SOCIAL ACCOUNTING: A FRAMEWORK METHODOLOGY OF ASSESSING THE IMPACT ENTERPRISE DEVELOPMENT ACTIVITIES

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ABSTRACT:

Social Accounting is a way of demonstrating the extent to which an organisation is meeting its stated social or ethical goals. "*Social Accounting is "a systematic analysis of the effects of an organisation on its community interest or stakeholders, with stakeholder input as part of the data that are analysed from accounting statement"* (Quarter, Mook and Richmond). Social accounting differs from conventional accounting in its focus on community impact, on stakeholders, and on its wider scope than on financial items alone. Therefore, whilst the discipline of a methodology for stakeholder engagement and regular reporting will spur the organisation on to improves, the social audit process will not of itself provide beneficiary level impact assessment information, as some expect. Rather, the hard work of developing good quality monitoring and evaluation systems remains crucial and the need for periodic impact assessment studies will remain.

Introduction:

Social Accounting as an approach began developing in the United Kingdom in the early 1970s, when the Public Interest Research Group established Social Audit Limited. This organisation carried out, and publicised, investigations into the operations large companies, without necessarily gaining their permission or co-operation. Whilst lending support to consumer pressure, there is an argument that this had a negative effect on accountability, as organisations sought to ensure that sensitive information was hidden from such investigation. Globalisation has brought with it a wide realisation that companies do not operate in isolation, but have marked impacts on the environment and people at local, national and global levels. This has led to an increasing awareness of Corporate Social Responsibility. Tradecraft Plc and the New Economic Foundation (NEF) pioneered a form of social accounting in the early 1990s that is voluntary in nature and rooted in engagement with stakeholders. This can assist organisations, both commercial and NGOs, in understanding and improving their social impact.

Meaning:

Social Accounting is a way of demonstrating the extent to which an organisation is meeting its stated social or ethical goals. "*Social Accounting is "a systematic analysis of the effects of an organisation on its community interest or stakeholders, with stakeholder input as part of the data that are analysed from accounting statement"* (Quarter, Mook and Richmond). Social accounting differs from conventional accounting in its focus on community impact, on stakeholders, and on its wider scope than on financial items alone.

Applying Social Accounting in practice in enterprise development:

To date the greatest interest in putting social accounting techniques into practice has come from large corporations *like*, Shell; BP; Amoco; BT; Body Shop etc. (they are well known as implementers of social accounting). For these organisations, the increase in trust that it may be possible to generate through improved accountability and transparency is more likely to outweigh the consideration cost of carrying out the exercise. John Pearce, of Community Enterprise Consultancy and Research in Scotland, has pioneered work on Social Accounting in the community enterprise sector, producing a workbook, for small organisations undertaking a social audit. A recent pilot study into "Social audit with voluntary organisations" (SAVO Project) in the UK, found that small voluntary organisation can benefit from Social accounting, though clearly cost and time commitment become significant issues.

The resonance between "Social and Ethical Accounting, Auditing and Reporting" (SEAAR) and participatory methods of impact assessment in enterprise development suggests that the approach may have much to offer to this field. As more organisations involved in enterprise development attempt to use the Accountability 1000 (AA1000) Standard methodology in evaluating their impact, so case material is beginning to emerge. The short case studies below consider how social accounting methodology has been employed in practice by a range of organisations in the enterprise development context:

Tradecraft plc, UK.

It was the first public limited company in the UK to produce audited social accounts in 1993. Working together with the New Economics Foundation (NEF) a methodology was developed primarily to enable account of performance to be reported which extended beyond the information it was possible to present within the structures of the financial statements. In 1996, sister charity Tradecraft Exchange began producing social accounts and since that time Tradecraft has been considering the relationship of social accounting to Small Enterprise Development. Since 2000, the social accounts of the two organisations have been combined and also published on the internet.

One of the struggles Tradecraft has had is that its methodology for enterprise development has involved the development of local service providers and facilitators – (they have their own governance structure and mission). Thus ongoing monitoring and evaluation of data has been dependent on the systems of partners, who are at varying stages of organisational development. This has lead to the realisation that clear indicators to be reported against need to be established and agreed with best practice in project design. The cost of information gathering and dissemination can easily escalate or provide a distraction from the core objective of the organisation, thus the procedures developed need to be in proportion to the scale of operation.

International Resources for Fairer Trade (IRFT), India

IRFT is a business support NGO working with community based fair trading enterprises in four states within Western India. Established in 1995, IRFT aims to enhance the participation of these enterprises in national and international trade, thus impacting positively on the livelihood of the people involved with them. The "Ethical Business Promotion" division within IRFT offers services that aim to promote, encourage and monitor social and ethical aspects of business.

IRFT has experience of assisting three local organisations to carry out social accounts:

Agrocel Industries Ltd. – A marine Chemical business based in Gujarat, providing services to farmers from the Kutch region.

