AN ANALYTICAL STUDY ON SOCIAL RESPONSIBILITY PERFORMANCE EVALUATION AS AN ACCOUNTING MEASURE OF MANAGEMENT EFFICIENCY

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This paper is a portrayal of how social responsibility performance evaluation can act as an accounting measure of management efficiency. In fact, it has given much importance to socio-economic and socio-human obligations to others. The paper attempts to show that these days there is a great need to emphasise more clearly social responsibility, which the corporate sector can and should undertake. The theme of the paper is that the scope of corporate social responsibility encompasses not only economic well-being but also the human aspects of life. In addition, if management of a corporation performs its social responsibility well, one may say that management has done its job efficiently. This study is based on mainly literature review. Analytical thinking is also an-other building block of this paper. However, the limitation of this study is that no data of the existing situation of Bangladesh or India pertaining to the subject matter referred to in the present paper has been used.

Key words Social Responsibility Performance, Socio-Economic, Corporate Sector, Human Aspects of Life, Efficiently.

1. BACKGROUND AND OBJECTIVE

There is no one-core idea in the argument that business has social responsibilities. Because social responsibility consists of obligations beyond those required by law or formal contracts between parties related to a business and thus, social responsibility is voluntary and the obligations of social responsibility are broad to cover workers, suppliers, consumers and the communities beyond investors in the business (Gitman and McDaniel 2002, p. 107). However, fundamentally, there seem to be three major core ideas, not mutually exclusive: corporations are creatures of society and need to respond to

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societal demands; the long-run self-interests of business are best served when business assumes social responsibilities; and it is one means to reduce or avoid government regulation and public criticism. Society expects business to assume social responsibilities. The argument is that the corporations are creatures sanctioned by society, and when society's expectations about their functioning change, the corporation's actions should also change. Many business leaders accept this argument and with a view to showing its social responsibility, they are already working to make the world a better place to live. Peter Drucker, the doyen of the management professionals, has said that we should look first at what an organization does to society and second at what it can do for society (quoted by Gitman and McDaniel 2002, p. 110). Bleichen (1972), while he was the chairman of the board of John Hancock Mutual Life Insurance Company, said: "[I]t never occurred to me that there was a time when American business was at liberty to operate in conflict with the interests of society." Recent developments in the corporate sector indicate that there is a strong undercurrent for business entities to contribute towards the welfare of society in a more tangible form. The need for such a role arises because members of the public are becoming increasingly aware of the influence and power such corporations can exert on the various aspects of the life of the people. With the trend for greater participation of the private sector in areas previously the do-main of government, it is clear that a more formal approach towards social responsibility is called for.

The economic efficiency must thus be seen from the point of view of the impact of these corporations on the welfare and well-being of the society in a more direct manner rather than through Adam Smith's "Invisible Hand", which assumes that competition compels every business entity to reduce cost and operate efficiently and thereby promoting and serving the public interest. Hence, an audit on management performance would be indicative of the extent of the role of such corporations as responsible corporate citizens, their responsiveness to the needs of the environment and an awareness of the long-term benefits both to the society generally as well as to the organizations, and thereby eliminating any conflict between profit optimization and social duties.

The objective of this study is to portray how social responsibility performance evaluation can act as an accounting measure of management efficiency. To achieve this objective, the paper has, in fact, given much importance to socio-economic and socio-human obligations to others. It has been shown in the study that these days there is a great need to emphasize more clearly social responsibility, which the corporate sector can and should undertake. The theme of this paper is that the concern of corporate social responsibility accounting is not only to deal with economic well-being, but also the human aspects of life.

2. CORPORATE SOCIAL RESPONSIBILITY CONSCIOUSNESSES

In the last few decades, it was seen that Adam Smith's invisible hands could not prove to have therapeutic effects on the ills, especially economic ills, of the society. This led Rockefeller (1971, p. 426) to remark as follows:

It is scarcely an exaggeration to say that right now American business is facing its most severe disfavor since 1930s. We are assailed for-demeaning the worker, deceiving the consumer, destroying the environment and disillusioning the younger generations?

