

1-1-2009

## CSR reporting: a process for supply chain legitimization

Graham D. Bowrey

*University of Wollongong*, [gbowrey@uow.edu.au](mailto:gbowrey@uow.edu.au)

Michael D. Clements

*University of Wollongong*, [clements@uow.edu.au](mailto:clements@uow.edu.au)

Bonnie Amelia Dean

*University of Wollongong*, [bcord@uow.edu.au](mailto:bcord@uow.edu.au)

Follow this and additional works at: <https://ro.uow.edu.au/commpapers>



Part of the [Business Commons](#), and the [Social and Behavioral Sciences Commons](#)

---

### Recommended Citation

Bowrey, Graham D.; Clements, Michael D.; and Dean, Bonnie Amelia: CSR reporting: a process for supply chain legitimization 2009, 1-21.

<https://ro.uow.edu.au/commpapers/2330>

---

## CSR reporting: a process for supply chain legitimization

### Abstract

**Purpose** – This conceptual paper aims to explore the legitimating process of Corporate Social Responsibility (CSR) reporting in relation to supply chain management. The paper introduces a framework for the holistic evaluation of entire supply chain CSR reporting including the use of social audits.

**Design/methodology/approach** – This paper is based on a review of CSR reporting literature and the role of CSR reporting as a legitimization tool of organisations that operate in distinct supply chains. The theoretical lens of three perspectives of legitimization; structural-functionalist; social constructionist; and hegemonic, are used to assess the drivers behind organisations in a supply chain to report CSR performance and management consistently and interdependently.

**Findings** – The development and implementation of the framework for evaluating the CSR reporting of the entire supply chain, which includes social auditing, would be a valuable legitimization tool for organisations in a supply chain and also for the industry within which these organisations operate.

**Practical implications/limitations** – This paper provides insights into the use of social audits as a legitimization tool for supply chains as a whole and organisations within the supply chain.

**Originality/value** – This interdisciplinary concept paper contributes to both the social and environmental accounting literature and the supply chain management literature.

### Keywords

CSR, reporting, process, for, supply, chain, legitimization

### Disciplines

Business | Social and Behavioral Sciences

### Publication Details

Bowrey, G., Clements, M. D. & Cord, B. (2009). CSR reporting: a process for supply chain legitimization. 8th Australasian Conference on Social and Environment Accounting Research (CSEAR 2009) (pp. 1-21). Christchurch, New Zealand: University of Canterbury, New Zealand.

**CSR REPORTING: A PROCESS FOR SUPPLY CHAIN LEGITIMATION**

**Graham Bowrey**  
**University of Wollongong, Australia**

**Mike Clements**  
**University of Wollongong, Australia**

**Bonnie Cord**  
**University of Wollongong, Australia**

**A paper reviewed and accepted for the 8<sup>th</sup> Australasian Conference on Social  
and Environment Accounting Research (CSEAR 2009)**

**6- 8 December 2009**

**Christchurch, New Zealand**

# CSR REPORTING: A PROCESS FOR SUPPLY CHAIN LEGITIMATION

## ABSTRACT

**Purpose** – This conceptual paper aims to explore the legitimating process of Corporate Social Responsibility (CSR) reporting in relation to supply chain management. The paper introduces a framework for the holistic evaluation of entire supply chain CSR reporting including the use of social audits.

**Design/methodology/approach** – This paper is based on a review of CSR reporting literature and the role of CSR reporting as a legitimation tool of organisations that operate in distinct supply chains. The theoretical lens of three perspectives of legitimation; structural-functionalist; social constructionist; and hegemonic, are used to assess the drivers behind organisations in a supply chain to report CSR performance and management consistently and interdependently.

**Findings** – The development and implementation of the framework for evaluating the CSR reporting of the entire supply chain, which includes social auditing, would be a valuable legitimation tool for organisations in a supply chain and also for the industry within which these organisations operate.

**Practical implications/limitations** – This paper provides insights into the use of social audits as a legitimation tool for supply chains as a whole and organisations within the supply chain.

**Originality/value** – This interdisciplinary concept paper contributes to both the social and environmental accounting literature and the supply chain management literature.

**Keywords:** *legitimation theory; CSR reporting; supply chain reporting; social audit*

## **Introduction**

Corporate social responsibility (CSR) has come to the front as a critical position from which organisations need to reflect in their operations and organisational objectives. Of late, there has been increased research undertaken on CSR, CSR reporting and supply chain management. There has also been research, though relatively limited, on CSR and CSR reporting with a supply chain management focus. The majority of the research so far in this area has been based upon specific links or segments of the supply chain, considered to be a vertical analysis approach. However there appears to be only minimal research examining CSR reporting along an entire supply chain, which may be regarded as a horizontal approach. This paper will review CSR reporting through three perspectives of legitimation: structural-functionalist, social-constructionist and hegemonic, and then introduce a conceptual framework for reviewing the CSR performance of the complete supply chain. The objective of this unique framework is that it will reflect the contribution of all organisations in the supply chain from origin to consumer (horizontal approach) and provide a complete view of CSR, in relation to supply chain management, rather than a fragmented view which has currently been projected by recent research. The paper will also discuss the role of social auditing in improving the outcomes of CSR management and performance reporting in a supply chain management context.

