Abstract: This paper documents the introduction of triple-bottom-line reporting to an organisation within the banking sector. Particular focus is placed on the implementation and reporting of the social responsibility aspects of triple-bottom-line reporting. The case study examines the management of the change from a practical and strategic perspective. Impact of the introduction is examined internally to the organisation and external stakeholders are canvassed to examine the impact understanding and value of the strategic direction taken by the organisation. In addition the study delivers a descriptive snapshot of the state of play (limited to August 2002) in respect of Social Accounting and the disclosures by Australian Banks in Financial Statements and other published reports.

Published Financial Reports and information published on the institutions web site are utilised to undertake an analysis of content and preferred method of reporting. There is a clear movement toward the reporting of social activities within the banking sector in Australia. The methods chosen range from casual statements to formal reports but no clear framework has been established as to the preferred mode or content. An analysis of the implementation and reporting process of a banking sector organisation will inform the development of the discipline of Social Accounting and in part assist in the development of a framework for reporting within the banking industry.

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Aspects of Social Accounting: Introducing the Process in an Australian Credit Union

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Abstract

This paper documents the introduction of triple-bottom-line reporting to an organisation within the banking sector. Particular focus is placed on the implementation and reporting of the social responsibility aspects of triple-bottom-line reporting.

The case study examines the management of the change from a practical and strategic perspective. Impact of the introduction is examined internally to the organisation and external stakeholders are canvassed to examine the impact understanding and value of the strategic direction taken by the organisation. In addition the study delivers a descriptive snapshot of the state of play (limited to August 2002) in respect of Social Accounting and the disclosures by Australian Banks in Financial Statements and other published reports. Published Financial Reports and information published on the institutions web site are utilised to undertake an analysis of content and preferred method of reporting.

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Introduction

Triple-botom-line (TBL) reporting (Elkington 1997) is a term increasingly being used to link the three performance indicators of sustainable development (O'Donovan 2002a). Sustainability as defined by Deegan (1999, p. 38) requires an organisation or community to be:

"financially secure (as evidenced through such measures as profitability); it must minimise (or ideally eliminate) its negative environmental impacts; and it must act in conformity with society's expectations" (Deegan 1999, p. 38).

While measures of financial security are generally accepted as being represented by the annual financial statements of the organisation the environmental and social impacts are still to find a meaningful and consistent reporting medium.

Previous studies (Zeghal & Ahmed 1990; Hackston & Milne 1996; Adams, Hill & Roberts 1998; Kreuze, Newell & Newell 1998; Neu, Warsame & Pedwell 1998; Tsang 1998; Williams & Pei 1999; Bewley & Li 2000) examined the nature and type of social and environmental disclosures of major corporations finding corporations focused on environmental reporting and revealed no consistent approach to the level of reporting. The imbalance suggested O'Donovan (2002b) in the development of social reporting compared to environmental reporting is due to the complexity in measuring social performance compared to environmental performance.

Despite the complexity of measurement organisations are increasingly including disclosures of a social nature in the annual reports (Hackston & Milne 1996). Arguments for the inclusion include - as a strategic tool to reduce the adverse effects of certain events (Deegan, Rankin & Voight 2000); a desire to maximise competitive advantage (Nash 2001; and to manage pressure placed on the organisation to manage its social and environmental responsibilities, public image and legitimacy (O'Donovan 2002a).

Legitimacy theory literature indicates that more attention will be paid to those companies that are more "visible" or rely more on political or social support (Cormier & Gordon 2001). The case study reported in this paper maps the move to triple-bottom-line reporting by a credit union in Australia, a co-operative organisation whose roots are community based and profits shared with the membership, an organisation by its very nature reliant on member support.

Australian Banking Scene

The Australian banking sector has seen an increasing level of reports of customer dissatisfaction appearing in both the print and electronic media resulting from the closure of bank branches and increased account fees. This dissatisfaction reflects a concern that the actions of the banks appears to contradict an extended notion of accountability (Deegan 1999), where the organisation is answerable for its actions.

Community expectations change over time and failure to acknowledge the performance expectations of stakeholders may endanger the long-term viability of an organisation
The most recent Code of Banking Practice released by the Australian Banking Association (2002) includes the establishment of a consultative forum to take account of community views about banking. This change in the Code of Banking Practice may be seen as the banking sector responding to the new and emerging concern of customers and other stakeholders in society, that bottom line profit is not the only responsibility of corporations (Sethi & Steidlmeier 1994, Millennium Poll 1999).