Many sobering thoughts were voiced as if acknowledging the relevance of the above remarks and emphasising the need for businessmen (especially large corporations) to curb the then laissez-faire stance. Howard R. Bowen in his study of business social responsibility concluded: "And it is becoming increasingly obvious that a freedom of choice and delegation of power such as businessmen exercise, would hardly be permitted to continue without some assumptions of social responsibility" (Bowen 1953, p. 4)

A further reinforcement of the need for corporations to take on social responsibility came from the Chairman of a large steel corporation and he stated: "I am convinced that unless we do accept social responsibility, the vacuum created by our unwillingness will be filled by those who would take us down the road to complete statism and inevitable moral and social collapse-(Morcell 1956, p. 4).

Nobel Laureate, Paul Samuelson has stated the need for corporations to shoulder social responsibility most strongly in these words: "A large corporation these days not only may engage in social responsibility; it had damn well better try to do so." Since then, the concept of corporate social responsibility has been generally accepted. A good number of companies (in the USA) have in fact carried out activities, which benefited the society (or a section of the society) without the expectation of direct economic gain[1].

Examples can be drawn from Colby Care Nurses, Inc., a home health care service located in Los Angeles County, which offers much-needed health care to predominantly African American and Hispanic communities that are often not covered by other providers; Jantzen, the world leading swimsuit manufacturer. makes direct grants through its clean water campaign to or-ganisations that preserve and clean up beaches and waterways; Apple Computer donates almost $10 million in computer and advice to US schools annually (Lamb, Hair and McDanielet al.. 1999, pp. 46-47).

There is a need now to focus more clearly on the nature of social responsibility in which the corporate sector can and should undertake. A number of studies (in the USA) have been undertaken and these seem to indicate an increasingly greater involvement of business organisations to look for solutions to social problems. Davis (1973), for example, put forward the suggestion that the scope of social responsibility should encompass not only the economic well-being but also the human (spiritual) aspect of life as well, stating in these words (Davis 1973, p. 366):

Thus, social responsibility has two different facets. On the one hand businessmen recognize that since they are managing an economic unit in a society, they have a broad obligation to the community with regard to economic developments affecting the public welfare.... A quite different type of social responsibility is on the other hand, a businessmen's obligation to nurture and develop human values (such as morale, cooperation, motivation, and self-realization in work). Accordingly, the term social responsibility refers to both socio-economic and socio-human obligations to others.

Whilst it is easier for an organization to confine its social responsibility activities within economic limits, in the long run it would be unrealistic to do so. Most of the economic activities, if not all, would involve man—a member of society. The Man must, therefore, be included in the reckoning of discharging the social responsibility. To quote Davis (1973) again:

What is needed is a concept which marks business as an instrument for specific human goals (along with technical and economic ones) in the life of man and his society—something which gives direction and hope to the climb of mankind from the depths of the Stone Age to the great potential which his Creator has given him.

In practice, it may not be easy to differentiate the "socio-economic" and "socio-human" elements of a particular social project perceived to be desirable to be undertaken by a corporation. But what is important is that the decision to undertake a social project should not be based on or to select those with only economic content, but rather the selection should be made on the basis of the needs of the society irrespective of whether such a project contains economic implications or not. Of course, some corporations are best suited to carry out certain types of projects because of their experience and available expertise within the organisations. They should use their strength in order to obtain maximum advantages for the projects undertaken. Nevertheless, economic consideration per se should not be the only criterion for selection.

3. STRATEGY FOR A SOCIALLY RESPONSIBLE CORPORATE CITIZEN

Given that a corporation is in part a social institution, it must therefore develop its long-term strategies not only in terms of its own economic benefits and thus its survival, but also in terms of the social benefits it would be able to contribute to society by utilising its expertise and resources to the best advantage.

Management should now start thinking of progress and development in terms of contributing to the well-being of the society as part of corporate social responsibility. It must, therefore, crystallise in more specific terms the social objectives of its corporation. This is not an easy task. But some indications of the framework within which a corporation may attempt to achieve its social responsibility role may be suggested here. It is hoped that it will stimulate discussions and further refinement.

