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# CSR reporting, stakeholder engagement and preventing hypocrisy through ethics audit

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## Abstract

Since Corporate Social Responsibility (CSR) and business ethics are principles that sustainable organizations cannot ignore in the 21st century several international organizations (ILO, OECD, and EU) have established business, social and ethical standards and guidelines, which are no longer optional but mandatory. To earn stakeholders interests and fulfil the requirements of abovementioned regulation the corporate governance should be transparent and honest. The aim of current article is to introduce a new approach to the ethics audit which can provide to the stakeholders more adequate information about the company's real values and CSR performances. This article describes a new approach to the ethics audit, improved by the author, which can help managers in evaluating how well the company has fulfilled its economic, legal and ethical obligations, discover or prevent ethical risks and plan CSR activities strategically to satisfy stakeholder interests. To avoid hypocrisy between declared values, mission and CSR reports corporate management should be transparent keeping in mind that decisions are made and enforced in a manner that follows the real rules and procedures. This article bases on author's doctoral theses: Ethics audit: a management tool for assessing of corporate social responsibility and preventing ethical risks.

**Keywords:** Ethics audit, Stakeholder theory, Corporate social responsibility, Hypocrisy

## Introduction

A number of studies (Fassin and Buelens 2011; Brande 2010; Scalet and Kelly 2009; Solomon and Lewis, 2002; Cerin; 2002), media releases, and the author's own personal experience as an assessor of CSR reports in Estonia, have provided cases where highly-ranked responsible companies have acted unethically or violated the basic principles of responsible behaviour. The results of research curried out by the author in 2013 indicated that 5 companies from 13 have contradiction between declared values or statements in CSR report and real behaviour (Rihma and Meel 2013). This is also confirmed by the scandals seen with large corporations, which have all previously scored high results in CSR reports – companies such as BP, Nestle, Royal Mail, WorldCom and Enron (Cannon 2012; Chandler 2007; Zerk 2006). For example, Fortis, the first major European bank to collapse after Lehman Brothers, had been awarded the best CSR report for the year before it fell (Fassin and Buelens 2011). Such cases undermine the nature of CSR,

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reduce trust in social reports and damage the interests of stakeholders. That leads us to the research problem - once CSR is seen as a tool for marketing and PR, the credibility of the company will decrease, which in return decreases the credibility of the CSR reports and CSR as a concept (Fassin and Buelens 2011; Brande 2010). Moreover, the content of CSR reports varies considerably, and very often are not including main principles of CSR in the minds of stakeholders. The author's research question is focused on how to support stakeholders to get objective information, increase transparency in organization and stop hypocritical behavior. For example, Starbucks managers took ethics audit to assure stakeholders that the given information was accurate by engaging an independent third party to verify the content of its CSR reports (Kotler and Lee; 2005, 5). With the help of an ethics audit, managers can evaluate how well a company has fulfilled its economic, legal and ethical obligations (Bennet et al. 2006; Morimoto et al. 2004; Rosthorn 2000; Kaptein 1998; Carmichael, et al. 1998).

In same time Carmichael et al. (1998) admitted that the technology of ethical auditing is still in its early stages and needs future enhancements. Kaptein (2008) recommended for future research studying the effectiveness of ethics measures. Many researchers suggested for future studies considering in developing an auditing system the deficiencies of the 'tick-box' approach to auditing and to find out mechanisms for developing organizational ethical climates, so that managers can be more comprehensively prepared to manage ethical behavior in their organizations (Parboteeah et al., 2010; Morimoto et al. 2004; Carmichael, et al. 1998). Whilst reviewing the literature, the author found that existing ethics auditing models (Morimoto et al. 2004; Rosthorn 2000; Kaptein 1998; Carmichael, et al. 1998), has tended to focus on identifying managerial ethics and patterns of ethical behaviour, but little attention has been paid on ethics risk analyses or risk management. A risk analyses is particularly important when talking about stakeholders' interests and preventing or minimizing ethical risks. The analysis of probability and consequences, risk mitigation strategies and follow-up activities, such as risk response and control, are essential elements of the whole risk management process (Pinto 2007, 223). As such the arguments above specify of the research gap. The aim of current article is to introduce a new approach to the ethics audit which can provide to the stakeholders more adequate information about the company's real values and CSR performances. A new approach to the ethics audit, improved by the author, can help managers in evaluating how well the company has fulfilled its economic, legal and ethical obligations, discover or prevent ethical risks and plan CSR activities strategically to satisfy stakeholder interests. This offers a new interdisciplinary approach for the assessment of indicators of organizational ethical behaviour. The author added to previous ethics audit model full risk assessment module including risk analysis, risk management and consultation (Rihma 2014).

Methodology of current article is literature review and the author firstly will discuss about how CSR main principles are connected into CSR reports with aim to meet stakeholder's expectation towards companies. Secondly, the author would like to introduce new model of ethics audit which was improved by the author and which is more thoroughly described in author' s doctoral theses (Rihma 2014).

## Review: concept of CSR and stakeholder engagement

There are several reasons why managers have to consider CSR strategies. According to many prominent scholars (Melè 2012; Cannon 2012; Jose and Lee 2007;

Kotler and Lee 2005; Reilly et al. 2005; Fukuyama 2001; Barney and Hansen 1994), the most essential motives are brand and corporation image, reduced operating costs and the increased ability to attract investors, employees and customers. Jenny Rayner (2003) indicated in reference to S & P's study that companies with greater transparency and disclosure rankings had a lower market risk and higher stock price. Although this is how pressure from stakeholder groups is primarily perceived, there is a need to see real profitability from a long-term perspective.

The concept of CSR is diversified and has been changing over time from the very beginning until today. Bowen (1953) Carroll (1991, 1999) Garriga and Melè (2004), Cannon (2012) and Melè (2012)) have defined and interpreted CSR according the influence of historical, economic and social developments. Based on the theory of universal ethical egoism, the behaviour of individuals and economic agents is being driven by self-interest and leads to the understanding that to maximise business interests and profit earning, one has to make compromises and take into consideration the interests of other parties – stakeholders (Pojman 2005). Bowen (1953), considered the founder of CSR, stressed that big corporations do not only offer goods for society but directly influence members of society in multiple ways. This assertion was followed by a thorough discussion among researchers of social risk management and CSR. Drucker (1984) highlights that CSR has to be tightly integrated to such business opportunities as resources, human capital and workplaces etc. In the mid-80s, Edward Freeman (1984) integrated a new approach, where CSR is interpreted through all stakeholders' interests. The purpose of stakeholder management was to devise methods to manage groups and relationships, which resulted in a strategic approach (Freeman et al., 2006). Freeman (1984, 2006) and Freeman et al. (2010) has argued several times that the corporation ought to be managed to create values and benefit its main stakeholders: shareholders, employees, customers, suppliers and the local community. The 1990s saw a shift in the way companies related to social commitments; Kotler and Lee (2005, 7 – 9) identified this shift from the traditional approach – fulfilling an obligation ("doing good to look good") as a new strategic approach – supporting corporate objectives ("doing well and doing good.

Carroll (1991) as a main compositor of CSR formulated the most widely known CSR theory, which is the foundation for later doctrines. In addition, his theory is valuable in practice and has been empirically tested and largely supported by the findings of many scholars, such as Visser and Matten (2007) Pinkston and Carroll (1994) and Aupperle et al. (1985). Carrol's CSR theory is built up as a pyramid consisting of four levels: economic responsibility in the sense of being profitable; the obligation to obey the law; the responsibility to be ethical with the obligation to do what is right and to avoid harm, and finally, philanthropic responsibilities. Understanding Carroll's pyramid is complicated as it is immediately clear that several semantic issues can rise. The main obligation for companies is to meet the primary needs of the stakeholder: shareholders wish to earn a reasonable return on their investment, employees expect to have a stable and fairly paid job and customers wish to get safe goods at an appropriate price (Crane and Matten 2010). This means maintaining a high level of operating efficiency, and remaining consistently profitable in order to achieve a successful position on the market. Carroll (1991) stresses that economic responsibility is a prerequisite for all business organizations and it forms the basis for all other responsibilities and

obligations. Although earning a profit for shareholders can be easily measured, the measurement of ethical behaviour is rather complicated. Carroll and Buchholtz (2000, 35) argues that ethical responsibilities consist of what is generally expected by society over and above economic and legal expectations. Crane and Matten (2010) define business ethics as the study of business situations and dilemmas according to dimensions of right and wrong. That is to say that right and wrong are seen as the binary virtue ethics of the profitable and financial aspects – deontology versus utilitarianism. A generalizing business ethics definition by Lewis (1985)), after reviewing 158 textbooks – states that business ethics consists of rules, standards, codes or principles, which provide guidelines for morally right behaviour and truthfulness in specific situations. The ethics in business is not a simple action or just adding new tool to managerial toolkit. It involves strategical viewpoint what your business really is, how to create value and work with stakeholders and most important how willing is management to transform the organization to realize that vision (Wicks et al. 2010).

Crane and Matten (2010), McWilliams and Siegel (2000) and Carroll (1991, 41) have said that CSR is activity that appears to do further social good, and is beyond the interest of the company and what is required by law. According to the abovementioned statements, one can assume that compliance with the law is one main requirement in CSR principles but it does not take precedence. In circumstances of international business, the company can easily relocate their production to a developing country where, for example, environmental protection and labour laws and regulations are much lower than in the homeland. For example, in the case of Bhopal, no laws were actually violated but a disaster occurred. In this case, obeying the law was not helpful and it was necessary to obey the wider requirements of responsible business (Daniels et al. 2013).

Corporate philanthropy includes those activities that a company offers as a gesture of goodwill to improve the quality of life of its employees, local communities and society as a whole (Crane and Matten 2010, 54). Carroll (1991) says that there is no clear expectation from society about philanthropy as an ethical responsibility. Therefore, any failure in philanthropic actions does not cause conflict between interest groups.

Kotler and Lee (2005, 3) offer the following definition: "CSR is a commitment to improve community wellbeing through discretionary business practices and contributions of corporate resources." They are not referring to businesses that abide by the law or are just moral or ethical in nature, rather they stress the voluntary commitment a business makes in choosing and implementing these practices and making these contributions. In the opinion of the author, Kotler and Lee are overly biased towards charity and donations in numerous ways.

Garriga and Melè (2004) state that earning a profit is one dimension of the four main CSR principles: political performance, social demand and ethical values. Matten and Moon (2004, p.335) describe CSR as a cluster concept including such principles as sustainability, ethics, corporate philanthropy and environmental responsibility.

It is interesting to note that in different CSR definitions little or partial attention has been drawn to stakeholders. Nevertheless, many CSR theories point out the role of stakeholders and address satisfying stakeholder interests through CSR activities (Rayner 2003, 174; Carroll 1999, 273).

Wicks et al. (2010) report that the stakeholder approach is not CSR, but where a socially responsible organization coordinates the long-term interests of their stakeholders,

rather than tackling the problems of society as a whole. The stakeholder approach brings the interconnection between business and social issues into the foreground. Many other scholars also support this. Waddock (2006, 210) states that companies with stakeholders and environmental policies are charged with managing responsibly. Kujala (2004, 2001) draws the attention that analysing stakeholder relations gives us a new way of looking at business life by describing, and analysing the interaction between companies and their stakeholders.

According to the European Commission (2001) in their Green Paper, CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis. Respect for applicable legislation, and for collective agreements between social partners, is a prerequisite for meeting that responsibility. To fully meet their CSR, enterprises should have in place a process that integrates social, environmental, ethical, human rights and consumer concerns in their business operations and core strategy in close collaboration with stakeholders, with the aim of: maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; identifying, preventing and mitigating possible adverse impacts (European Commission 2011; 2001).