Shrujan – An NGO working to preserve the art and heritage of Kutch embroidery.

Excel Industries Ltd. – The second largest agro and industrial chemicals business in India.

These organisations reported numerous difficulties while preparing social accounts, but repetition of the exercise would suggest value being felt from its implementation. IFRT has plans to work with Chamber of Commerce within India on the SEAAR concept.

IFT firmly believes that it is important to have clear reasons for introducing social accounting in to an organisation. Two benefits, which they suggest apply in all cases, are:

1. The process will confront aspects of accountability positively, innovatively and in a way that will enhance the company's reputation for living its values;
2. It will provide a comprehensive feedback, focusing management's attention on outcomes and particularly the clients' view of the organisation.

Other key points noted by IRFT are that this is a voluntary process that the involvement of stakeholders in determining the appropriate indicators is important and that thought should be given to how the results of the process will be disseminated to all relevant stakeholders.

Social Accounting and Impact Assessment

As more organisations involved in the field of enterprise development experiment with social and ethical accounting, auditing and reporting, the question is raised as to how this relates to our traditional understanding of impact assessment.

Social Accounting is not impact assessment:

Social accounting, through the AA1000 process standards, provides a comprehensive and systematic framework for accounting, auditing and reporting against an organisation's social objectives. The discipline of social accounting encourages any organisation to take impact assessment more seriously. It encourages management information systems to be developed and embedded in the organisation to provide ongoing monitoring and learning from programme activities. It encourages the integration of social objectives into strategic planning. The reporting of the social accounts, especially if done annually, focuses the mind on what level of impact assessment has been carried out during the year. However, "doing a social audit" is not the magic bullet for achieving good impact assessment of enterprise development activities. A social audit is the framework into which impact assessment information can be placed. Just as financial accounts are the "shop-window" for what should be happening regularly and systematically in the organisation (*i.e., management accounting, risk management, internal control, basic cash handling system etc.)*, so social accounts are the place where impact studies, stakeholder dialogue etc. can be reported.

Social Accounting uses Participatory methods:

It provides an ideal way to combine participatory methods of indicator setting with ongoing qualitative data collection. The emphasis on identifying and engaging with key stakeholders lends itself well to the use of impact assessment methodologies such as Participatory Learning and Action (PLA) etc. If a SEAAR methodology is to be employed as a framework for impact assessment, then it becomes incumbent on those designing an intervention to do so in the light of stakeholder dialogue, so that the criteria for assessment are set through stakeholder consultation, rather than being donor-driven.

Scope of Engagement

It is important to note that social accounting has an organisational, rather than project level scope. Thus stakeholders judge an organisation on their overall perceptions rather than a narrow view of project success or failure. However, one of the issues of social accounting, as with impact assessment, is the level at which stakeholder dialogue can be carried out by the organisation. Enterprise development activities typically involve chains of inter-related interventions. It is unreasonable to expect parties that do not have a direct relationship with the organisation to be involved in making a regular assessment of how it has performed against social indicators. Thus, it will not necessarily fall within the scope of a social audit for an organisation to have dialogue with the end beneficiaries of an enterprise development intervention (unless there is a direct relationship). Impact assessment studies need to go deeper than this and assess impact at the beneficiary level and at the household level. The results of such studies should form a key part of management information systems and so when carried out, should be reported on within the social audit.

Transparency

Fundamental to social accounting is the concept of accountability, aided through increased transparency. Few of the established methods of evaluating project or programme success include transparency of results as a primary concern. Social accounting adds a level of accountability to what are sometimes perceived as unaccountable NGOs. There are those who now suggest that social accounting offers an interesting way of bringing wider accountability to donor funded or NGO-led projects in the enterprise sector and beyond.

Compliance or improvement

One of the most positive features of social accounting is that it encourages change within the organisation. Earlier concepts of social audit involved an external organisation making an assessment of social performance and providing a report on the company. This method did not tend to change the way businesses operated in the way that self directed assessment does. Social accounting tends to foster an improvement rather than compliance based mentality to impact assessment and so should lead to ownership and ongoing improvement in the organisation.

Conclusions:

In the corporate world, genuine social accounting has been one of the first major stepping stones in improvements in corporate social responsibility. For many corporate that embark on the process, it is the first time that serious efforts have been made to go beyond financial measurements and understand the social impact that the organisation has on its stakeholders. Thus such exercises are viewed as a good step forward towards social impact assessment. However, for many organisations involved in enterprise development, social objectives have often been a driving force rather than a secondary issue. Many of them have struggled since their inception to collect information amounting to a social impact assessment in order to legitimise their existence – to donors, if not themselves. Therefore, whilst the discipline of a methodology for stakeholder engagement and regular reporting will spur the organisation on to improves, the social audit process will not of itself provide beneficiary level impact assessment information, as some expect. Rather, the hard work of developing good quality monitoring and evaluation systems remains crucial and the need for periodic impact assessment studies will remain.

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