

The Relevance of Social Audit for Business Ameliorate

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Abstract

Balancing social responsibility with business responsibility is imperative in this century. This era is marked by a couple of incidents of corruption, fraudulent leakage of natural resources, degradation of morale and ethics, mistrust and crisis of credibility. To boost the development and to keep a check on such corruption and misuse of shareholders' and stakeholders' resources, Social Audit is an unbeatable tool. Social Audit focuses on the social accountability and performance of the organization. It is a tool to show transparently how satisfactorily an organization is discharging its social responsibility. The paper focuses on how social audit play a pivotal role in business growth and sustainability. It shows how social audit act as a means by which social impact and ethical behaviour of an organization in relation to those of its stakeholders can be assessed which not only help to evaluate sustainability performance of the organization but also would enhance its brand equity in the society. The paper also highlights the relevance of social audit from the perspective of stakeholders whose verdict should also be taken into account in social audit plan. Thus, as a whole the paper gives a glimpse of the fact that how social audit ensures transparency, generates trust and harmony and creates an intrinsic value for strengthening organizations' improvement and act as a constant check on malfeasance.

Keywords: Social Audit, stakeholders, malfeasance, sustainability.

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1. Introduction

Business today has experienced a profound transformation. There were a couple of environmental and social issues which bolstered up in many countries during 1970s that caused to improve the corporate performance on those fronts. Companies today across the globe are beginning to assess their social performance. On the basis of that performance report they want to demonstrate and proclaim their commitment towards social responsibility. This assessment not only provides a survey of firms' ethical culture but also throws light on social responsibility activities related to environmental impact, consumer welfare, treatment of employees, sustainable development, relations to other stakeholders. The corporate honchos today are more particular to claim that their business contributes to the welfare of the society at large. But there is an acute need of assessment which can actually figure out the net contribution to society and how far the companies have lived up to their promise. It is very important for a company to find a concrete way to verify their importance, justify their activities and expenditures, and link them to organizational performance and effectiveness and what concern they actually have for their stakeholders. Here the role of social audit comes to play which act as a systematic review of monitoring the organizational happenings.

2. Concept of Social Audit

'Social audit may be defined as an examination of the social performance of a business enterprise towards the society. Social audit is conducted to assess how much is the contribution of business enterprise to the society. So, Social Audit is one which is done by an independent person in order to examine the expenditure incurred by the business enterprise towards social activities as well as the monetary value of the social benefits emerged out of such activities and also how entities are discouraging their social obligations for the protection of the environment – pollution-free environment'. (Basu, B.K.). Social audits are tools that companies can employ to identify and measure their progress of and challenges to stakeholders. It is essential for a business because it can increase attractiveness to investors, improves relationship with stakeholders, improves financial performance and enables a company to be transparent and accountable for their commitments and performance. It provides an objective approach for an organization that shows the commitment to improve its strategic planning and social issues.

3. Social Audit and Sustainability

'Auditing is a great tool for business to connect their suppliers and their customers' remarked Benjamin Gatland, Regional Manager at Partner Africa. Sally Uren of 'Forum for the Future' in the earlier plenary sessions emphasized social audit as an 'opportunity for value creation'. Every upstream and downstream industry through cognate development of technology, larger investment, sophisticated utilization of resources want to get the maximum – the profit out of it. These companies on the other hand contributes much to the up gradation of productive abilities of people concerned, tries to raise the level of living of common public, enhance employment as they say 'investment begets employment' and aims at maximizing value to society. But there must be a mechanism to gauge whether the business is alive to such responsibilities or to what extent they are striving to carry out such social

obligations. With the help of the reports of such audits the companies today are able to depict growth not only in terms of profit but also it help the organizations to place sustainable development at the core of their business decision and align their sustainability strategy with the business goals which shows concern for safety, environment and communities that percolates in their decisions to design, build and develop all projects. Social audit tries to evaluate the impact of such organizational activities on the social well being of people. That is what makes a business sustainable which can avoid creation of 'imperium in imperio'.