(A) Social objectives of a corporation should be included in the instruments of incorporation (e.g. in the Memorandum and Articles of Association under the Companies Act). Thus, these social objectives will become a formalised policy to be pursued along side the economic objectives contained in the documents. Additionally, specific corporate objectives in certain areas of social responsibility may be formulated with concrete plans of actions to-wards achieving them.

(B) There must be a genuine support by the top management in both the planning and implementation of the social objectives. Without such support any social projects undertaken may result in purely "window dressing" ef-fect without really having any lasting effect on the target group or groups whose plight the project is designed to alleviate.

(C) There is a need for a congruence of the mental attitude and outlook between leaders of industry and commerce and government policy-makers. There must be some commonality of interest so that activities of social nature, which are undertaken by the private sector are seen to be complementing and supportive of government efforts.

(D) A corporation should assume only those social responsibilities for which it has the capabilities of fulfilling them so as to optimise the use of resources and maintain the highest level of efficiency.

Other "policy guidelines" may include the list as suggested by George A. Steiner as follows (Davis 1973, p. 366):

1. To think carefully about implementing and act to implement socially responsible policies.
2. To make full use of tax deductibility laws through contributions, when profit margins permit.
3. To bear the social cost attendant upon its operations when it is possible to do so without jeopardizing its competitive or financial position.
4. To concentrate action programmes on limited objectives. No company can take significant action in every area of social responsibility. It can achieve more if it selects areas in which to concentrate its efforts.
5. To concentrate action programmes on areas strategically related to the present and prospective economic functions of the business.
6. To begin action programmes close at home before spreading out or acting in far distant regions.
7. To deal first with what appears to the company to be the most urgent areas of concern.
8. To facilitate employee actions which can be taken as individuals rather than as representatives of the company.
9. To search for product and service opportunities to permit the company, and others, to make profits while at the same time advancing the social interests; but not all social actions should be taken solely for profit.
10. To take actions in the name of social responsibilities but not at the expense of that required level of profits needed to maintain the economic strength desired by top management. Actions taken in the name of social responsi-bility should enhance the economic strength of the company and/or the business community. The overall mission of the company is two-pronged, and it is as follows:

    (a) To set forth and achieve corporate objectives which meet specified social challenges ranging from product quality to the "quality of life" require-ments, both internally and externally.

    (b) To increase the company's earnings per share at a rate required to meet shareowner/profit expectations and these new requirements.

11. To take socially responsive actions on a continuous basis, rather than ad hoc, one at a time, or for a short duration.

12. To examine carefully before proceeding the socially responsive needs which the company wishes to address, the contributions which the company can make, the risk involved for the company, and the potential benefits to both the company and the society.

13. To avoid excessive publicity campaigns about socially responsible actions of the company.

Apart from discharging its social responsibilities, which involve "external cost", a corporation should also ensure that it is equally adept in its responsi-bilities towards its employees, customers, suppliers, shareholders or providers of capital (Steiner 1968):

1. Towards its employees, the corporation should provide job security, ade-quate compensation for employees in case of separation and retirement, and other fringe benefits; provide safe and healthy working environment con-ducive to the physical and moral well-being and growth of the employees.

2. Towards the customers, it should strive for a quality of products and services that will serve its purpose efficiently and effectively.

3. In its marketing arrangements, it should ensure that all mass media, pro-motional and packaging communications be truthful and informative so as not to abuse the trust of the customers or exploit their lack of experience or knowledge or take advantage of the naivety of children.

4. Towards the shareholders and other providers of capital, it should endeavor to provide an adequate rate of return and to ensure their security of investment.

There appears to be a dichotomy of perceptions regarding social responsibility of corporations. On the one hand, economists like Milton Friedman and Henry Manne of the classical school, argue that business serves society best when it minds its business well, and that it should take part in social activities only to the extent that these are necessary to its own well-being (Thong 1986). Moreover, Walter Fackler, an economics professor at Chicago's Graduate Business School told his executive students in these words: business fulfills its real social role by striving endlessly to take in more money than it pays out ... by lusting inces-santly after the Almighty Dollar (Burck 1973, p. 358).

