on the 2 areas where reporting seems to be rather similar with respect to all dimensions involved: company-employee relationships as well as the

impact of business activities on the physical environment. In the former, reference to legislation in other countries could help to improve the basis for international comparison and co-operation: a voluntary agreement on indicators to be used and areas to be covered in fields not required by law seems to be both desirable and achievable. Further standardization would permit the monitoring of corporate social performance on the basis of time series information and also between different companies within a specific sector or, in some areas, even on an industry-wide basis. Improving the basis for comparative evaluation by further standardizing social reporting is perceived to significantly enhance the validity of the overall concept as a basis for business communication with the various constituencies. Experimentation with the development of indicators in fields not yet covered by the majority of reports, like the above mentioned company-customer relations and the impact of companies' activities on the physical environment, would allow standardization in the forthcoming years, expanding the basis for comparison into these fields, too.

Social reporting in Germany has focused mainly on industrial companies, specifically in the chemical and petro-chemical industry. With the exception of 2 banks, the service sector has not actively engaged in experimenting with the concept. Concentrating research on those sectors (e.g. banking, retail, insurance) would greatly advance the development of a common understanding of the consumer fields and of companies impacts on the social environment. The recently issued Social Report by the MIGROS Genossenschaftsbund Zürich, the largest conglomerate in the Swiss service industry, may serve as a basis for discussion in this field. Further experimentation, however, involving a variety of business is highly desirable and necessary.

In Germany, companies involved in corporate reporting have focused primarily on external reporting. The *use of social accounting and reporting* for internal purposes, as a management tool, has not been explored very much. However, in the long run it seems to be an important element of the whole notion of corporate social responsiveness: business social performance cannot be improved in an organized and consistent manner if external reporting is not matched by an internal system of serious planning, monitoring, and rewarding performance in this area, analogous to that established for economic and financial

performance. Research on the extent to which corporate social performance can be dealt with in the framework of staff work and to which it has to be considered a line function is needed to build a solid basis of knowledge on how to implement company programs to improve corporate social performance. The same can be stated with respect to research on how to integrate elements of social accountability into the performance appraisal of middle and lower management. Knowledge in this area is very limited and unsatisfactory, based on a few uncoordinated experiments. A large scale and rigorous research effort seems to be necessary to develop a solid basis for re-structuring the management system of a business corporation in order to ensure that social performance is managed as rationally as economic performance.

The idea that implementing social reporting on a large scale could serve as a central tool to improve a company's social performance and to avoid further detailed intervention by government is wishful thinking rather than solid knowledge at this time. Therefore, further *theoretical research into the salience of social reporting for the overall economic system is needed*. Based on the existing body of literature discussing the need for a new paradigm in the business-society field (summarized by Preston, 1975), further research on:

- the potential of corporate social reporting to change business behavior,
- the overall implications of an increased social accountability and responsiveness on the part of the business corporation, and
- the interrelationship between economic and social performance;

seems to be needed to improve the theoretical basis and soundness of the concept of corporate social responsiveness and accountability. Such theoretical research could also serve as an important element in the discussion of mandatory social reporting versus voluntary disclosure on social performance. It might also shed some light on the potential need for special institutions to monitor and assess business social performance.

Increasing experimentation and research in all these fields would significantly contribute to a better understanding not only of the political salience of the overall concept of corporate social responsiveness and accountability, but also of how to manage and evaluate corporate social performance. These questions, which are perceived to be of central importance to the development of the

overall economic system, cannot be answered by academic research alone. It definitely requires the involvement of corporations in exploring new avenues in a truly entrepreneurial spirit. Currently the indications are that there are enough corporations in Germany interested in the concept and willing to undertake such experimentation.

Since the overall political climate tends to be relatively favorable to such experimentation, Germany may continue to contribute significantly to the state of the art. Further discussion and experimentation may even serve to improve the social performance of the German business community.

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