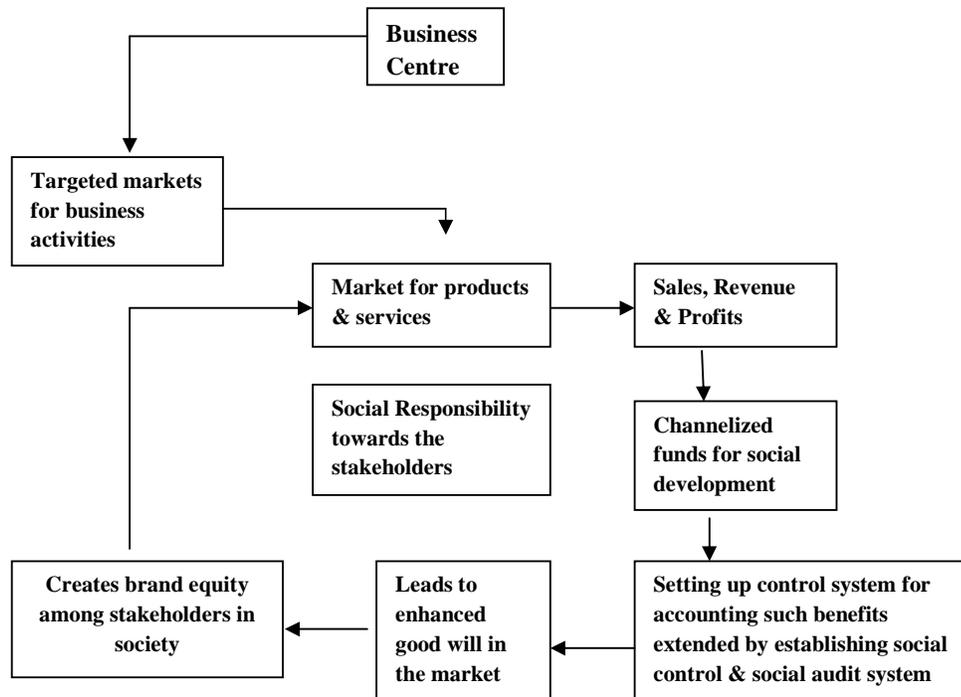
Companies who are looking to improve their business performance and create a long term shareholder value tries to monitor and evaluate their schemes, programmes and policies for the shareholders at large and tries to ensure efficient governance practices.

The following point throws light on how social audit help to achieve sustainability in business:

- Social Audit efforts delve deep into the physical, economical and sustainability aspects behind the operations in their connection with the past, present and future concerns.
- Social Audit brings out data for the management to compare its performance with reference to policies and objectives of the organization.
- Helps to enquire, evaluate and help make the organizations whatever changes are needed to ensure that the enterprise at least does not have a negative impact on local environment, communities and economies; preferably making a way for positive contribution.
- Increased visibility of Corporate Social Responsibility (CSR) have encouraged companies to conduct social audits to track a better account of their actions in wide range of areas such as HR, environmental policies, ethics and community involvement.
- It also indirectly improves the financial performance of companies as more suppliers and customers will be willing to trade with the company that has better approach towards the environment and society.

4. Social Audit and brand equity

The power of brand equity comes from the strength of brand knowledge within consumer mind. But today, standing in the era of globalization, enhancement of organization's brand equity depends on a larger scale on the social audit performed by the companies from time to time to create a brand extension and strong brand image.