On the other hand, many social responsibility advocates want an enlarged social role for the private sector.

Business ought to accept social responsibilities that go beyond the requirements of the law.... Business should actively initiate resources to abate pollution, to expand minority rights (as examples) and in general to be an exemplary citizen, and should cheerfully accept all costs associated with this good citizenship (Burck 1973, p. 358).

There is a need to put in efforts so that an "equilibrium" is attained, whereby the twin objectives of maintaining profitability (the life-blood of a corporation's survival) and discharging social responsibilities are optimised. Given the high level professionalism of the present day management and its consciousness of the social responsibility, the general public should repose sufficient confidence and trust in the management's ability to decide for itself the best "mix" of profitability and social responsibility; or at least to be given a chance to prove its sincerity as an exemplary corporate citizen.

Perhaps, the apparent reluctance of corporate decision makers to undertake social responsibility roles may be no more than a carry-over of the conditionings that they have received in their early days of Adam Smith's "self-interest" concept and a slow realization of the changed and changing both economic and non-economic conditions surrounding them. For a larger number of corporations:

Many costs associated with social responsibility... are often marginal, out of proportion to all the time and talent that have gone into arguing about them. Behaving responsibly often means no more or less than acting humanely, treating employees and customers with consideration, avoiding ineptitudes and blunders, cultivating a sharp eye for the important little things and knowing how to spend where the returns are high (including non-economic returns). In this sense, responsibility can accomplish a lot with relatively small cost (Burck 1973, p. 358).

4. A WORD ON AUTHORITY AND RESPONSIBILITY

The twin concept of authority and responsibility is an established management principle; the higher the position of a manager in the corporate hierarchy, the bigger would be his responsibility. However, what may not be well established is that the responsibility that he is to shoulder would also include social responsibility not only within his organisation but also external to it. As a private citizen and a member of society, a manager has a moral obligation towards the society, his fellowmen and neighbors and he would in all probability be in-volved in voluntary organizations, parent—teacher activities etc., creating stability and enhancing the quality of life, thereby contributing towards the workings of society in achieving a higher level of attainment in terms of human dignity, understanding, cooperation and general facility. If these activities, which are carried out by individuals, are perceived to be desirable for a society, it would seem rather hard to believe that there should be so many controversies regarding corporations taking up social responsibilities. After all, corporations are activated and operated by the very same human beings who could be so altruistic in their private life.

There seems to be a division between the self as a man and the self as a corporate decision-maker. Such artificial compartmentalisation appears unrealistic and is against human nature. Events have proved that the above basis of structuring human society is unsustainable but with more enlightened decision makers at the helm of industry and commerce the momentum for a return to basic human relations where sincerity, caring for others and regard for ethical values play significant roles are being addressed more seriously.

Management, as a body of decision-makers, is in control of various resources in a corporation with the authority to "manage" them for the overall good. If it is accepted that the social responsibility is relevant to the corporation as much as it is to an individual, there is in fact an implicit undertaking by the corporation to shoulder its social responsibility, which for some reasons has hitherto been ignored. But having realised its responsibility, the corporation must therefore be made accountable for its (social) actions. Accountability is thus a built-in mechanism in the system—a corollary to social responsibility.

Another way of viewing the right to managing the resources at the disposal of a corporation is to consider that such resources are placed on trust by society. The authority of management over such resources is thus moderated by the legitimate rights of the shareholders and the moral rights (equally legitimate) of the society generally. Bearing this in mind, the management should continuously be made aware of its responsibilities to society and the necessity to account for its actions to society.

Management as a body of professionals has specialised knowledge and experience in running business organisations. Its advice is often sought by the government and other public bodies. It exerts considerable influence as opinion leaders and is generally well respected by the society as a group and as individuals belonging to the group. It would be the height of irresponsibility if management turns round to say that the corporation in which it has a right to manage does not have to be accountable to society merely because it is a separate entity protected by man-made legalities which were enacted in all probability without any thought of social conscience.