A study of nine major national and state banks, members of the Australian Banking Association found that to some degree, all banks reported on "social" issues (McGrath 2003). These results were consistent with previous studies (Adams, Hill & Roberts 1998; Gray, Kouhy & Lavers 1995) in that the reporting approach was found to be ad hoc, and not located within published financial reports but more commonly made available within the organisations web site. The placement of information outside the published reports, in particular where the primary position has been within web sites calls to question the reliability of the information. There is no requirement to have the information verified and indeed the ease by which the information can be changed when presented on-line limits the reliability and consistency of information presented.

Hackston and Milne (1996) noted that most disclosure by New Zealand, Australian, UK and US, companies was in respect of human resources. The McGrath (2003) study found that where the choice was to report in the financial reports there was an equally strong emphasis on donations/sponsorship and human resource, and it was in a predominately qualitative format or expressed as a global account over a number of years. A wider range of issues including services to regional and disadvantaged groups and employee-employee schemes supporting community involvement were noted in the information provided within the web-sites (McGrath 2003).

The Age/Sydney Morning Herald Good Reputation Index (The Age 2002) published in October 2002, awarded the top and tenth place to banking sector organisations. These two were the only to be ranked in the top 25 in the social impact category which assessed business on its commitment to human rights, the arts, global poverty and youth employment. Performance in the area of employee management and ethics and corporate governance tended to pull down their overall ranking. Financial performance was only one of the six measurement categories, the remaining five focused on social, environment, employee management, ethics and corporate governance and management and market focus. Clearly a strong weighting to the non-financial outputs.

Only two organisations in the McGrath (2003) study had formal strategic policy statements in respect of social accounting and one of the two also had an Environmental Policy Statement. Indications are that banks are committing to the process of social accounting and it was noted that subsequent to the data being collected one of the state based banks had committed to a review of its regional branch presence, noting its role is about building communities and playing a socially responsible role (McGrath 2003).
Decision-making and triple-bottom-line

The role of accountants in the decision-making process is well-entrenched and significant (Hoskin & Macve 1994). The limitations on the information provided by the traditional financial reporting process arise as accountants often ignore or overlook non-economic costs on the basis that they are not directly quantifiable in money terms (Robson 1991). Such costs are left as "bracketed" items and considered as secondary qualitative issues (Robson 1991).

The limitations of this model of decision-making is that it provides only a single dimension to the organisation. It implies profit is the only determinant of success. Actions of investors and the growth in socially responsible investment funds tells us that stakeholders have expectations beyond the profit line (O'Donovan 2002). In order for social and environmental impacts to be acknowledged as elements of performance the impact on society and the environment must be included as a primary part of the decision-making process. The addition of social and environmental aspects moves the organisation from a single dimension to a three dimensional sustainable organisation.

![Figure 1: Triple-Bottom-Line: a three dimensional view of an organisation](image)

The WAW Credit Union story

Prior to 1999/2000 financial year the credit union in both its reporting and operations adopted an internal focus, key reporting was traditional, concentrating on financial and prudential compliance and reflected a focus on the organisation's immediate survival in the industry.

The later years have seen a shift in focus to external aspects. Starting initially with staff well being, members and the community as separate stakeholders but quickly moving to a formula to combine the internal capabilities with the external environment with a view to making a difference for all involved.
The beginning of the process for the WAW Credit Union was the appointment of General Manager Peter Challis. This appointment, at the end of a period of senior management turnover, six Director changes and four General Managers over a 30-month period, signalled the beginning of a period of consolidation, economic growth and the acknowledgment of social responsibility as a core value for the credit union.

In 1991 Peter Challis attended the World Council of Credit Unions conference, taking on board that

"credit unions are more than banking, they are about lifestyle organisations with the ability to influence others, improve life, provide self-esteem and self-sufficiency" (Challis, P. K. 2003, pers. comm., 4 March).

With this view, of the potential for credit unions to play a broader role in the community, he approached his appointment to the WAW Credit Union. Crucial to the shift toward an organisation focused on sustainability a continuous improvement process was identified and implemented. Peter Challis; General Manager utilised the continuous improvement model, Figure 2, identifying at his appointment that the credit union was sitting clearly to the left of the diagram. Over the past 6 years the credit union has moved to the right with the clear results of business growth and member benefits directly linked to the four areas of people orientation, improved value to members, productivity improvement and impact on the community.