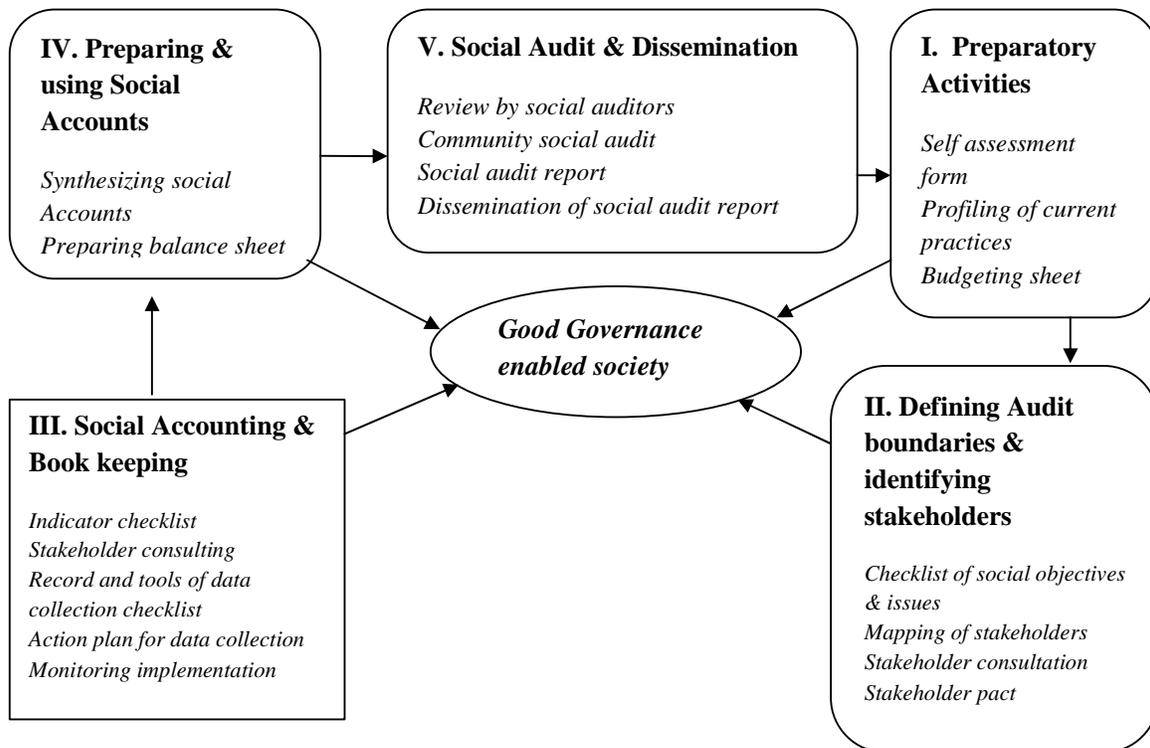


Source: *The Management Accountant Journal for CMAs, September 2012*[Social Audit – A tool for Business turnaround and Social Inclusion– Manjunath, K.R.]

The model shows that if an organization shows commitment towards their stakeholders who play a pivotal role in their businesses would help them enhance the equity in the society further increasing their business potential. Merely performing some social responsibility activities is not enough. It is essential to ensure controlling and close monitoring. A synergy should be created between the policies of the organization and its developmental schemes to ensure compliance between them. A social audit should ensure an efficient governance practice that would help create a value not only for the organization but also among the society at large. All these aspects together would define a sound brand equity which would create a long term sustained growth.

5. Social Audit Toolkit

There are certain aspects which operational audit neither financial audit can find out. With the help of social audit it would be possible to further reframe the practices and stick to better policies thereby improving the outcome of the organizations through efficiency in the employment of resources. It is a practical tool to identify, assess and give a report on the social performance of the organization. Values of the organization are much more reflected in the project or work that they conduct and tangible outcome that stakeholders measure. The diagram below shows the necessary tools which is organized in steps to focus on key principles of every department and thereby the organization as a whole.



Source: Centre for Good Governance (2005) *Social Audit: A Toolkit, A guide for performance improvement and outcome measurement, Page 65]*

6. Stakeholders and Social Audit

Stakeholders play an important role as they influence and facilitate the functioning of different projects in the organization. Social audit uses participatory techniques to involve all stakeholders in improving the social performance of an organization. Stakeholders usually relate and correspond to each organization and accordingly they can be shareholders, customers, competitors, investors etc. The connectivity between the organization and stakeholders do form the core concept of social audit. Social audit mainly centers on them. Most of the information of social audit is obtained from stakeholders' interview, observations and suggestions which are gathered from questionnaires and help in framing audit planning. Stakeholders' analysis provides a foundation for social auditing. It is very essential to encompass the views of stakeholder's on service delivery. The following are the principles for identifying stakeholders.

- a) **Inclusivity** – It aims at including all the stakeholders who are affected or impacted.
- b) **Relevance** – It focuses on stakeholders who have stakes in the project.
- c) **Representative** – They are the representative of different segments of society both male and female.
- d) **Balanced** – Aims at comprehensive assessment at all levels and not a particular community.

It would be very useful in preparing a social audit plan when the involvement of different stakeholders is taken into account. The following table represents a framework for recording and identifying their stakes that act as a basis of forming audit conclusion.

Stakeholders Analysis Matrix				
Stakeholders group	Interest (s) at stake in relation to department /project programme	Effect of project on interest (s)	Stakeholders importance for success of the project U=Unknown 1=Little/No importance 2=Some importance 3=Moderate importance 4=Very important 5=Critical player	Degree of influence of the stakeholders over project U=Unknown 1=Little/No Influence 2=Some influence 3=Moderate influence 4=Significant influence

Source: The Chartered Accountant Journal, Vol. 62, No. 2, August 2013, 'Social Audit: An Indian Experience' by CA. Anandaraj Saha.

7. Conclusion

As financial audit verifies how money is spent, social audit verifies how program and services are carried out with the goal of making them more reflective of social, environmental and community objectives. It is a way to document and hold company accountable for its social and ethical business practices. Social audit thus involves social accountability. In this era where crisis of credibility, confidence and trust persists, there is an acute need of social audit culture in every organization. Social audit provides strongest evidence for processes, financial and physical reporting, compliance verification, assurance against fraud, misuse of resources and assets. It aims at strengthening accountability and transparency which further helps the organization to plan the internal and external consequences of organization's social as well as commercial operations. Social audit not only evaluates and monitors the social performance of organizations but also helps to evaluate sustainability performance of a company using various performance indicators. Thus through social audit, the sustainability of the organization can be achieved which also act as a formal review of a company's endeavour in social responsibility. Social audit is not confined in the hands of the government and policy makers but goes beyond that. It should be conducted by every corporate house to ensure and

enhance brand equity of the organization in the society and for sustained growth and development. Thus a proper integration is required between functional audit and social audit that can synergize the performance of the organization and take corrective measures.

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