The recent economic downturn has increased the need for organisations in supply chains to work together to either become or remain competitive. This includes the strengthening of existing relationships with the focus on the customer and embracing the realization that companies can now no longer compete as autonomous entities, but rather as part of a wider supply chain (Bowersox, Closs, and Cooper, 2002). By nature supply chain management (SCM) utilises the strengths of the value adding channel to benefit the efficiency of each organisation in delivering value to the end user. Rather than competing as independent entities, it is the very strength of these inter-relationships that enable organisations to attain higher level efficiencies and compete more effectively through their respective supply chains (Monczka and Morgan, 1997; Giannakis and Croom, 2004). An organisation needs to have the capacity to integrate, maintain and enhance relationship development processes and functions within their

own organisation (Cohen and Roussel, 2005) to achieve the benefits of inter-organisational cooperation and collaboration.

Whilst efficiency, effectiveness and responsiveness of supply chains remain critical determining factors in inter-firm relationship development, more and more organisations are now acknowledging the need for strategic alignment with organisations that uphold the same ideals in relation to their impact on society and the environment, that is, corporate social responsibility (CSR). Moving forward these inter-firm relationships need to understand the expectations of their business partners (Clements, Dean and Cohen, 2007) which include connecting their policies in regard to CSR.

### **Supply Chains and Supply Chain Management**

A supply chain is a set of organisations involved in the upstream and downstream flow of products, services, and finances (Min and Mentzer, 2004) as well as the flow of information from initial suppliers, through the channel members to the end user or customer (Bechtel and Jayaram, 1997). This information is sent and received via the network of suppliers, factories, warehouses, distribution centres and retailers through which raw materials are acquired, transformed and delivered to the customer (Fox, 2002) adding value to the end user. The relationships developed within a supply chain are generally considered to be long term relationships and therefore both the customers and the organisations operating in a supply chain need to be able to depend on each other (Clements, Dean and Cohen, 2007).

The integration of supply and demand management, in a business environment, within and across organisations is often referred to as supply chain management (Council of Supply Chain Management Professionals, 2006). The operational framework, provided by supply chain management, aligns inter-organisational business practices to serve both the needs of the organisation and their customers. Integrated supply chain management is gaining momentum as organisations recognise the increase in competitiveness achieved through harnessing the chain's strengths including that of their partners capabilities (eg. technology readiness) and competencies (eg. service quality and logistics), (Christopher and Jüttner, 2000; Richey, Daugherty, and Roath, 2007) and rather than competing as individual organisations (Christopher and Jüttner,

2000). It is no longer the case that organisations compete solely with each other in the market place but the competition is based more on inter-supply chain competition. Since integration of practices between supply chain partners influences an organisation's ultimate performance (Richey, Daugherty, and Roath, 2007), alignment of participant relationships (Gattorna, 2006) and the social systems in a supply chain context, become the focal points from which inter-firm integration develops (Gattorna, 2006).

To benefit as a supply chain member, an organisation must have the capacity to successfully integrate, maintain and enhance relationship development processes and functions (Gardner, 2004; Cohen and Roussel, 2005) and in recent times, the capacity to align ideals with the supply chain in relation to society and the environment. Understanding the expectations of business partners (Hausman, 2001; Clements, Dean and Cohen, 2007) which include CSR policies and procedures becomes essential for long term supply chain stability.

### **Corporate Social Responsibility**

The focus on CSR over the past four decades has evolved from a reference to organisational obligation to evaluate the effects of their decisions “on the external social system in a manner that will accomplish social benefits along with the traditional economic gains” (Davis 1973, p. 313), to organisational environmental and social impacts. This transition is consistent with Gray's suggestion that “social accounting enjoyed considerable experimentation and currency in the 1970s ... [whilst] environmental accounting and reporting experienced a much-overdue resurgence during the 1990s” (2001, p. 9).

CSR reporting can be described as the methods used by organisations to provide both “financial and non-financial information relating to [the] organisation's interaction with its physical and social environment ... which includes details of the physical environment, energy, human resources, products and community involvement matters” (Hackson and Milne 1996, p.78). It has been suggested the increasing number of organisations who develop and produce CSR reports are motivated by an implied social contract between the organisation and their stakeholders in order to legitimise the various activities of their organisations (Adams, 2004; Deegan, 2002).

While organisations are beginning to appreciate they are required to give an account of the organisation's total performance, financial as well as social and environmental performance (Adams 2004, p.732), Deegan (2002) suggests the motivation for CSR reporting seems to be in contrast to the perceived reason for external reporting. Hackson and Milne, outline that CSR reporting "is believed to reflect an adaptive management approach to dealing with a dynamic, multidimensional environment and an ability to meet social pressure and respond to societal needs" (1996, p.78).

