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CORPORATE SOCIAL RESPONSIBILITY AND INTELLECTUAL CAPITAL INTERACTION AND VOLUNTARY DISCLOSURE

Introduction

In the Information Era Intellectual Capital (IC) is widely recognized as a determining factor of the companies' success. In the recent years there has been also a significant growth in the number of enterprises that has implemented in their strategy a Corporate Social Responsibility (CSR) approach. IC and CSR are frequently understood as the most powerful trends in the fast changing world of business shaping management processes of enterprises.

The growing importance of intangibles and attempts to voluntary disclose information on them has underlined limits of financial reporting system. Likewise, the increasing market pressure on companies to enlarge the scope of their responsibilities have made many companies issue a CSR or Integrated report as a satellite appendix to the traditional financial statement. Some companies decide to release information on IC, some of them on CSR, a group of business units suspended or abandoned the IC reports and publishes CSR report in place of former IC report, adding/transforming some information. Generally, we can observe confusion both from issuers and users of the nonfinancial reporting.

The aim of this paper is to underline, that there is no much sense in artificial separation between this two concepts and that it is necessary to notice that IC and CSR reporting have much in common. Instead of discussing, which set of information is more useful to the users of companies reports, it is important to note the strong relations and mutual interactions between CSR and IC concepts. In our article we analyze the IC and CSR links. Using various classic theories of business enterprise in the context of voluntary disclosure we try to connect their application to CSR and IC reporting. We identify the common points of IC and CSR as well as try to identify the information relating to intangibles contained in the CSR/ Integrated report. We focus on the necessity of integration and convergence in IC and CSR reporting that could result in one unique approach to companies' performance disclosure. This paper sustains the possibility of IC and CSR indicators integration and concludes with underlining of the utility of creating one single integrated report that could bring to more coherent and transparent information issued to shareholders.

This paper contributes to the development of literature and studies on relationship between CSR and IC – two driving forces of modern management and accounting. In this article we use a normative research method according to the statement of Ijiri[1] that the purpose of the normative approach is to emphasize those areas where changes are most needed and where they are feasible. It is assumed that IC concept and CSR concepts are the leading approaches to modern management and accounting and their mutual interaction should be understood and the process of integration improved. The convergence of these two concepts is essential for transparency of the information disclosed in the reporting system of companies[2].

1. The concept of Intellectual Capital and Corporate Social Responsibility

The development of the Knowledge Era is largely shaped by two approaches: Intellectual Capital (IC) and Corporate Social Responsibility (CSR) of companies. Both of these concepts are crucial in the growth and development of companies and in creation of wealth to their owners. They have a huge impact on the ways companies are run.

Intellectual Capital (IC) is conceived as the "value-creating" combination of a company's human capital (skills, experience, competence and innovation ability of personnel), structural capital (organizational processes and systems, software and databases and business processes), and relational capital (all resources linked to the external relationships of the firm with stakeholders, such as

[1] Y. Ijiri: *Theory of Accounting Measurement*. "Accounting Research Studium" 1975, No. 10, Sarasota fl., American Accounting Association.

[2] This paper was prepared within the research project "Integrated reporting – a new model of communicating achievements, sustainability and accountability as a challenge for Polish enterprises" founded by the National Science Centre (Poland), decision No. DEC-2011/01/B/HS4/04993.

customers, creditors, investors, suppliers, etc.)[3]. A broad definition of Intellectual Capital can be seen also by its synonymous use with other terms as intangible assets, invisible assets, knowledge assets, knowledge capital, hidden value of companies[4], wealth of the organization[5]. Without IC it is not possible to differentiate companies, as it is not possible to create their competitive advantage. It has become a prism through which to evaluate the achievement of the organization[6].

CSR can be understood as a comprehensive set of policies, practices and programs that are integrated within the business operations, supply chain and decision-making processes throughout company and usually includes issues related to business ethics, community investment, environmental concerns, government, human rights, the marketplace as well as the workplace[7]. European Commission used to define CSR as a voluntary approach of taking into account social and environmental aspects when conducting commercial activities and relations with stakeholders, now it uses a simplified definition of CSR as the responsibility of enterprises for their impacts on society[8].

2. The concept of Intellectual Capital (IC) versus the concept of Corporate Social Responsibility (CSR)

IC and CSR are both important issues in the management of modern companies. In the management process it is necessary to use specific tools, one of the crucial one is constitute by accounting, whose primary aim is to reflect fairly and accurately the economic reality of companies and thus facilitate making rational

[3] Meritum: *Proyeto Meritum: Guidelines for Managing and Reporting Intangibles*. Meritum, Madryt 2002.

[4] N. Bontis: *Assessing Knowledge Assets: a Review of the Models Used to Measure Intellectual Capital*. "International Journal of Management Reviews" 2001, Vol. 3, No. 1.

[5] T.A. Stewart: *The New Wealth of Organisations*. Nicholas Brealey, London 1997; K.E. Sveiby: *The New Organizational Wealth: Managing and Measuring Knowledge-based Assets*. Berrett-Koehler, San Francisco 1997.

[6] A. Jaruga, J. Fijałkowska: *Rachunkowość i zarządzanie kapitałem intelektualnym. Koncepcje i praktyka*. ODDK, Gdańsk 2002.

[7] M. Tsoutsoura: *Corporate Social Responsibility and Financial Performance*, Haas School of Business 2004, available at: http://www.haas.berkeley.edu/responsiblebusiness/ documents/FinalPaperonCSR_PDFII.pdf.

[8] Komisja Europejska: *Odnowiona strategia UE na lata 2011-2014 dotycząca społecznej odpowiedzialności przedsiębiorstw*, 2011.

managerial decisions. The development of accounting and therefore management in the post-industrial era is shaped to a large extent by these two approaches; IC and CSR. Both of these concepts determine the success of companies. For some time they developed independently from each other, in a parallel way. However, it should be noted that IC and CSR have multiple links. Due to their proximity or even overlapping of the main concentration areas of these two concepts, their convergence seems to be very important.

Sumita[9] argues that IC and CSR are actually the same thing on two different sides of the same coin where both are describing the interface between society and companies. It is also important to notice the common conceptual roots and theoretical basis of these two approaches. Both IC and CSR are based on the theory of resource, which states that the company is a collection of heterogeneous resources and skills that are diversified and not fully mobile between business organizations. Resources include both organizational tangible (financial assets, non-current and current assets), as well as broadly understood intangible assets such as reputation of the company, the culture, the relationship with the environment and employees. Skills relate to the possibility of the development, expansion and management of these resources. In a situation where resources are scarce and difficult to substitute and imitation they can help to create a sustainable competitive advantage[10]. Both the concept of IC and CSR underline the importance of all of these resources and are concerned with their measurement, evaluation, management and reporting. The theory of resources was widely used to explain the differences in the performance of the enterprise. Under this theory, the intangibles (IC) were the subject of in-depth analysis[11] and were often considered to be the most important in explaining differences in the achievements of companies[12]. The concept of IC was sometimes almost synonymous with the more general theory of resources[13]. Pres-

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9 T. Sumita: *Intellectual Assets & Management Reporting*, METI 2005.

10 J.B. Barney: *Firm Resources and Sustained Competitive Advantage.* "Journal of Management" 1991, Vol. 17, No. 1; R. Hall: *A Framework Linking Intangible Resources and Capabilities to Sustainable Competitive Advantage*. „Strategic Management Journal" 1993, Vol. 14, No. 8, pp. 607-618.

11 J.B. Barney, D. Clark: *Resource-Based Theory. Creating and Sustaining Competitive Advantage*. Oxford University Press, Oxford 2007; B.A. Colbert: *The Complex Resource-based View: Implications for Theory and Practice in Strategic Human Resource Management*. "Academy of Management Review" 2004, Vol. 28, No. 3.

12 B. Villalonga: *Intangible Resources*, *Tobin's q*, *and Sustainability of Performance Differences*. "Journal of Economic Behavior and Organization" 2004, Vol. 54, No. 2.

13 K.K. Reed, M. Lubatkin, N. Srivivasan: *Proposing and Testing an Intellectual Capital-Based View of the Firm*. "Journal of Management" 2006, Vol. 43, No. 4.

ently, the theory of resources is commonly used to explain the concept of CSR, both in accounting[14], as well as business management[15].

The relations between IC and CSR were analyzed in the literature of strategic management. Barnett[16] and McWilliams *et al.*[17], pointed out that the intangibles equated with IC play a fundamental role in the socially responsible activities of businesses, Hillman and Keim[18] emphasized the effect of this interaction on the value of the company. Branco and Rodrigues[19] observed a positive correlation between CSR activities and activities concerning IC. They identified how investment in CSR activities generate benefits for the IC increase. Similar findings were made Pedrini[20] – Table 1.

Table 1

Corporate Social Responsability Activities and Intellectual Capital

Corporate Social Responsability Activities	Impact on Itellectual Capital
1	2
HUMAN CAPITAL	
Increase motivation Improve skills and competencies through training activities	*Employee Training*
Increase loyalty Increasing employee safety and health Increasing employee benefits Attract qualified personnel	*Employee wellness*
ORGANISATIONAL CAPITAL	
Improvement of voluntary disclosure Improvement of quality processes Improvement of internal communication system	*Management Process*

[14] J.S. Toms: *Firm Resource, Quality Signals and the Determinations of Corporate Environmental Reputation: Some UK Evidence*. "British Accounting Review" 2002, Vol. 34, No. 3.

[15] M. Déniz de la Cruz, P. Pérez De Saá: *A Resource-based View of Corporate Responsiveness Toward Employees*. "Organization Studies" 2003, Vol. 24, No. 2; B. Bansal: *Evolving Sustainability: a Long Litudinal Study of Corporate Sustainable Development.* "Strategic Management Journal" 2005, Vol. 26, No. 3; M. Branco, L.L. Rodrigues: *Corporate Social Responsibility and Resource Based Perspectives*. "Journal of Business Ethics" 2006, Vol. 69, No. 2; C.A. Sirsly, K. Lamertz: *When Does a Corporate Social Responsibility Initiative Provide a First-mover Advantage*. "Business & Society" 2007, Vol. 47, No. 3.

[16] M. Barnett: *Stakeholder Influence Capacity and the Variability of Financial Returns to Corporate Social Responsibility*. "Academy of Management Reviews"2007, Vol. 32, No. 3.

[17] A. McWilliams, D.S. Siegal, P.M. Wright: *Corporate Social Responsibility: Strategic Implications*. "Journal of Management Studies" 2006, Vol. 43, No. 1.

[18] A. Hillman, G.D. Keim: *Shareholder Value, Stakeholder Management, and Social Issues: What's the Bottom Line?* "Strategic Management Journal" 2001, Vol. 22, No. 2.

[19] M. Branco, L.L. Rodrigues: *Corporate Social Responsibility and Resource Based Perspectives*. "Journal of Business Ethics" 2006, Vol. 69, No. 2.

[20] M. Pedrini: *Human Capital Convergences in Intellectual Capital and Sustainability Reports*. "Journal of Intellectual Capital" 2007, Vol. 8, No. 2.

Table 1 contd.

1	2
Proactive risk management Increasing the level of company transparency	*Corporate Governance*
Repositioning of brand name Rethinking competitive strategies Management of a set of stakeholder relationships	*Strategy*
Changing in corporate culture Improving organizational commitment	*Culture*
Improvement of environmental R&D activities	*R&D*
RELATIONAL CAPITAL	
Improve company reputation (social, financial, etc.)	*Brand Image*
Acquire New clients Increase client loyalty Enlarge co-creation	*Customers*
Improve company reputation Strengthen co-operation Improvement of supplier ethical and social profile and performance	*Suppliers*
Improve company reputation Increasing investors attention Increasing financial analysis attention Better market trust Access to ethical indices Improve company reputation	*Financial relationships*

Source: M. Pedrini: *Human Capital Convergences in Intellectual Capital and Sustainability Reports*. "Journal of Intellectual Capital" 2007, Vol. 8, No. 2; E. Pasetti , A. Tenucci, L. Cinquini, M. Frey: *Intellectual Capital Communications: Evidence form Social and Sustainability Reporting*. Working paper series, Aug. 3, 2009, http://www.ssrn.com/abstract=1443163 (10.03.2012).

Branco and Rodriguez[21] pointed out that companies with high CSR activities profile can create and significantly improve relationships with customers, suppliers, investors / banks and consistently they are able to improve the reputation of the company. Bhattacharaya and Sen[22] presented a positive relationship between CSR activities and the behavior of customers as well as strengthening the company's brand. Similar conclusions were presented by Mont and Laire[23]. These CSR activities relate to the relationship capital, which is one of the three basic elements of the intellectual capital. The second important area of CSR activities are employees – the human capital – another essential component of IC analyzed for example by Pedrini[24]. There are less studies concerning CSR activities and creation of the last element of IC, i.e. structural capital, however these studies are hindered by the limited access to the data.

[21] M. Branco, L.L. Rodrigues: Op. cit.

[22] C.B. Bhattacharya, S. Sen: *Doing Better at Doing Good: When, Why and How Consumers Respond to Corporate Social Initiative*. "California Management Review" 2004, Vol. 47, No. 1.

[23] O. Mont, C. Leire: *Socially Responsible Purchasing in Supply Chain: The Present State in Sweden and Lessons from the Future*. working paper, International Institute for Industrial Environmental Economics, University of Lund, Lund 2008.

[24] M. Pedrini: Op. cit.

3. Intellectual Capital reporting and the CSR report – theoretical bases and integration into one report

Knowledge-based companies and CSR active organizations have strong reasons to improve transparency by disclosing IC and CSR to stakeholders. They are prompted to increase transparency on a voluntary basis. As Guthrie *et al.*,[25] underlines, generally we can indicate two limitations of traditional financial reporting: an incomplete account of a firm's value and an incomplete account of a firm's business activities IC reporting and CSR reporting their both try to resolve these limitations, however they IC reporting tends to focus on the first limitation and the CSR reporting on the second one. Therefore, there is a need for a reporting framework – one and integrated – that would sufficiently address both limitations. The common theoretical background of IC and CSR reporting can be helpful in understanding the possibility of unifications of both approaches.

The justification of the CSR reporting can be explained on the basis of various theories of economics, that are presented in Table 2.

Table 2

Justification of the CSR reporting based on different economics' theories

Specification	Main Assumption	Approach to CSR reporting
1	2	3
Neoclassical economic theory	Profit maximization of the firm, maximization of the wealth of owners, the business of business is business	No justification for CSR reporting, the only reason could be a financial gratification gained via CSR information disclosure on condition that there is an interest of investors in that kind of information
Political economy theory	Society is based on conflicts between political, social and economic motivations.	CSR / Integrated reporting becomes a socio-political domain. CSR reporting is an obligation of a company and should not be motivated by any financial gratification for its disclosure
Agency theory	It explains the relationship between principals (owners/stakeholders) and agents (managers) in business indicating problems that can exist in agency relationships concerning different objectives and different range of risk of these both groups. Because of different risk tolerances and responsibility range, the principal and agent may each be inclined to take different actions. This theory highlights also the information asymmetry.	There is a conflict of interests between agents and principals concerning CSR actions and CSR reporting. Agents are more likely to take action on CSR than owners because they participate in the distribution of profits to the smaller extent and because they assume that CSR actions may help them maintain they position and lower the risk of being accused for acting against society. They are eager to disclose CSR information as it improves their reputation, increases social recognition and facilitates their career path. The burden of costs regarding CSR information disclosure is on owners, therefore they are less likely to develop CSR reports.

[25] J. Guthrie, S. Cuganesan L. Ward: *Extended Performance Reporting: Evaluating Corporate Social Responsibility And Intellectual Capital Management*. "Issues in Social and Environmental Accounting" June 2007, Vol. 1, No. 1, p. 1.

Table 2 contd.

1	2	3
Stakeholder theory	"The stakeholder approach is about groups and individuals who can affect the organization, and is about managerial behavior taken in response to those groups and individuals"[a)]	There is a natural fit between the idea of CSR an organization's stakeholders[b)]. Stakeholders concepts put "names and faces" on society members or groups who are most important to enterprises and to whom enterprises are to respond[c)]. Stakeholder theory is "the most relevant theoretical framework for assessing corporate social performance"[d)]. Companies, in order to satisfy the informative needs of their stakeholders are supposed to report on CSR.
Legitimacy theory	Businesses are bound by the social contract in which the firms agree to perform various socially desired actions in return for approval of its objectives and other rewards, and this ultimately guarantees its continued existence. companies take various steps in order to legitimize its operation in the eyes of public opinion, to maximize their resources and ensure their long-term survival.	The need for maintaining public trust, maintain reputation, be transparent and satisfy information needs increases, therefore companies decided to voluntarily repot on CSR. CSR report is a tool of legitimating of companies' actions[e)].

a) R.E. Freeman: *Strategic Management: A Stakeholder Approach*. Pitman, Boston 1984, p. 48.

b) A.B. Carroll: *The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders*. "Business Horizons" July-August 1991, p. 43.

c) Ibid.

d) D.J. Wood, R.E. Jones: *Stakeholder Mismatching: A Theoretical Problem in Empirical Research on Social Corporate Performance*. "The International Journal of Organizational Analysis" 1995, 3(3), p. 230.

e) G. Harte, D. Owen: *Environmental Disclosure in the Annual Reports of British Companies: A Research Note*. "Accounting, Auditing & Accountability Journal" 1991, 4(3); C. Deegan, M. Rankin: *Do Australian Companies Report Environmental News Objectively? An Analysis of Environmental Disclosures by Firms Prosecuted Successfully by the Environmental Protection Authority*. "Accounting Auditing and Accountability Journal" 1996, Vol. 9, No. 2.

Also the disclosure of IC is strongly related to stakeholders theory and legitimacy theory of enterprise. Companies disclose IC information to convey a wider understanding of their performance[26]. They want to increase transparency to satisfy stakeholder expectations; and they seek to generate valuable reputation–related IC by developing and maintaining good relations with stakeholders[27]. Voluntary disclosure of IC helps companies enhance their legitimacy and survive[28]. Guthrie *et. al*[29] claim that legitimacy theory is tied closely to reporting of IC; and that firms

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26 L. Oliveira, L.L. Rodrigues, R. Craig: *Intellectual Capital Reporting in Sustainability Reports*. "Journal of Intellectual Capital" 2010, Vol. 11, No. 4.

27 M. Branco, L.L. Rodrigues: Op. cit.

28 D. Woodward, P. Edwards, F. Birkin: *Some Evidence on Executives' Views of Corporate Social Responsibility*. "British Accounting Review" 2001, Vol. 33, No. 2.

29 J. Guthrie, R. Petty, F. Ricceri: *Using Content Analysis as a Research Method to Inquire into Intellectual Capital Reporting*. "Journal of Intellectual Capital" 2004, Vol. 5, No. 2.

are more likely to report information on intangibles if they cannot legitimize their status via the "hard" assets that traditionally have symbolized corporate success. Therefore, we can notice that the motivations of CSR and IC reporting are similar and based on the same theoretical economic approaches to business entities. As it was mention before, CSR and IC as well as their disclosure are also strongly related to the resource-based perspective of companies.

The academic community and various international organizations generally emphasize the benefits of disclosure, mainly through reporting of information both on IC and CSR. The high level of transparency of the company differentiate it from the competition and helps to create positive financial and social effects[30]. Relevant information through high-quality reports relating to both financial achievements as well as creation and management of IC and CSR reduces information asymmetries and brings greater effectiveness of the decision[31]. Voluntary based reporting on IC and CSR affects the price of company's shares[32], reduces the cost of capital[33], allows to retain and attract new, valuable employees and customers, creates a synergistic collaboration with trading partners and generally affect the perception of the company by the capital market[34]. Hence, the interest in corporate reporting of CSR and IC is significant. The IC disclosure is complex and takes many forms[35]. One of them is the inclusion of IC information into CSR report.

For many years, the separate direction development – concerning IC and CRS – has led to two independent models of reporting. In some countries a re-

[30] E. Pasetti, A. Tenucci, L. Cinquini, M. Frey: *Intellectual Capital Communications: Evidence form Social and Sustainability Reporting*. Working paper series, Aug. 3, 2009, http://www.ssrn.com/abstract=1443163 (10.03.2012), p. 2.

[31] S. Brown, S. Hillegeist: *How Disclosure Quality Affects the Level of Information Asymmetry*. "Review of Accounting Studies" 2007, Vol. 12, No. 2-3; M. Garcia-Ayuso: *Factors Explaining the Inefficient Valuation of Intangibles*. "Accounting, Auditing & Accountability Journal" 2003, Vol. 16, No. 1; E. Garcia-Meca, I. Martinez: *The Use of Intellectual Capital Information in Investment Decisions. An Empirical Study Using Analyst Report*. "International Journal of Accounting" 2007, Vol. 42, No. 1.

[32] J.C. Dumay, J.A. Tull: *Intellectual Capital Disclosure and Price-sensitive Australian Stock Exchange Announcements*, "Journal of Intellectual Capital" 2007, Vol. 8, No. 2.

[33] M. Mangena, R. Pike, J. Li: *Intellectual Capital Disclosure Practices and Effects on the Cost of Equity Capital: UK Evidence*. The Institute of Chartered Accountants of Scotland, Edinburgh 2010.

[34] V. Beattie, S. Thomson: *Lifting the Lid on the Use of Content Analysis to Investigate Intellectual Capital Disclosures*. "Accounting Forum" 2007, Vol. 31, No. 2.

[35] J. Holland, U. Johanson: *Value Relevant Information on Corporate Intangibles. Creation, Use and Barriers in Capital Market*. "Journal of Intellectual Capital" 2003, Vol. 4, No. 2; L. Striukova, J. Unerman, J. Guthrie: *Corporate Reporting of Intellectual Capital: Evidence from UK Companies*. "British Accounting Review" 2008, Vol. 40, No. 4.

port on IC was and still is a common practice (e.g. the Nordic countries). In other countries, where IC reporting model has not gained many adherents, substantial amount of information concerning IC may be traced in CSR reports. Cordazzo[36] have noticed the potential for an overlap between IC reporting and CSR reporting. Pedrini[37] believes that CSR report offers a good and synergistic starting point for the development of IC reporting. As Oliveira *et. al*[38] underline ”disclosures of IC information have the potential to be a good benchmark indicator of firm's capacity to employ the type of resources, systems and technology perceived as conducive to environmentally sustainable operations. Thus, it is plausible to expect sustainability reports to appeal to firms as a medium for disclosure if IC items". Analyzing the content of IC and CSR reports one will find that many areas of reporting are identical, some information is duplicated[39]. Therefore, in the last few years we may observe the tendency of integration of IC and CSR concepts. The idea is to bring together these two types of reporting and create one set of information integrating corporate responsibility, intellectual capital and financial performance.

Castillo-Polo and Gallardo Vazquez[40] indicated the following reasons for the need of convergence of CSR reporting and IC:

- The use of the same methodology to construct the reports. Both reports are voluntary and use a set of indicators with narrative section to describe their objectives. These technical similarities could reduce the high costs of preparing the company voluntary report.
- The elimination of information redundancy to stakeholders caused by the proliferation of several similar frameworks.
- Better use of social and intellectual capital information for both internal and external purposes.
- The possibility to demonstrate the interrelationship between intangibles and corporate social responsibility activities.

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[36] M. Cordazzo: *IC Statement Versus Environmental and Social Reports: an Empirical Analysis of their Convergence in the Italian Context*. "Journal of Intellectual Capital 2005, Vol. 6, No. 3.

[37] M. Pedrini: Op. cit.

[38] L. Oliveira, L. Rodrigues, R. Craig: Op. cit.

[39] M. Branco, L.L. Rodrigues: Op. cit.; S. Cuganesan: *Reporting Organizational Performance in Managing Human Resource*. *Intellectual Capital or Stakeholder Perspectives?* "Journal of Human Resource Costing and Accounting" 2006, Vol. 10, No. 3; E. Pasetti, A. Tenucci, L. Cinquini, M. Frey: Op. cit.; L. Cinquini, E. Passetti, A. Tenucci, M. Frey: *Analyzing Intellectual Capital Information in Sustainability Reports: Some Empirical Evidence*. "Journal of Intellectual Capital" 2012, Vol. 13, No. 4.

[40] F. Castillo Polo, D. Gallardo Vazquez: *Social Information Within Intellectual Capital Report*. "Journal of International Management" 2008, Vol. 14, No. 4.

– The existence of common and overlapping elements in both reports, especially in terms of human and relational capital.
– The existence of a common purpose for IC and sustainability reports, which are both designed to improve corporate image.

The proposal of the integrated approach on the extended performance reporting combining both IC reporting framework and CSR reporting framework is presented in the Figure 1.

