

Corporate Accountability: A Review

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Abstract

we cannot be ignorant to the corporate acts that are harmful to society as we do possess our own responsibility at first place. If someone is harming us in a direct way or indirect, we should be the one raising our voice against it without just waiting for someone else like an NGO or the government to observe the issue and tackle with it. Corporate Accountability is not a new issue but its gaining speed in discussion and implementation these days. This paper after giving a brief introduction about the corporate accountability gives some definitions from the literature, then the problems regarding Corporate Accountability has been discussed. Need for corporate accountability and then some recommendations are also provided in later sections.

Keywords — Corporate Accountability, Sustainability, Responsibility.

I. INTRODUCTION

Over the last 35 years, attitudes towards issues of corporate accountability have come full circle, starting and ending with an emphasis on rules and regulation and corporate accountability instead of “corporate social responsibility” (Justine Nolan, 2005). Accountability is an essential pillar of corporate governance. Lacking it, the agency problem would be tough to defeat. With it, the poise of stakeholders is increased. It is achieved with authenticity in various aspects of corporate governance mainly reporting. The power and precision of the reporting is also strengthened by various standards and rules. Various international organisations, for instance United Nations (UN) as well as the International Labour Organisation (ILO) have policies plus programmes intended to direct corporate activity, and different regions bring into play of their own standardization systems. But there is small supervision of guiding principles, and no penalty to violate them. There is a requirement for more strict national and global regulation, and more effectual oversight of corporate accountability. Corporate accountability can be understood as a voluntary activity and a way to increase profits (Carroll, Archie B., 1999). It means the accountability of corporations for the social, economic and environmental impacts of their doings. It means that a corporation is accountable to all stakeholders to whom its operations are affecting. Accountable corporate actions are also resource and energy competent. Corporate accountability focuses on the social impacts of core business operations, and

not, for instance, on charity work done by businesses (Eva Nilsson et. al., 2014) still, no central organization exists to appraise the different claims of best and worst business practices of industries, especially of transnational corporations. As there are remarkable harmful impacts of investment and business activities, such organization is needed to assess and evaluate these impacts and to facilitate the voice of those affected by these impacts to be counted.

II. LITERATURE REVIEW

Chansa (2006) defines Accountability as: To account is to give a description or depiction of something that happens or happened. Accountability would therefore literally means that the process of giving an account of an incident. The fiddly part; about it, is that for the people to whom the account is being given, the accuracy and probity of the tale is crucial. To realize this, accountability generally moves along with seven other principles. These include, “delegation, responsibility, legitimacy, disclosure, autonomy, authority, and power.”

III. DEFINITIONS OF CORPORATE ACCOUNTABILITY

There is a little consensus regarding what corporate accountability means actually, no generally accepted definition of corporate accountability has come. Other than CSR, we find concepts that diverge from one another slightly, such as responsible trade practice, accountable entrepreneurship, and corporate citizenship.

Howard R. Bowen gave one of the first definitions of corporate accountability in 1953. In Bowen’s view expectations placed on businesses breed a higher standard of living, economic growth and security, order, rights and freedom, and compliance with society’s values. (Bowen, 1953).

According to Business Dictionary²: The act of being accountable to the stakeholders of an organization, which possibly will include, customers, the local community, shareholders, employees, suppliers and even the particular country(s) that the firm operates in. In most jurisdictions, a body of corporate legislation has been formed in order to make official these necessities.

Corporate accountability may be defined as the ability of those affected by a corporation to hold corporations to account for their operations. This concept seeks elementary changes to the legal structure in which companies operate. These include

insertion of environmental and social duties on directors to complement existing duties on financial matters, along with the legal rights for local communities to look for compensation when they have suffered as a consequence of directors failing to uphold those duties (Friends of the Earth, 2005).

Analyzing the literature on political accountability, corporate accountability could be understood as corporate control; that is, the establishment of clear means for sanctioning failure. (A. Follesdal, 1998).

Corporate accountability⁴ is the performance of a publicly traded company in non-financial areas such as social responsibility, sustainability and environmental performance. Corporate accountability espouses that financial performance should not be a company's only chief objective and that shareholders are not the only community a company have to be responsible to; stakeholders such as employees and community members also require accountability.

IV. THE PROBLEMS REGARDING CORPORATE ACCOUNTABILITY

For attracting foreign investments to prop up economic development, the payback for developing countries is kept the least. The fallouts are tax evasion and averting, fraud, human rights violations, land accumulation, and environmental crimes, and they are local people who suffer the cost. For decades, stakeholder view has been the typical way of looking at the associations of businesses with the contiguous society. But stakeholder recognition has been poor. Conventionally, key stakeholders are well thought-out as being owners, consumers, clients, staff and suppliers. It is merely in recent years that there has been a rising awareness that, in terms of corporate accountability, key stakeholders also include local communities, civil society organizations and the media (Joutsenvirta et al., 2011). Corporations have been considering the general public having the least say as stakeholders while they have been suffering the most if we do the cost benefit analysis as a whole. Developing country citizens come last, and, because of their limited assets, they are not even incorporated in the consumer bracket (Munshi and Kurian, 2007) despite the fact that they may be the most important to be taken care of, as they form the environment in which the company has to survive. However the problem is no one acknowledges their power as stakeholders, be it government, company, or even themselves. They also knowingly or unknowingly are giving the corporate, the power to violate their basic human rights, the right to breath in pure and fresh air, the right to clean water, clean and healthy soil, and clean surroundings. That is not only problem with the general public residing there, but for the labors also, like the problems of less wages to female workers,

problem of child labor, the guarantee for safe working conditions, no pension accrual, bad working conditions which means a risk of not surviving till retirement age. We can evaluate the prospects for social reporting to thrive politically and develop an understanding of what is needed for being an effective form of regulation for corporate accountability (David Hess, 2007).

Critics state that corporations will never voluntarily reveal information that will seize them accountable (see, e.g., Adams 2004; Walden and Schwartz 1997). for instance, Gray (2001) states the general principle that, "If an organization does voluntarily produce social accounts, they are probably, by definition, not going to advance accountability, and by corollary, only if the organization does not want to produce the information is it likely to benefit society."

V. CORPORATE ACCOUNTABILITY FOR SOCIETY AND ENVIRONMENT

Awareness of the environmental harms linked with corporate operations has been there since always, but in several developing countries like India corporations harvest benefits from frail environmental legislation or from environmental conformity concessions granted to them discretely. As for environmental or Social Development the emerging corporate accountability agenda includes proposals to set up institutional mechanisms that hold corporations to account, than simply urging companies to improve standards or to report voluntarily. Corporate accountability initiatives encourage independent monitoring, complaints procedures, compliance with national and international law and other agreed standards, mandatory reporting and redress for malpractice (Utting and Clapp, 2008),.

VI. NEED FOR CORPORATE ACCOUNTABILITY

Companies have massive impact on people's lives and the environment in which they operate. At times the impact is positive - jobs creations, technology improvements, amenity enhancements and investment in the community benefits gives huge positive enhancement for the people who live there. But there are numerous instances of corporations exploiting weak and feebly enforced domestic regulation with shocking effects on people and communities. Few but not sufficient effective mechanisms are there at national or international level to check corporate human rights abuses or to clasp companies to account.

Corporate accountability decides the ability of companies to pay attention to their stakeholders and to ensure that they benefit as much as possible from business operations.⁷

The matter of corporate accountability seems crucial now days. Corporations have been acquiring rising power, in definite cases, especially more power than a few states, without involving in the betterment of the public good (D. C. Korten, 1996). The situation realized by several authors—the growth of truly multinational companies, the environmental degradation, the “race to the bottom” in employee, environmental and the standards of welfares, the excess commercialization of cultural values, and moral values—has provoked the debate on the control of corporations.

The concept of corporate accountability refers to the legal obligation of a company to do the right thing. The goal of corporate accountability is to assure that company's products and operations are serving the interests of society and are not detrimental in any way. This thought addresses the dilemma of those companies which repudiate to act responsibly; it also addresses the situations in which companies and employees are held guilty by the competitive demands of the economic system and forced to choose the end result. The neoclassical vision of corporate accountability sees companies as accountable only to shareholders since they are the legitimate owners of the firm (Stenberg E. 1997). Instead of begging companies to willingly give an account of their activities and impacts, and voluntarily improving their social and environmental performance (if it also happens to make business sense), the corporate accountability “movement” believes corporations must be “held to account” – implying enforceability (Bendell, 2003). In assessing progress since the 1992 U.N. Conference on Environment and Development, the NGOs agree on these two central points:

1. the need to be aware of that corporate responsibility and accountability are vital elements of sustainable development
2. The significance of acknowledging and remedying the neglect by the UN and members states of corporate accountability in their follow-up to the Earth Summit.

Recommended actions for governments:

Strict liability rules should be made and imposed on to companies for their decisions and actions -- extending to each and every country in which they invest or operate -- for health hazards or loss of life, property damage, and environmental damage, for holding them responsible. Corporate environmental polluters must be held liable for environmental degradation and pollution beyond national boundaries even that may be a result from carelessness. Corporations accountable of precedent damage, even for some decades back, should also be held legally responsible for their actions. Public and communities should be given the proper backup of legal resources where those are needed. According to

Nasir Karim and Syed Muhammad Taqi, (2006) the effectiveness of corporate accountability process mainly depends on:

- How better the stakeholders’ expectations are formed and how successfully they are communicated with the firm
- How adequately the stakeholders’ expectations are turned into business goals, objectives and management plans
- How visibly the responsibilities of management at every level are defined
- How inspired, committed and competent individuals and groups in management are positioned
- How successfully the accountability process can identify the contributing share of every individual and group in the firm’s performance outcome and provide for measures that generate motivation and commitment in management.

VII. CONCLUSION

Instead of urging companies to voluntarily give an account of their activities and impacts to improve their social and environmental practice, the corporate accountability conception believes that corporations must be ‘held to account’ – implying enforceability. If we, the citizens as the prime stakeholders are still not serious about sustainable development, social and environmental justice, there can’t be anything more compelling to the corporations to take seriously this issue. The time has now come to cumulate the efforts of strict governmental legislations that would facilitate people to hold corporations accountable for their social and environmental performance and to compel them to think seriously of their social and environmental performance.

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