To improve accountability, CSR reports need to be "transparent and represent a genuine attempt to provide an account which covers negative as well as positive aspects of all material impacts" (Adams 2004, p.732). Gray and Bebbington explain "to legitimise current activity" (2001, p. 208) and to "forestall criticism" (2001, p.234) organisations will disclose some aspects of their CSR performance. Deegan (2002) outlines a number of other possible motivations as to why an organisation may decide to disclose their CSR performance. These include; to comply with legal requirements; meet community expectations; manage particular stakeholder groups; comply with industry requirements or particular codes of conduct; and, to forestall efforts to introduce more onerous disclosure regulations (Deegan 2002, pp.290–291). It is not always possible (Gray and Bebbington 2001, p.209) to identify the specific reasons why some organisations prepare and publish CSR management and performance reports. For example, organisations are unlikely to freely admit the objective of their CSR reports is to forestall legislation. Some CSR management and performance reports, which are voluntary, are included in an organisation's annual report and some are stand-alone documents.

Gray and Bebbington explain "it is rare to find consistent, systematic reporting" (2001, p. 239). There is a lack of uniform meaning and interpretation of the term corporate social responsibility (Andersen and Skjoett-Larsen 2009), however the general notion of CSR management and performance concerns how an organisation acknowledges and recognises the impact of their operations on society and the environment "in just the same way as their economic or commercial performance" (Lee and Kim, 2009, p.139). In relation to supply chain management, most of the research on organisations' CSR has been on individual organisations in the supply chain. "However CSR is no longer the individual company's domain; increasingly, it

encompasses the entire supply chain” (Andersen and Skojett-Larsen 2009, p.77). Organisations are under increased pressure from all stakeholders including, but not limited to, employees, customers, shareholders, business partners and governments “who show an increasing concern for the environmental and social conditions” (Andersen and Skojett-Larsen 2009, p. 77). This pressure from increased expectations from both internal and external stakeholders include responsibilities on “resource extraction, transportation, production, packaging, distribution, sales, consumer use, and disposal... equal employment, working conditions, health and safety standards” (Lee and Kim 2009, p. 139).

To further develop existing supply chain relationships, policies must be constructed to guide acceptable practice between organisations which deliver to all key stakeholders. CSR has become a driving theme in guiding organisations in their responsibility to society by “minimising the social impact” of their operations (Keating et al, 2008, p.175). The labelling by association concept is particularly prevalent in supply chains, as inter-dependent units influence the reputation of all organisations in the supply chain. Nalebuff and Brandenburger (1996), suggest that this concept is a key driver for supply chain partners to increase their CSR contribution across the chain. Typically the focus of CSR from a supply chain perspective has been directed towards a vertical analysis of the actions of the organisation in regard to their own relationships up and down stream. To extend this idea the following section outlines the notion of accountability with particular reference to the social accountabilities of organisations in supply chains.

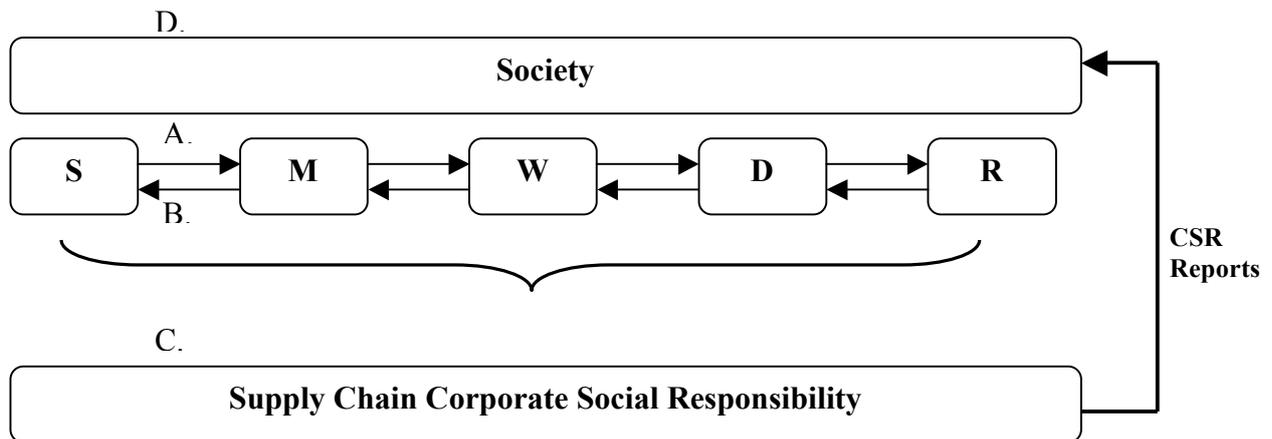
### **Accountability**

Accountability is a term which is often confused with responsibility and this confusion is exacerbated as different disciplines allocate varying meanings (Cooper and Owen, 2007). However whilst the term accountability can be considered a “murky term” (Cooper and Owen, 2007, p.652), Gray et al, in an accounting context, suggests that it is “simply about identifying what one is responsible for and then providing information about that responsibility to those who have rights to that information” (1996, p.11). This is consistent with Porter’s explanation that the people in control of organisations who are responsible for using the organisation’s resources “honestly and for their intended purpose” (2009, p.160) are accountable to society on

the “impact of corporate entities on things such as energy consumption, environmental pollution, health and safety and equal employment opportunities” (Porter 2009, p.162). Porter explains further that organisations are part of a “network of interrelationships ... [where] corporate managers have a responsibility to consider the impact of their decisions on the welfare of all groups within the network” (2009, p.162). The following section briefly outlines the use of CSR management and performance reporting within and along the supply chain.

### CSR / Supply Chain Management model

Figure 1 below indicates the network of interrelationships between organisations within a supply chain and the corresponding flow of CSR management and performance reporting information of these organisations.



**Figure 1:** The Supply Chain and Corporate Social Responsibility

The arrows from left (supplier) to right as indicated by A. represent the flow of product or service in the supply chain. The arrows represented by B. from right (retailer) to left, known as upstream, is the information flow between organisations. The C. denotes the CSR across the supply chain from end-to-end. Item D. denotes society which the supply chain organisations are represented.

As mentioned above the majority of CSR reporting by organisations is based on an organisation’s individual performance and not on the CSR management and performance of the entire supply chain. This individual reporting is often inconsistent between the organisations along the supply chain and makes it difficult to establish

the level of CSR management and performance of the entire supply chain. The acceptance of the CSR reporting by organisations in the supply chain is dependent on the level of congruence “with the values of those with whom [the organisation] must interact” (Richardson 1987, p.343). These CSR reports will then be seen as legitimating the organisation within the supply chain and individually in society. The following section discusses the nature and role of legitimation and legitimacy in reviewing the CSR management and performance reports of organisations.

### **Legitimation**

An examination of the CSR management and performance reporting of organisations in supply chains through the lens of legitimation theory may help explain why organisations may choose to disclose information on their CSR management and performance and how they could benefit from the disclosure of some information on their social responsibility. Legitimation theory focuses on the “the process that leads an organisation being adjudged legitimate” (Lindblom 1994 cited in Deegan 2007). Legitimation theory is not to be confused with the legitimacy theory which describes a “status or condition” (Deegan 2006, p.275; Deegan 2007, p.127) and, as Merelamn (1966) explains, involves the capacity of society to maintain the belief that the existing organisations “are the most appropriate ones for the society” (1966, p. 548). Wisman (1980, p.90) suggests legitimation is the process where social knowledge and expectations explain social behaviour and the changes of social institutions (organisations). This is consistent with Richardson’s definition of legitimation as the processes “which create and validate the normative order of society” (1987, p.343).

Richardson (1987) explores how organisations present and explain social responsibility through semiotics which is communication based on codes (Richardson 1987) and signs (Gaffikin 2009, p.234; Mautner 2005, p.566). Richardson (1987, p.342) explains that legitimation processes are attempts by organisations to establish a semiotic relation between their actions and the values society holds as appropriate. This relationship however is generally not consistent as “no single symbol of legitimacy is likely to remain over time, either tied closely enough to a particular area or restricted enough in reference to other symbols” (Merelman 1966, p.554).

Merelman (1966) explains that new symbols of legitimacy periodically need to be identified as they lose their impact over time.

Richardson suggests that symbols of legitimacy “are accepted as surrogates for, or attributes of, reality” (Richardson 1987, p.342). This suggestion raises an important question in relation to developing and evaluating CSR reports: What is reality? If reality is considered to be based on a realist ontological assumption where “objects in the world have an existence independent of us” (Gaffikin 2009, p.6) then the reporting of CSR performance is a disclosure of what is. If reality is considered to be socially constructed based on artificial creations for describing and making sense of the external world (Burrell and Morgan 1979, p.4) then the reporting of CSR performance is constructing the actual social responsibility of the organisation. To cover the basic ontological spectrum, realist to social construction, Richardson (1987) identified three different perspectives of legitimation: structural-functionalist; social-constructionalist; and hegemonic (p.342). The structural-functionalist perspective “presumes that both values and actions are defined by the functions which must be performed for a social system to survive” (Richardson 1987, p.343), whereas the social-constructionalist perspective “regards values as emerging from interaction among members of society” (Richardson 1987, p.343). The hegemonic perspective, dominance through non-coercive means, regards “values as an aspect of elite ideologies” (Richardson 1987, p.343) and therefore should remain unquestioned (Rahaman et al, 2004, p.40). The following section will review CSR reports and reporting by organisations through each of these three perspectives.

### ***Structural-functionalist***

The first perspective of legitimation discussed by Richardson (1987) is the structural-functionalist perspective which “views the link between action and values to be unique and objective” (Buhr 1998, p. 165) where the stability of society is based on a system of functions which must be performed (Richardson 1987). This perspective is founded on the assumption that reality is based on the notion that “objects exist independently of our conception or perception of them” (Gaffikin 2009, p.250). This assumption of reality leads to the acceptance that CSR reports, symbols, are obligations “to perform certain socially valued acts” (Richardson 1987, p.344) so as to gain legitimacy in society in relation to the organisation’s operations and use of

resources. Under the structural functionalist perspective the CSR management and performance reports of organisations are considered to be “technical devices which capture and implement the functional values of a given social system” (Richardson 1987, p.345). CSR reports along the supply chain developed under the structural-functional perspective would then be considered consistent and there would be easy comparability between all organisations’ reports. This would be due to the reports and symbols used are based on an objective reality where individual interpretation is not required.

### ***Social-Constructionist***

Social-construction assumes reality is a continuous process created through the medium of language, labels, actions and routines (Burrell and Morgan 1979, p.4; Morgan and Smircich 1980, p.494). Richardson (1987) explains that the “social-constructionalist perspective regards values as emerging from interaction among members of society” (p.343) rather than independently of society. In determining the appropriate values professionals as individuals and in collective groups, are regarded as significant as they are viewed as experts. It is through the knowledge and expertise of these professionals society is able to “construct its social reality” (Richardson 1987, p.348). Boland and Pondy (1983) identified that groups of people who are considered to be experts and professionals in a particular field construct their social reality through symbolical interaction and in turn “give meaning to their ongoing stream of experience” (p.223).

The social-constructionalist perspective sees the social world as an emergent social process which is created by the individuals concerned. Social reality, insofar as it is recognised to have any existence outside the consciousness of any single individual, is regarded as being little more than a network of assumptions and intersubjectively shared meanings (Burrell and Morgan 1979, p.29). Richardson (1987) explains that under the social-constructionist perspective the symbols used by organisations in the legitimation process will be reflective of the attributes of social reality. Organisations through the publication of their CSR management and performance reports will construct a perspective they wish to portray and be accepted by society. The use of generally accepted terms such as social and environmental reporting constructs a reality that the organisations are socially responsive and aware, even if the actual

reports do not actually provide transparent information, of their CSR performance and management. For example the development and implementation of a social audit as such a tool in undertaking legitimation processes. This legitimation tool, social audit, may be further strengthened by the use of professional accountants who are independent of the organisation.

### ***Hegemonic***

The third legitimation perspective discussed by Richardson (1987) is the hegemonic perspective where a relationship established between different groups in society where one group is dominant of others. This domination is not necessarily by coercion, but of consent through ideological leadership (Richardson 1989; Yee 2009) or what “Gramsci called ‘intellectual and moral leadership’” (Yee 2009, p. 76). The dominant group exercises its power over the subordinate groups through “ideological domination” (Gaffikin 2008, p. 246) and this domination may be achieved either by consent or, less likely these days, by coercion (Richardson 1989). In relation to CSR management and performance reporting voluntary reports provided by organisations could be seen as a response to hegemony by consent whereas such reports required by regulation, either industry or state, would be an example of hegemony by coercive domination. Richardson (1989) explains that hegemony allows an understanding of the structures which reflect “the economic and social systems in which they are embedded” (Richardson 1989, p. 419) and this in turn allows the dominant group to create a dominant conception of reality (Yee, 2009). This conception of reality allows the dominant group to determine the required reporting structures which maintain this reality and as such directs the form of legitimation processes. The rhetoric of the dominant group will establish the required reporting structures and conditions such as the rhetoric on the independence of the verifiers of the adequacy of the CSR management and performance reports of organisations who are not part of the dominant group. Richardson outlines that “intellectuals are the most important legitimating institution in maintaining hegemony ... their rhetoric of independence serves to legitimate the world view supported by [the dominant] group” (1987, p. 350). This role of intellectuals is similar to the role of professionals and professional groups under the socially constructive perspective.

It is important to realise that as the hegemonic perspective is based on the requirements of the dominant group in society and that the dominant group creates a conception of reality, should there be a change in the dominant group either through the rise of another group or a change within the dominant group, the concept of reality may also change. When there is a shift in the accepted concept of reality then the legitimation processes may also change due to different structural requirements. The role of professionals, in particular accountants, in relation to CSR management and performance reporting in the hegemonic perspective is of channel to amplify the power of the dominant group and to implement its preferred structures to reflect the group's conception of reality. This is consistent with Yee's findings that "any professional occupation is inextricably linked to the kind of society in which it operates—to its political and economic environments, its social structure, as well as its cultural norms" (2009, p. 88). The following section discusses social auditing as one of the key mechanisms which could be used as a key legitimation tool which would support the structures under each of the three legitimation perspectives discussed above.

### **Audit – Social Audit**

An audit is a form of assurance service where the auditor issues a written report expressing an opinion, providing reasonable assurance, on the reliability and relevance of the material disclosed by an organisation or individual. Reasonable assurance relates to the facts, findings and conclusions provided and the opinion expressed by the auditor about performance. To ensure an appropriate opinion is expressed the audit quality needs to be reflective of two key audit components, the independence of the auditors and the competence of the auditors. These elements of audit quality are supported by the fundamental ethical principles of professional auditors which include integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

To express an appropriate opinion the auditor needs to collect sufficient appropriate audit evidence from which they are able to draw conclusions based on the audit evidence gathered. The notion of sufficiency is a measure of quantity of audit evidence, whereas appropriateness refers to the quality of audit evidence which is based on relevance and reliability. In relation to CSR and CSR reporting the most

appropriate assurance service would be a social audit undertaken by external independent competent professionals.

A social audit is a review of an organisation's social performance, management and reporting in line with its social responsibilities "and that a balance is achieved in its corporate planning between these aspects and the more traditional business-related objectives" (Vinten, 1990, p. 127). Gray (2001) explains that social audits are "those public analyses of accountable entities undertaken ... by bodies independent of the entity, and typically without the approval of the entity concerned. In the broadest sense, the social audit is being used by society ... to hold the entity to account whether it likes it or not" (Gray 2001, p. 9). The development and application of a social audit "is a logical response to the concept of social responsibility of business" (Batra 1996, p. 36).

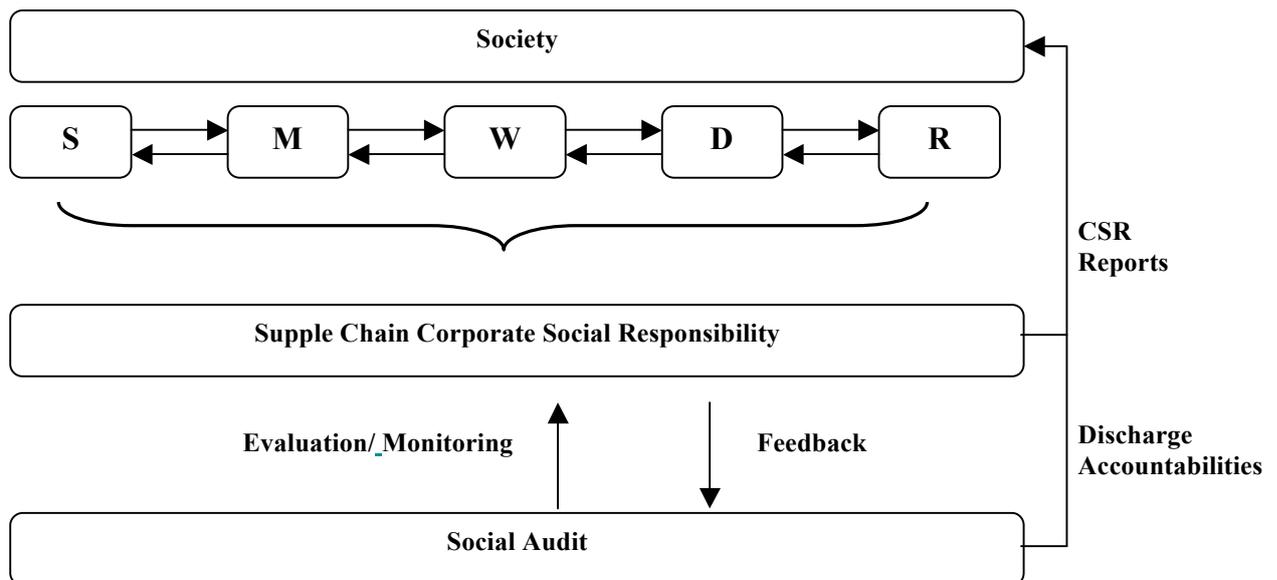
One of the difficulties with social audits is consistency and comparability due to the different verifiers who undertake social audits. Whilst the notion of independence can be considered as being met by having the auditor external of the organisation it is important to acknowledge the level of independence is not static but varies significantly between the different types of auditors (Ball et al 2000). Ball et al (2000) identifies a number of external auditors including accountants, environmental consultants and non-profit organisations, who undertake third party statements on organisation's corporate environmental reports. The accountants would generally be expected to have "the capabilities, competence, expertise, independence, integrity and other qualities necessary to carry out monitoring duties on behalf of those to whom the organisation is accountable" (Porter 2009, p. 170) while the environmental consultants are not considered to be as "closely associated with independent verification" (Ball et al 2000, p. 7). This view is consistent with Richardson (1987) who explains that the information in CSR reports would be considered more credible through the use of accountants to verify the validity of the information reported and subsequently contribute to the legitimacy of the organisation.

Therefore, if accountants are considered the most credible option it could be suggested that all social audits be undertaken by accountants. However as Ball et al concluded "the *degree* of independence is most likely to be determined by the

commissioning reporter” (Ball et al 2000 p. 18), that is, the organisation commissioning the social audit is in a position to select who they would like to conduct the audit. It is important to acknowledge this degree of independence, considering that though the auditor may be external to the organisation, the selection of the auditor is left to the organisation, which subsequently influences the independence of the auditor. The degree of independence is further compromised by the level of influence the organisation may have over the verifier, such as an organisation suggesting that they clear the social audit report before it is released. In addition, auditors also depend on organisations that seek a social audit for their fees, thus also compromising the independence of the verifier. These threats to independence are often addressed or exacerbated by organisations through relying on external professionals. However inconsistencies may arise even within professional bodies such as accountants, who are seen to have a “social mandate to define what is right and wrong within a specific sphere of activity” (Richardson 1987, p. 341).

**Model including social audit function**

Figure 2 below outlines how the implementation of a social audit function could assist in improving the level and consistency of CSR management and performance reporting of organisations in a supply chain and along the entire supply chain.



**Figure 2:** Social Audit along entire Supply Chain

The inclusion of the social audit function in conjunction with the corresponding evaluation and feedback mechanisms of the social audit will improve the level and consistency of supply chain CSR reporting which in turn will improve or at least maintain the legitimacy of the organisations in the supply chain as well as the entire supply chain. The inclusion of the social audit function is part of the legitimation process through which the supply chain and the contributing organisations, attempt to discharge their CSR management and performance accountability through externally verified CSR reports.

## **Conclusion**

CSR reporting in supply chain management has generally been based on the individual organisations of the supply chain primarily with a focus on upstream, vertical relationships. There has, until recently, been little research conducted on a more horizontal approach to CSR reporting in supply chains. Andersen and Skjoett-Larsen (2009) contribute to the increasing focus on this emerging area of research by explaining “CSR is no longer the individual company’s domain; increasingly, it encompasses the entire supply chain” (2009, p. 77). This emerging research stream taking a holistic approach to CSR management and performance reporting on the entire supply chain, gives rise to the increased need to advance interdisciplinary research in this area. There is a requirement to incorporate the disciplines of supply chain management and auditing, specifically in relation to social auditing, and accounting such as the discharge of management and organisational accountability. Directions for future research in this area could be informed through undertaking case studies in specific supply chains including service delivery supply chains, manufacturing supply chains and public sector service delivery supply chains.

Through the theoretical lens of legitimation theory, this paper attempts to identify and explain the processes an organisation undertakes to become considered legitimate in the community within which it operates. Three distinct legitimation perspectives are presented to explain why organisations may choose to disclose information on their CSR management and performance and how they could benefit from the disclosure of some information on their social responsibility. The first legitimation perspective is the structural-functionalist perspective which is based on the notion that for the social system to operate organisational values and the corresponding actions are defined by

specific functions. The second legitimation perspective is the social-constructionist perspective where organisational values are constructed based on reflecting society's expectations. The final perspective discussed is the hegemonic perspective where organisational values and actions are defined by a dominant group in society. It is suggested that through these three different legitimation perspectives it is possible to develop consistent and comparable CSR management and performance reports for organisations in a supply chain. The need for consistency is of paramount importance to ensure that those charged with management and those accountable for the performance of the organisation, are able to appropriately measure, and therefore appropriately manage, their organisation's contribution to the CSR of the supply chain in which they are a contributing member. Future research on the above legitimation perspectives could be based on both discourse and critical discourse analysis of CSR reports of, in the first instance, current leading organisations in particular supply chains. This research may allow the identification of specific characteristics of CSR reports and in turn inform the development of more transparent and informative CSR reports.

This paper suggests the inclusion of a social audit in the review of supply chain CSR performance and reporting could be a tool to assist both the entire supply chain and the individual organisations in the supply chain in gaining, maintaining or repairing their legitimacy. The social audit, as a legitimation process, is a review of an organisation's social performance, management and reporting by an external, independent and competent professional to support the organisation's claim that they are operating in line with the expectations of society. It is important that organisations consider the implications of the social audit and the benefits it could bring in improving the levels of consistency and legitimacy across the whole supply chain. To better understand the benefits of the social audit for supply chain and organisational legitimacy future research based on the genealogy of social audits could prove informative.

## References

Adams, C. A. (2004) The Ethical, social and environmental reporting - performance portrayal gap, *Accounting, Auditing and Accountability Journal*, vol. 17, pp. 731-757.

Andersen, M. and Skjoett-Larsen, T. (2009), Corporate social responsibility in global supply chains, *Supply Chain Management: An International Journal*, vol. 14, no. 2, pp. 75 – 86.

Ball, A., Owen, D.L. and Gray, R.H. (2000), External transparency or internal capture? The role of third party statements in adding value to corporate environmental reports, *Business strategy and the environment*, vol. 9, no. 1, pp. 1 - 23.

Batra, G.S. (1996) Dynamics of social auditing in corporate enterprises: a study of the Indian corporate sector, *Managerial Auditing Journal*, vol. 11, no. 2, pp. 36 -45.

Bechtel, C., and Jayaram. J. (1997) Supply Chain Management: A Strategic Perspective. *The International Journal of Logistics Management*, vol. 8, no. 1, pp. 15-34.

Boland, R. J. & Pondy, L. R. (1983), Accounting in organisations: A union of natural and rational perspectives. *Accounting Organisations and Society*, vol. 8, no. 2-3, pp. 223-234.

Bowersox, D. J., Closs, D. J., and Cooper, M. B. (2002), *Supply chain logistics management*. New York: McGraw-Hill/Irwin.

Buhr, N. (1998) Environmental performance, legislation and annual report disclosure: the case of acid rain and Falconbridge, *Accounting, Auditing and Accountability Journal*, vol. 11, no. 2, pp. 163-190.

Burrell, G. & Morgan, G. (1979) *Sociological paradigms and organizational analysis*, London, Heinmann.

Christopher, M. & Jüttner, U. (2000) Developing strategic partnerships in the supply chain: A practitioner perspective, *European Journal of Purchasing and Supply Management*, vol.6, pp. 117-127.

Clements, M.D., Dean. D.L. and Cohen, D.A. (2007) 'Proposing an operational classification scheme for embryonic cooperative relationship levels' *Journal of Management and Organization*, vol. 13, no.1, pp. 51-64.

Cohen, S., and Roussel, J. (2005) *Strategic Supply Chain Management*, Boston, Mass: McGraw-Hill.

Cooper, S.M., and Owen, D.L. (2007) Corporate social reporting and stakeholder accountability: The missing link, *Accounting Organizations and Society*, vol. 32, no. 7- 8, pp. 649- 667.

Council of Supply Chain Management Professionals, (2009). Supply Chain Management/Logistics Management Definitions. Accessed November 2009: <http://cscmp.org/aboutcscmp/definitions.asp>

Deegan, C. (2002) Introduction" The legitimising effect of social and environmental disclosures - a theoretical foundation, *Accounting, Auditing and Accountability Journal*, vol. 15, pp. 288-311.

Deegan, C. (2006) Financial Accounting Theory, McGraw-Hill Irwin.

Deegan, C. (2007) Insights from legitimacy theory. In Unerman, J., Bebbington, J. & O'dwyer, B. (Eds.) Sustainability Accounting and Accountability. London, Routledge.

Deegan, C. & Rankin, M. (1996) Do Australian companies report environmental news objectively?, *Accounting, Auditing and Accountability Journal*, pp. 50-67.

Fox, M. S. (2002) *Integrated Supply Chain Management. Enterprise Integration Laboratory. Working Paper.* Accessed September 2005 from: <http://www.eil.utoronto.ca/iscm/>

Gaffikin, M.J.R. (2008) *Accounting Theory: research, regulation and accounting practice*, Frenchs Forest, NSW, Pearson Education.

Gardner, D. L. (2004) *Supply Chain Vector*, Ross Publishing, USA.

Gattorna, J. (2006) *Living Supply Chains*, Prentice Hall, Great Britain.

Giannakis, M. G. and Croom, S. R. (2004) Toward the Development of a Supply Chain Management Paradigm: A Conceptual Framework. *Journal of Supply Chain Management*. vol. 40, no. 2, pp. 27-37.

Gray, R. (2001) Thirty years of social accounting, reporting and auditing: what (if anything) have we learnt?, *Business ethics: a European review*, vol. 10, no. 1, pp. 9-15.

Gray, R. and Bebbington, J. (2001) *Accounting for the environment*. London: Paul Chapman/Association of Chartered Certified Accountants, London.

Gray, R.H., D.L. Owen & C. Adams (1996) *Accounting and accountability: changes and challenges in corporate social and environmental reporting*. London: Prentice Hall.

Hackson, D., and Milne. M. J. (1996) Some determinants of social and environmental disclosures in New Zealand companies, *Accounting, Auditing and Accountability*, vol. 9, no. 1, pp. 77-108.

Hausman, A. (2001) Variations in Relationship Strength and its Impact on Performance and Satisfaction in Business Relationships. *The Journal of Business and Industrial Marketing*, vol. 16, no. 6-7, pp. 600-617.

- Keating, B., Quazi, A., Kriz, A., and Coltman, T. (2008) In pursuit of a sustainable supply chain: insights from Westpac Banking Corporation, *Supply Chain Management: An International Journal*, vol. 13, no. 3, pp. 175 – 179.
- Lambert, D. M., Cooper, M. C., and Pagh, J. D. (1998) Supply chain management: Implementation issues and research opportunities. *The International Journal of Logistics Management*, vol 9, no. 2, pp. 1-19.
- Lee, K., and Kim, J. (2009) Current status of CSR in the realm of supply management: the case of the Korean electronics industry, *Supply Chain Management: An International Journal*, vol. 14, no. 2, pp. 138 – 148.
- Lindblom, C. K. (1994) The implications of organisational legitimacy for corporate social performance and disclosure. Critical Perspectives on Accounting Conference. New York.
- Mautner, T.(2005) *Dictionary of Philosophy*, Penguin Group (Australia), Camberwell, Victoria, Australia.
- Merelman, R. M., (1966) Learning and legitimacy, *The American Political Science Review*. vol. 60, no. 3, pp. 548-561.
- Min, S. and Mentzer, J.T. (2004) Developing and Measuring Supply Chain Management Concepts. *Journal of Business Logistics*. vol. 25, no. 1, pp. 63-99.
- Monczka, R. M. and Morgan, J. (1997) What's Wrong with Supply Chain Management? *Purchasing*. vol. 122, no. 1, pp. 69-73.
- Natale, S.M., and Ford, J.W. (1994) The social audit and ethics, *Managerial Auditing Journal*, vol. 9, no. 1, pp. 29-33.
- Porter, B.A. (2009) The audit trinity: the key to securing corporate accountability, *Managerial Auditing Journal*, vol. 24, no. 2, pp. 156 – 182.
- Rahaman, A. S., Lawrence, S. & Roper, J. (2004) Social and environmental reporting at the VRA: institutionalised legitimacy of legitimation crisis? *Critical Perspectives on Accounting*, vol.15, pp.35-56.
- Richardson, A. J. (1987) Accounting as a legitimating institution. *Accounting, Organizations and Society*, vol. 12, pp. 341-355.
- Richardson, A.J. (1989) Corporatism and intraprofessional hegemony: a study of regulation and internal social order. *Accounting, Organizations and Society*, vol.14, no. 5-6, pp. 415–31.
- Simon, R. (1982), Gramsci's Political Thought. London: Lawrence & Wishart;
- Vinten, G. (1990) The Social Auditor, *International Journal of Value-Based Management*, vol. 3 no. 2, pp. 125-36.

Wiseman, J. D. (1980) The Sociology of Knowledge as a Tool of Research Into the History of Economic Thought. *American Journal of Economics and Sociology*, vol. 39, pp. 83-94.

Yee, H. (2009) The re-emergence of the public accounting profession in China: A hegemonic analysis, *Critical Perspectives on Accounting*, vol. 20, pp. 71- 92.