Figure 2: Continuous Improvements Process. (Challis, P. K. 2003, pers. comm., 4 March)
Initially given the state of the organisation it was felt that it would take 5 years before the organisation could embark on Corporate Social Reporting (CSR) initiative (Challis, P. K. 2003, pers. comm., 4 March). Figure 3 provides an overview of the implementation process for the WAW Credit Union from 1996 to 2003.

Prior to the 1999/2000 period the focus of the organisation was on profitability and prudential compliance. At this time the organisation was in some financial difficulty and was uncompetitive in the market. Services were poorly priced, 0.7% above competitors, term deposits were not competitive and the credit union had not experienced any growth for the preceding three years. Capital needed to be built upon but at the same time it was evident profit would be reduced as pricing needed to be adjusted in order to deliver value to members. To compound management problems staff compensation levels were out of date, in 85% of cases below award rates and/or levels appropriate for the tasks being performed.

<table>
<thead>
<tr>
<th>Year</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996/1997</td>
<td>♦ Financial - profitability and prudential</td>
</tr>
<tr>
<td></td>
<td>♦ Introduced reporting on key operational areas: Performance Measurement, Human resources, Marketing &amp; Prudential</td>
</tr>
<tr>
<td>1998/1999</td>
<td>♦ Performance of the four key operational areas established as reporting tool</td>
</tr>
<tr>
<td></td>
<td>♦ Community-centric market presence adopted</td>
</tr>
<tr>
<td>1999/2000</td>
<td>♦ Community business strategy continued</td>
</tr>
<tr>
<td></td>
<td>♦ Introduced &quot;The WAW Credit Union Difference&quot; - &quot;Local Decisions - International Convenience&quot; tool for economic growth</td>
</tr>
<tr>
<td></td>
<td>♦ Staff salary rate in line with market conditions</td>
</tr>
<tr>
<td>2000/2001</td>
<td>♦ Appointment of Community Development Manager</td>
</tr>
<tr>
<td></td>
<td>♦ Development of Community Link Program</td>
</tr>
<tr>
<td></td>
<td>♦ Foundations of Triple-Bottom-Line strategy introduced within management processes</td>
</tr>
<tr>
<td></td>
<td>♦ Seven goals and actions adopted by Board of Management to address Financial, Social and Environmental areas</td>
</tr>
<tr>
<td></td>
<td>♦ Received Waste-Wise accreditation</td>
</tr>
<tr>
<td>2001/2002</td>
<td>♦ Review Mission Statement to include community benefits</td>
</tr>
<tr>
<td></td>
<td>♦ Introduced Triple-Bottom-Line at Board level</td>
</tr>
<tr>
<td>2002/2003</td>
<td>♦ Triple-Bottom-Line incorporated into strategic goals</td>
</tr>
</tbody>
</table>

Figure 2: Timeline - Implementation Aspects of Social Accounting
A strategic plan was developed to provide clear direction to the year 2001. Included was a mission:

"To operate a responsive, values-driven, co-operative financial institution that provides financial benefit to members and the region in a sustainable manner" (WAW 1996).

A core values statement was prepared reflecting the ethical principles by which the credit union would operate:

Cooperation
Moral Integrity
Trust
Financial Prudence
Caring for Members
Social Responsibility.

Social responsibility to be demonstrated at three levels:
1. doing business in a socially responsible manner
2. through services that enhance members' ability to become financially responsible and to access financial information to their advantage, and
3. involvement with the community.

The values statement clearly identified the future direction to acknowledge social responsibility as a core activity. A re-engineering of internal reporting saw the introduction of formal operational area reports in 1997/1998 (WAW 1998). Four key areas were identified: Performance Measurement, Human Resources, Marketing and Prudential. Areas still reflected in current manager's reports to the Board of Directors. The focus however was still on achieving a strengthened financial position in particular reducing bad debts, minimising costs, improving interest margin and improving staff competency. During this period the first steps were made to connect back to the community with the launch of the Local Decisions - International Convenience branding and the establishment of the Members Relations Committee.

The market-share of the organisation was examined during 1998 and 1999 as the focus of planning shifted to gaining a better understanding of the market segments (WAW 1999). The market was divided into geographic regions and socio-economic groups identified to gain a greater understanding of the individual communities in which the organisation operated. Community meetings and director visits commenced to gain feedback and exchange information within the individual communities. Despite the belief in 1996 that it would take five years for a corporate social responsibility initiative to be embarked upon, at this time the foundation was being laid for the partnership between the organisation and the community. The Business Plan (WAW 1999) however, still reflected a focus on strengthening the financial position and efficiency and technical skills of staff.