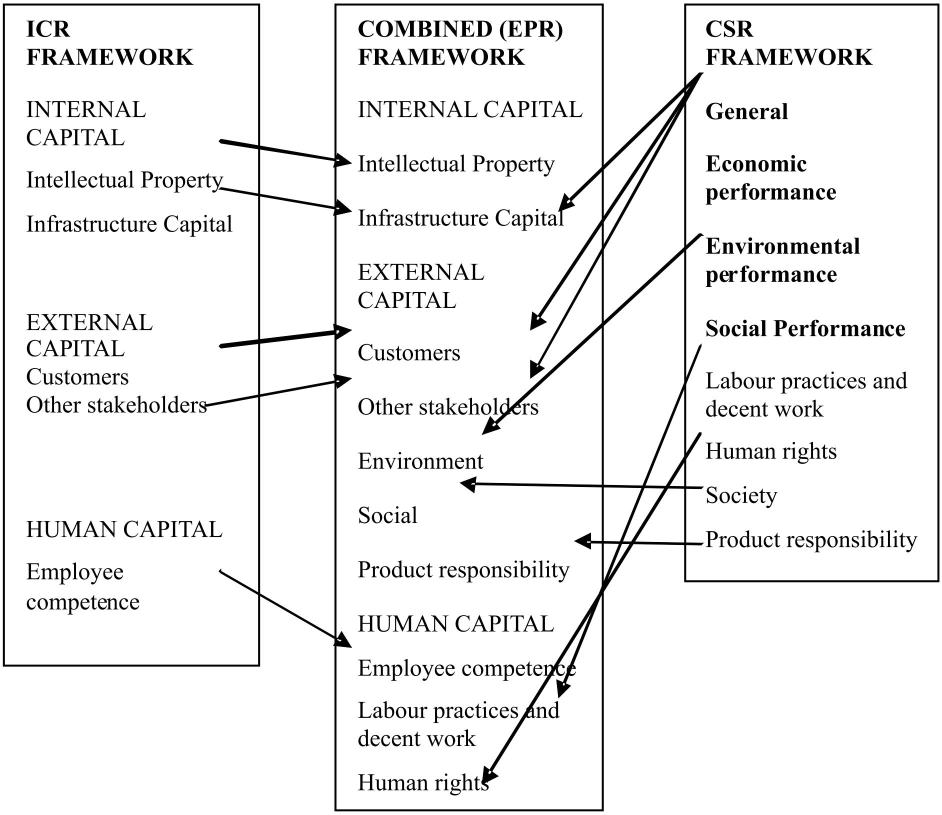

Figure 1. Process for combining the ICR and CSR framework

Source: J. Guthrie, S. Cuganesan, L. Ward: *Extended Performance Reporting: Evaluating Corporate Social Responsibility And Intellectual Capital Management*. "Issues in Social and Environmental Accounting" June 2007, Vol. 1, No. 1.

One integrated report could reflect the intangibles of a company and its commitment and orientation on corporate responsibility working together to maximize the companies value through the "Corporate Responsibility – Intellectual capital – Financial performance" paradigm. The target group of IC and CSR is the same, purposes and benefits are equal and the information content is very similar, therefore an idea of one common coherent report integrating the information on IC and CSR seems the main focus for the appropriate disclosure and communication of companies.

Conclusion

Many companies focus on improving the information content disclosed to stakeholders. CSR report that is always more commonly published by companies worldwide is focused on communicating how the company meets the expectations of its stakeholders in relation to social and environmental activities, their employees, and how responsible the business is. In doing so, the company at the same time disclosures a large amount of information on IC. IC and CSR concepts are closely linked and they interact. Therefore, institutions preparing rules and recommendations on business reporting are facing now a challenge of integration of IC and CSR information. We should agree with Bhima and Soonawalla (2005) that the development of a more comprehensive and integrated approach to reporting is desirable, an approach that would incorporate financial data and information on corporate governance, CSR, and IC into a spectrum of corporate disclosure able to provide more coherent, complete, transparent document. This would create a better overview of firm activities, characteristics and performance and could eliminate repetition of information in some areas and would reduce an information gap between users of information from the accounting and business management. This could also help decrease information asymmetry, make a better use of resources and give a chance for more effective decisions.

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CORPORATE SOCIAL RESPONSIBILITY AND INTELLECTUAL CAPITAL INTERACTION AND VOLUNTARY DISCLOSURE

Summary

The purpose of this article is to analyze the relationship between the concept of intellectual capital (IC) and the idea of corporate social responsibility (CSR). The common theoretical background of both approaches and their mutual influence was underlined. The necessity of convergence of these two concepts by the inclusion of information on IC to CSR report in order to create one integrated set of information was emphasized.

Keywords: corporate social responsibility, intellectual capital, voluntary disclosure