Bowen (1973) in his discussion on the role of management as trustees stated as follows:

There is no doubt of an increasing acceptance among businessmen of important obligations towards their diverse clients. The concept of 'stewardship' is, of course, an old one, and many businessmen have been thinking in this direction. Especially within the past few years, large numbers of business leaders have publicly acknowledged and actively preached the doctrine that they are servants of society and that management merely in the interests (narrowly defined) of stockholders is not the sole end of their duties.

The following is an example (many more might be supplied) of statements by leading businessmen in which they acknowledge their role as trustees:

Today, most management, in fact, operate as trustees in recognition of the claims of employees, investors, consumers, and government. The task is to keep these forces in balance and to see that each gets a fair share of industry's rewards. It is becoming clear that in our modern society top management has the opportunity in fact. I should say the duty to act as a balance wheel in relation to three groups of interests the interests of owners, of employees, and of the public, all of whom have a stake in the output of industry. Management can best represent the interests of ownership by acting fairly and wisely with respect to the claims of employees and the public as well. It is a difficult but vital role. It seems to me only too obvious that the very survival of private enterprise requires that private enterprise act to maintain a productive and equitable relation among these three elements: the individual's right to, and the social necessity for, profits; the economic and human aspirations of all workers; and the public's demand for goods in abundance at low cost. The alternative is a plainly intensified industrial conflict followed by increased government regulation forced by impatient public.

5. MANAGEMENT EFFICIENCY AND SOCIAL RESPONSIBILITY PERFORMANCE

Management efficiency in conventional terms is usually equated with maximisation of profit associated with reduction in cost, new methods of inventory control, budgets and the like as techniques designed to increase productivity and thus increase profitability. These "efficiency techniques" are still valid under a changing environment towards social responsibility. Corporations must be technically efficient and be able to compete and maintain its viability. However, it was earlier pointed out that feeling of social responsibility exists naturally in man and it would become unnatural to constrict the free flow of human con-science whenever it reaches the level of corporations. Management efficiency should be viewed to encompass not only the technical efficiency of operations but also the level of participation and attainment of social objectives of the corporation.

To fall within the definition of the efficiently managed corporation, it would need to show performance at various levels:

1. Internal efficiency which includes technical efficiency at various centres of operations within the firm, such as finance, production and the like.
2. External efficiency which includes efficient relationships with suppliers, creditors, government and the like.
3. Societal efficiency which includes the discharging of social responsibilities within the firm as well as those outside it involving both economic and non-economic areas.

A corporation that undertakes social projects would be assessed on its impact on society in particular on the immediate vicinity in which such projects are undertaken.

Management as a body of professionals and managing the resources of the corporation need to extend their role beyond the confines of its own organisation and this includes that of social role. It would, therefore, be seen as failing in its duty unless it can be demonstrated that the corporation has performed social activities. The criteria of satisfactory levels of performance of management would be decided after taking into consideration its capabilities, experience and expertise in its operations. Thus, ceteris Paribas, non-performance or low level of performance of social responsibility would be construed as inefficiency of management in that the social objectives of the corporation are not achieved owing perhaps to lack of management support both in terms of man power and physical resources. In the words of former President of Ford Motor Company:

Under current conditions, management cannot effectively discharge its long-run responsibilities to shareholders unless it also behaves responsibly towards employees, customers, government, education and the public at large. The ability of a corporation to protect and enhance the stockholder's equity depends crucially upon the prosperity, goodwill and confidence of the larger community. Acceptance of a large measure of responsibility toward the community is there-fore good business as well as good citizenship (Miller 1966, p. 3).

6) SIGNIFICANCE OF MANAGEMENT AUDIT AND SOCIAL AUDIT VIS-À-VIS SOCIAL RESPONSIBILITY PERFORMANCE APPRAISAL

Management audit may be referred to as being an informed and constructive analysis, evaluation, and a series of recommendations regarding the broad spectrum of plans, process, people and problems of an economic entity (Philip 1967, p. 102). Narrowly defined, management audit would involve (Philip 1967, p. 102).

1. Evaluation of internal controls associated with financial recording;
2. Reviewing the effect of taxation on management decisions; and
3. A general evaluation of management controls over operations.

This definition of management audit is clearly confined to the evaluation of operational efficiency with the organisation much like the financial audits car-ried out by the statutory auditors. However, a much less restrictive definition is given by W.G. Philip, where he describes "a management audit as comprising a review of administrative and operating controls carried out with the object of reporting on management performance and efficiency" (Bauer and Fenn1973, p. 574). It may be assumed that reporting on management performance and effi-ciency is not confined to the operations "within an economic entity" but cover a wider scope to include activities of social nature outside of the entity. In a nutshell, management audit encompasses all facets of managerial operations, including internal controls, and ascertaining the extent of compliance with established policies, plans and procedures within an organisation. It is also known as operational audit. Its basic objectives are: (1) to help management in managing better,

(2) to improve organisational profitability and (3) to ensure that management objectives are accomplished.

What is then social audit? Gilbert Burck defines this: "We shall take social audit to mean a commitment to systematic assessment of and reporting on some meaningful, definable domain of company's activities that have social impact" (Burck 1973, p. 355). If we accept the fact that social responsibility is an integral part of management function to ensure the efficiency of operation of the corporation, it would seem logical to integrate social audit as part of management audit and hence any mention of management audit would imply the inclusion of social responsibility evaluation.

Granted that the concept of social audit is a relatively new development and does not go very much back in history beyond the 1970s, it would seem that we would be stifling its development if we do not in some way bring it to the forefront of our consciousness, and regard it as an integral part of management audit so as to force the profession to give it the attention it deserves.

Considerable progress has been made in management audit, as narrowly defined, and the proliferation of management consultancy services within the audit firms as well as independent consultants is an indication of a strong de-mand by corporations for evaluation of their management performance. However, extension of these services to areas of social responsibility has not taken very strong roots within the profession. It is perhaps a "sunrise" industry, which management accountants would like to develop and cultivate a niche in the field.

Negative remarks have been heard even from ardent advocates of corporate social responsibility. One such remark is by a financial economist, deriding the social audit concept as "nonsense, redemption through mathematics, and useful to companies only as a laundry list" (Burck 1973). A senior economist at the National Bureau of Economic Research (USA) is also pessimistic when he states that "given the state of the art we are all kidding ourselves if we think we can measure (social) output (Bauer and Fenn 1973). However, the search for an answer must continue. Recent efforts by a member of accounting firms and consultants seem to produce encouraging results (Bauer and Fenn 1973). It would seem reasonable to expect that the accounting profession (management accounting included) should be deeply involved in formulating policy guidelines as well as in setting up systems of data collection and in attesting to the reli-ability of the data in order to enhance the credibility of management (audit) report. There is already considerable interest in the accounting profession, but at this point everyone in the race is standing on the same starting line. The most important task now is to start running. Only in this way, one can know what the track is really like.

In a wider sense, management audit would include social audit as well. It may be appropriate therefore to consider the review and evaluation of management performance of the corporation's social responsibilities as an integral part of management audit. However, the development of the art is still at a rudimentary stage and it would not be possible for the auditor or consultant to prepare a comprehensive and in-depth report of the company's performance in the dis-charge of its social responsibilities. But to detach social audit from management audit as if they are totally different fields is not helping to resolve the issue.

Management (social) audit is still an uncharted field and numerous problems are bound to occur. Identifying what social activities to be audited would be the first problem to be encountered. The social activities which corporations are involved in may be so diverse that it may not be possible to formulate common criteria as to what constitute social activities. Another problem that needs to be addressed is how to measure the social performance of a corporation. As objective data may not be easily available as there is no standard measure or norm to assess such a performance, any evaluation made may result in bias and subjectivity.

It may be suggested that the audit report of social activities be confined for use only by management to enable it to locate the areas of weaknesses and for future guidance and further action. However, in view of a strong interest by the public in corporate social responsibility there is a likelihood of a strong pressure for general disclosure especially of public listed corporations. Such disclosures may perhaps be made as part of the Chairman's annual report in which reference to social activities could be made in general terms. But what is important at this initial stage is that the public are made aware of the impact of various social activities which the corporation has undertaken in terms of costs to the corporation and the benefits that the public have enjoyed by its participation. It also enables management to plan future activities and to review the effectiveness and efficiency of its expenditures.

Now are indicated some of the areas that might be subject to management audit. These are by no means exhaustive and are mentioned for the purpose of discussion and further refinement:

1. *Objectives of the corporation.* Are they being persuaded? Do all executives have the same understanding of the corporation's objectives?

2. *Relationships of the corporation with the public, suppliers, customers, share-holders etc.* Does the corporation actively promote good public relations? Is the management concerned about the corporation's position in the stock market?

3. *Relationships with employees and unions regarding health facilities, safety measures, training policies of personnel etc.* Are these factors actively attended to by management and the extent of its commitment?

4. *Modern management techniques.* Are modern management techniques in use in the corporation such as inventory control, standard costing and the like'?

5. *Manpower management.* Are there any measures taken by the corporation to motivate employees at various levels of management, evaluate productivity and the like?

6. *Corruption and undesirable commercial practice.* Are there any policies to resolve "conflict of interest" problems, code of ethics and guidelines for ethical conduct and the like?

7. *Social responsibilities:*

   (A) Recognition and acceptance. Is the social responsibility concept recognised and accepted for implementation in the corporation?

   (B) Social objectives in policies and planning. Does the corporation include social objectives in its policies and planning? To what extent do these objectives receive the support of top management?

   (C) Involvement in social action programmes. Does the corporation participate in environmental and other problem-solving programmes? (e.g. reduction of unemployment, drug- abuse etcand the like.)?

   (D) Social costs. To what extent the corporation internalises the costs of social projects it is undertaking?

This format of enquiries could perhaps be used as a basis for obtaining data and responses from management with the view of making an evaluation of management performance (including its performance in social responsibilities) in a more systematic manner.

To add in the form of conclusions for this section: the social audit method of management is designed specifically, to enhance the process of control by a wide constituent of interested people and organisations. In so doing, organisations can determine their own values and make the necessary changes required to achieve their stated aims and objectives. Management audit is a constructive appraisal of the strengths and weaknesses of management performance. The social as well as management audit appraises the business structure of an organisation, examining the use of the human and material resources employed, and reviews the management team's performances and social responsibilities for determining, planning and controlling organisational objectives and policies. Managers and accountants now have greater accountability to wider interest groups than ever before, and a properly conducted social and management audit is a most effective way of determining the performance and achievements of management team and focusing attention on the real problems in an organisation. Social and management audit is more than just an accounting function, but it is a process in which the socio-economic-managerial accountant has an important role to play.

7. THE POSSIBLE CHALLENGES FOR MANAGEMENT AND MANAGEMENT ACCOUNTANTS

The challenges for management accountants and management in the present century are to cope with the changing pattern of private sector's role in the development of the country's economy particularly those of the newly emerging countries where rapid rate of industrialisation programmes is being vigorously pursued. The concept of partnership between the government and the private sector means that the objectives of private sector corporation should be in consonance with the objectives of the government sector which would certainly involve socio-economic and welfare targets with the view of enhancing the well-being of the society. Thus, the long-term planning of business corporations would have to take a multi-faceted dimension incorporating not only the profitability aspect of the enterprise but also the social needs and aspirations including the political considerations of the country. It calls for a formulation and adoption of a common corporate philosophy and strategy for action by both parties the private sector and the government. Decision-makers and leaders of industry would need to stop thinking of progress and development in terms of their own companies only. They must start thinking in terms of contributing to the well-being of the nation at large as a part of their responsibility.

The greater role of the private sector in the management of the "affairs of the nation" allows for greater decentralisation of decision-making so that there is flexibility of action, which encourages individual (including corporate) initiatives and endeavour, resulting in greater productivity and efficiency. It is a challenge and an opportunity for the private sector to come forward to demonstrate their altruism in serving the public in a more explicit and meaningful way, and at the same time enjoys the benefits of long-term stability and profitability. Thus, the future management accountants and managers must be imbued with integrated and holistic approach to managing the re-sources so that they become enlightened decision-makers and steer away from purely economic considerations. It suggests a restructure in the existing training and education systems of the accounting profession by introducing new approaches and techniques towards management problems that they have to grapple with in the future.