The Corporate Plan for 1999/2000 (WAW 2000) saw the first documented integration of aspects of social responsibility including development of positive employee culture, and
recognition of the role the credit union plays in regional economic growth. Salary rates came in line with market conditions and formal training programs for all levels were in place. The value of employees was acknowledged as being crucial to the long-term sustainability of the credit union. The Community Business strategy continued and new products were introduced to better serve the needs of members and the community. One such product introduced with the aim of developing a cooperative culture of people helping people was the Mutuality Benefits Program (MBP) which provides benefits for members who support the credit union with extended services. The addition of 'The WAW Credit Union Difference' to the 'Local Decisions- International Convenience' branding emphasised the vision of the credit union as

"more than a banker for the community, but more importantly a vibrant tool for the regional economy to grow" (WAW 2000).

The appointment of a Community Development Manager in 2000/2001 and the creation of seven goals and an action plan to address financial, social and environmental areas at the board level were the first steps in formally adopting triple-bottom-line. These steps also acknowledged the importance of social responsibility to the credit union as a sustainability tool. The foundations of a triple-bottom-line strategy were introduced within management processes; managers began thinking beyond the technical scope of their job. Managers were also encourage to attend regional meetings and get involved in community activities. Incrementally, the manager reports to the Board have included more and more information about triple-bottom-line. The Community Link program was established and the organisation received Waste-Wise accreditation, an important step in the development of its environmental responsibilities which have developed in line with social responsibilities.

A review of the Mission Statement was undertaken to ensure a sharper focus on community benefits was reflected and a revised mission statement was created to acknowledge the broader community stakeholder status:

"To operate a responsive, values-driven, co-operative financial institution that provides financial benefit and community benefits to members and the region in a sustainable manner"

Finally the Triple-Bottom-Line Strategy was introduced at The Board Level and a Triple-Bottom-Line Policy was included as part of the WAW Credit Union - Policy and Procedures. While there has been concern as to the costs associated with adopting a socially responsible approach, indications are that members support the credit union in its endeavours (Table 1) with 92.5% of members agreeing the credit union should play a role in the community. During 2002/2003 a review of strategic goals is planned to further direct the management of the credit union and reflect the position the credit union is taking in the community.

One of the goals in this process is to implement ongoing social/environmental/financial (triple-bottom-line) auditing. Whilst this is a long-term goal, the journey towards this goal is seen as more important. The past two annual reports (2000-2001 and 2001-2002)
have gradually included more information along an environmental/social-reporting framework. Market research is current in planning to provide feedback on these fronts.

The journey to date has been relatively swift, and effective, as the credit union struggles to limit its growth. Unprecedented loan and deposit growth has put pressure on the regulatory capital requirements, and provided the Board of Directors and ALCO (Assets and Liabilities Management Committee) with a positive ‘problem’ to deal with.

The credit union actively sought opportunities to create value and has implemented a number of activities to support this strategic business viewpoint. These activities are perceived as ‘sustainable’ business practices for the credit union, when considering a 5-10 year future of banking practices, technology and changes in cultural behaviour.

Examples of activities undertaken by the credit union include:

- Community Meetings (conducted across the membership area each year)
- Director Visits (providing opportunities for members to meet one on one with their elected representatives)
- Community Care and Special Care accounts, designed for special interest groups
- Green Team (a group of staff who meet regularly to maintain the organisation’s Waste Wise Business accreditation, and seek new opportunities to support our local environmental activities)
- Aggregation of electricity user group – following deregulation of the electricity industry, aimed at empowering rural and regional communities to strike better deals with electricity companies
- Staff engagement – regular staff meetings and continuous improvement processes to involve staff in the triple-bottom-line process
- Sponsorship of local hospital fundraising appeal. LATIPSOH Day is an annual telethon that raises money for bush nursing hospitals and regional public hospitals. In 2002 it raised $98,000 over six weeks.

External Impacts

The benefits to external stakeholders have been the introduction of products and services to meet specific needs of groups. In addition there has been an indirect benefit to communities in the retention of hospital services and development of an annual support program. Other businesses in the region have gained a case study organisation on which they can base a triple-bottom-line strategy. The WAW Credit Union invites enquires from other organisations and regularly reports on its activities on its web site and NewsLink newsletter for members.