Donaldson and Preston (1995) argue that stakeholder theory has a normative core based on two basic concepts: firstly, stakeholders have legitimate interests in procedural and/or substantive aspects of corporate activity; and secondly, the interests of all stakeholders are of intrinsic value. This means that each group of stakeholders merits consideration for its own sake. The fact that the firm holds greater power than the stakeholder should be taken into consideration, especially stakeholders who have less power in the dialogue between companies; therefore they need more protection through written regulations and reliable CSR (Greenwood and Van Buren III, 2010). Freeman and Velamuri suggest constant monitoring and redesigning processes to make them better serve stakeholders (2006).

Crane and Matten (2010, 152–154), relying on longitude research, offer seven main tasks of an ethical leader in creating value for stakeholders and fulfilling the requirements of CSR: 1) to frame actions in ethical terms; 2) to articulate and embody the purpose and values of the organization; 3) to connect the basic value proposition to stakeholder support and societal legitimacy; 4) to create a dialogue about real ethics, values; 5) to create a mechanism for dissent; 6) to find the best people and develop them, and 7) to make tough calls whilst being imaginative. The stakeholder approach has been considered as the only one to lead to sustainability; more- over, a strong emphasis is put on a multi-stake- holder approach to engage leaders to design the most effective measures for tackling challenges caused by economic crisis.

Despite the fact that the definitions of CSR do not directly consist of the term stakeholders, the author sees in every approach that stakeholder theory and CSR theories are strongly connected to each other.

## CSR reports, CSR and stakeholder engagement

Many scholars (Kolk 2003; Solomon and Lewis 2002; Morhardt et al. 2002;) have mentioned that in order to offer information for stakeholders about social and environmental activities and strategies, companies are increasingly issuing several CSR reports. Stakeholders need CSR reports to understand the risks to which firms are exposed through

social and environmental performance, and how proactive companies are in relation to social and environmental issues (Wilmshurst and Frost, 2000). Investors, insurers and underwriters use CSR reports to get information about socially, environmentally responsible business investments, and potential risks such as fines for noncompliance.

The Global Reporting Initiative (GRI) first started in 1997 in Boston, where supportive frameworks for compiling social report were worked out. GRI reports follow the triple bottom line system with a stakeholder approach and are widely applied all over the world. GRI is definitely one of the most complete reports, and there are several levels (e.g., A, B, C) differentiated by the scope of subjects and volume (GRI, homepage).

In 2010, the ISO 26000 non-certified management system standard was launched, as the guideline for sustainable social development, emphasizing that compliance with the law is a fundamental obligation of CSR. The ISO 26000 standard assumes ethical and transparent behaviour, contributions to the sustainability of communities and the consideration of stakeholders' expectations. Although the main content of the guideline covers a wide range of areas, each organization can define which areas are important to follow, making the report dependent of individual considerations (ISO homepage). In implementing the ISO 26000 standard, taking into account the local community, natural environment, cultural, political and business environment in their diversity is recommended. The ISO 14001 (environmental management system) and ISO 9001 (quality management system) are certified standards with a specific focus.

The SA8000 is a certificated standard of social accountability launched in 1997. This covers key labour rights (working hours, forced labour etc.) and certifies compliance through independent accredited auditors (Crane and Matten 2007, 201). As can be seen in Fig. 1, this standard does not cover important CSR aspects beyond the economic, legal and aspects concerning stakeholder engagement.

The standards series AA1000 are developed through a multi-stakeholder consultation process (AccountAbility, homepage). In the author's opinion, those standards are mostly like guidelines or frameworks for how to better respond to organizational sustainability and stakeholder engagement. They offer an outline on how to design and implement the organization's social and ethical accounting, auditing and reporting processes.