It was once said by a former Secretary of the United Nations, U. Thant, "It is not resources that limit decisions, it is decisions that create resources". The decision-makers (management accountants among them) play a crucial role in deciding upon the kind of resources that are to be created and how these re-sources are to be utilised. An exposure and understanding of the impact of their decisions on the society would make them more responsible for their actions, and enable them to take cognizance of the risks and adverse effects on the welfare of society and indirectly their own welfare as well. How may the social impact of decision-makers be measured? The current state of the art in evaluation is still underdeveloped. The more that developed areas of financial audit techniques are ill-equipped to cope with the needs of socio-management audit, the more the social responsibility performance will worsen. The accounting profession needs, therefore, seriously to consider embarking on an in-depth study of these new growth areas lest other disciplines should overtake the accountants in such an endeavour leaving them dealing purely with the "financials". purely economic considerations. It suggests a restructure in the existing training and education systems of the accounting profession by introducing new approaches and techniques towards management problems that they have to grapple with in the future.

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8. CONCLUDING REMARKS

Evidently, social responsibility performance evaluation is a measure of managerial efficiency. Social responsibility is so pervasive in daily life that to ignore its presence is like denying the basic needs of human nature. It is imperative, therefore, that business leaders and management of business corporations realise its significance in society and cultivate a positive attitude in order to anticipate changes in the environment which require their participation not only as individuals but also, more importantly, as a body representing their business entities.

Such realisation must of course be backed by genuine actions with the belief that such activities will in the long run be beneficial to both the corporation and the general public. There is a need to monitor such social activities initially to enable management to make assessments of the efficiency and effectiveness of its social programmes and as a guide to future planning and deliberations. As the techniques of evaluation become more developed (as has taken place in financial audits), there is a strong possibility that social responsibility activities would be integrated as part of the annual reports for publication to the general public especially for corporations with public listing.

The burden of social responsibility has now become heavier than ever before, but along with it is the power to influence the course of events in the society through the activities of the corporations. Management, therefore, cannot abrogate its responsibility towards society because to do so would be tantamount to surrounding the authority to chart the development and progress of society towards achieving a better life for all.

To quote Davis (1973) from his article "Can Business Afford to Ignore Social Responsibility?" seems most pertinent towards the end of this paper.

It is unlikely that businessmen will concede their social power so easily, and I for one do not want them to do so. Businessmen are our most capable core of organisation builders and innovators. We need them. In spite of pessimistic views, businessmen during the next 50 years probably will have substantial freedom of choice regarding what social responsibilities they will take and how far they will go. As current holders of social power, they can act responsibly to hold this power if they wish to do so. If their philosophy is positive (e.g. for something, rather than against almost any change), they can take the initiative as instruments of social change related to business. They will then be managers in the true sense of shaping the future, rather than plaintive victims of a more restrictive environment. The choice is theirs.

The conclusion that may be drawn ultimately based on foregoing discussions is that a manager operates within a set of cultural norms and restraints. These are certainly economic but also legal, political, social and technical. They are powerful, and the manager knows instinctively that as they change, corporate decisions must conform. Sethi argues that there exists a "legitimacy gap" between the response of business to non-market social forces and societal expectations of what business should be doing (Sethi 1979, p. 65). If this gap grows too large, the corporation will be brought to heel. In truth, the argument runs, either society will force them to do so through laws, or society may no longer permit them to exist. In either case, it is in the enlightened self-interest of a company to react to society's wishes. History confirms that an institution with power that is not used in conformity to society's desires will lose that power. Corporation and society have a symbiotic relationship. The long-term viability of the corporation depends on its responsibility to the society of which it is a part. In addition, the well-being of the society depends upon profitable and responsible business enterprises. Corporations cannot escape their attachment to and dependence on the social cohesion of society. The fates of both corporation and society are inextricably linked in the long run. Finally, one may possibly say almost safely that if management of a corporation performs its social responsibility well, management has done its job efficiently. Moreover, it is the socio-economic-managerial accountant's responsibility to become actively involved in social responsibility performance measurement.

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