Responses, summarised in Table 1, to a member survey undertaken in November 2002 gave overwhelming support to the activities undertaken to date. Over 90% of respondents confirmed the earlier Millennium Poll (1999) study agreeing that it was important for the organisation to play a role in the community.
The organisation had identified three levels of social responsibility, doing business in a socially responsible manner, services that enhance members' ability to become financially responsible and to access financial information to their advantage, and involvement with their communities. As indicated in the responses (Table 1) there was recognition of involvement with community, support of local business and a sense of achievement in reaching financial goals, indeed members have shown high levels of satisfaction reflected in a change in banking habits by 78% of members. Support was high for both socially responsible activities and those associated with managing the natural resources.

Participants in the survey were also given the option to make anonymous comments and while one comment did not support environmental activities:

"I believe that WAW's business is banking and not becoming greenies",

the remaining comments were favourable, eg.

"WAW participated in community activities and environmental awareness, this involvement is needed in smaller towns".

<table>
<thead>
<tr>
<th>Members responses</th>
<th>% members</th>
</tr>
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<tbody>
<tr>
<td>Agreed that it was important for WAW to play a role in the community</td>
<td>92</td>
</tr>
<tr>
<td>Member who felt it was relatively to very important to maintain involvement in community programs.</td>
<td>80</td>
</tr>
<tr>
<td>Number of members who could identify specific community activities</td>
<td>79</td>
</tr>
<tr>
<td>Members who believe WAW Credit Union is helping them to reach financial goals?</td>
<td>83</td>
</tr>
<tr>
<td>Members who have changed banking arrangements in favour of the WAW Credit Union in the past year.</td>
<td>78</td>
</tr>
<tr>
<td>Members who were generally satisfied with the range of services currently offered by WAW Credit Union?</td>
<td>97</td>
</tr>
<tr>
<td>Support WAW Credit Union playing a role in managing our natural resources - such as:</td>
<td></td>
</tr>
<tr>
<td>Recycling</td>
<td>94</td>
</tr>
<tr>
<td>Waste Minimisation</td>
<td>93</td>
</tr>
<tr>
<td>Litter Clean-up</td>
<td>91</td>
</tr>
<tr>
<td>Greening activities</td>
<td>84</td>
</tr>
<tr>
<td>Members who believe it is important for WAW to have a buy local policy</td>
<td>66</td>
</tr>
</tbody>
</table>

Table 1: Summary of Members response to social responsibility activities (95% confidence level & 0.05 error)
Internal Reactions

"The TBL approach has really lifted the level of pride about the place of work for many staff. TBL initiatives are very visual, allowing staff to see what the projects are all about, and be recognised as employees of the credit union contributing to the broader community by family and friends". (Challis, P. K. 2003, pers. comm., 4 March).

"Community participation great for profile, creates a good image for community" (Anonymous staff member).

Staff turnover has been sitting at 5% until the past 6 months, the rise to 8% can in part be attributable to a recent merger but the growth of the business and the change in strategic direction has also contributed as staff have been asked to move from their comfort zone, a task not all have felt able to undertake. Generally though, a survey of staff indicated strong support for the initiatives (Table 2). The member survey supported a positive employee culture with comments such as the following in respect to the professional and friendly service provided by staff:

"WAW very friendly and happy"
"...staff very friendly and always have a smile"
"...wanted to compliment the friendly, helpful & informative service"

<table>
<thead>
<tr>
<th>TBL Activity/ Performance indicator</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recycling policy</td>
<td>95% staff</td>
</tr>
<tr>
<td>Fundraising projects (direct contribution or support)</td>
<td>80% staff</td>
</tr>
<tr>
<td>Attendance at staff information evenings (unpaid)</td>
<td>80% staff</td>
</tr>
<tr>
<td>Staff turnover (over past 5 years)</td>
<td>Between 5% &amp; 8%</td>
</tr>
</tbody>
</table>

Table 2: Staff satisfaction indicators

Conclusion

Adoption of a triple-bottom-line reporting strategy is not a fix-it for ailing business, the success in this case study was a reflection of a balance between profit and other dimensions of the triple-bottom-line. Crucial to its success was the overall health of the organisation and the integration of a philosophy of triple-bottom-line into the fabric of the organisation. Triple-bottom-line is being utilised within this organisation not as an added process but as an enhancement to existing processes to give the organisation a three-dimensional approach that provides improved focus on the stakeholders. The process is not over, the organisation now faces the challenge to measure and report its success and failure.
References:


