

# Social accountability in non-profit organizations to improve Corporate Reputation: the benefits of sharing a common standard

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## Abstract

The economic and social changes that have taken place in recent years have influenced the environment and the society within which businesses operate, leading to a significant growth in both the quantity and quality of reporting requirements. Moreover, the requirement for more transparent reporting appears to be the result of greater awareness on the part of businesses of the need to build and consolidate their long term reputation by increasing stakeholder trust and confidence. This has also led to the search for greater guarantees of transparent and credible reporting and for more effective checks on the accuracy of reports to be carried out by independent bodies, as well as the development of additional reporting tools.

The observations made above are equally applicable to non-profit making organizations. Indeed, the adoption of reporting tools lacking the above mentioned characteristics risks increasing the degree of uncertainty in choices made by external stakeholders, apart from the fact that it could be seen as an attempt to hide information of great importance. Thus, even non-profit making organizations need to communicate and report in an appropriate way, in order to attract the financial resources required to fund their activities. Social accountability can undoubtedly be considered one of the most suitable forms of reporting for the achievement of these aims.

This all becomes of greater importance for non-profit making organizations due to the fact that the prime function of the balance sheet is not that of determining an operating profit to be distributed as dividends but, rather, that of supplying adequate information with regard to the social value created for a specific collectivity. There seems to be little doubt, therefore, regarding the importance of social accountability tools, particularly the social report. It can, therefore, be asserted that while social reporting is an “optional” for profit making businesses, while financial reporting is a “must”, in the case of non-profit making organizations the situation is the reverse (Hinna, 2000).

It should be noted, however, that in practice there has recently been a widespread tendency to draw up documents with differing titles and differing in structure, thus making them difficult to compare and compromising the reliability of the information reported (Maggi, 2008). In these organizations, moreover, there has often been a lack of awareness of how important reporting can be from a strategic viewpoint and from that of reputation.

The adoption of such tools cannot therefore be treated in a superficial manner. It is a decision that must be taken on the basis of cultural, rather than technical, reasons. In practice it means wanting:

- to become more transparent;
- to undertake a process of stakeholder engagement;
- to build up a “healthy” reputation.

One way of overcoming the above mentioned problems is that of adopting common and widely accepted standards and guidelines. The existence of a widely shared and applied standard would be greatly beneficial in terms of spatial and temporal comparability of documents and reliability of the information reported.

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In the light of the above, and with the aim of confirming what has been documented in recent literature (Nicolaeva, Bicho, 2010), this paper sets out to corroborate the research hypothesis that *the adoption of common standards and guidelines for social reporting make a valid contribution to building up the reputation of non-profit making organizations, while allowing them to respond to pressure exerted by stakeholders for greater reporting clarity and transparency.*