In 2007, the daily business newspaper Äripäev and RBF started the first CSR Index in Estonia. The index aimed to assist companies in defining, evaluating and monitoring their economic, social and environmental impact (CSR Index, homepage). The index is similar to the CSR model in Great Britain, and consists of four main parts: business strategy, integration of principles, management issues and measurement and reporting and communication. After participating, every participant can obtain feedback, set new goals and position itself amongst other companies. Figure 1 provides an overview of the main principles or fields included in the most common and known social reports/ guidelines in the Estonian business context.

As we can see from the Fig. 1, little attention is paid to philanthropic, economic, and ethical aspects (GRI, OECD and partly RBF Index) yet they are among the most important aspects of CSR. This is directly connected current research problem – how stakeholders can get an adequate information. Summarising the theoretical approach the author would like to point out that the content of CSR reports varies considerably, and may not contain all the main principles of CSR in the minds of stakeholders. CSR reports may remain PR instruments allowing companies to show only their best

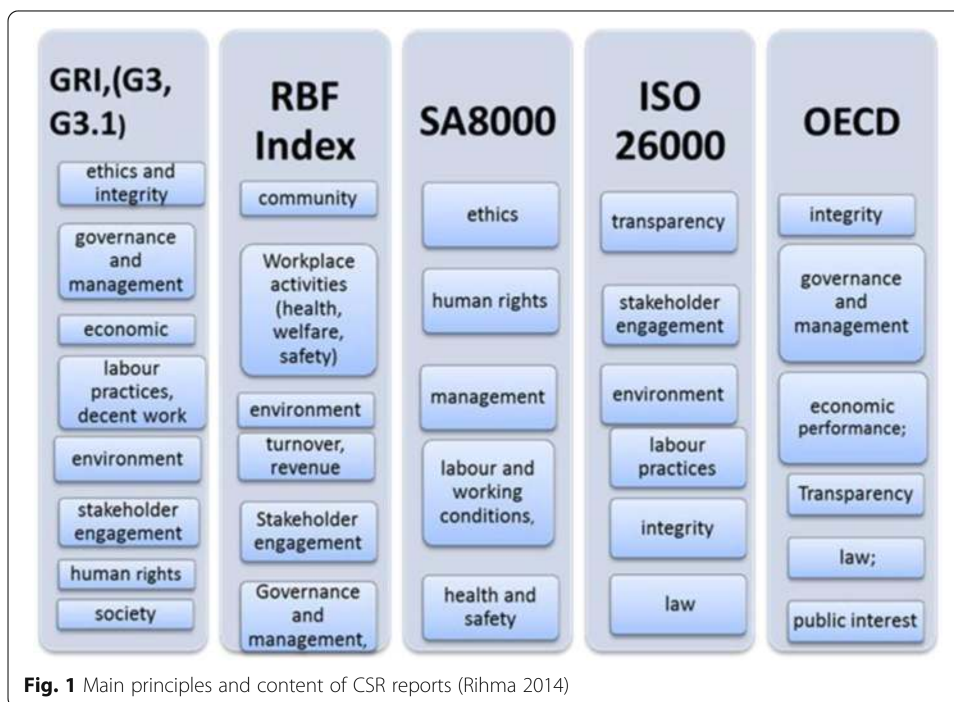


**Fig. 1** Main principles and content of CSR reports (Rihma 2014)

practices and not mentioning negative cases. Reports are backward looking and are more descriptive of corporate CSR history. Many of the studies cited above have shown that CSR performance may be misleading and hypocritical, and this compromises the effectiveness of the CSR concept. One concern among academics and practitioners is that there is always the question of how statements in CSR reports compare with actual corporate commitment to addressing social and environmental issues (Tate, Ellram, and Kirchoff 2010; Covey 2004). Solomon and Lewis (2002) found that there is a tendency not to disclose negative or potentially harmful information, and instead only good practices are presented in these reports. There is no place for failures in the reports. Wagner et al. (2009) refer to this as 'Corporate Hypocrisy', which could be effectively reduced if firms release statements that more reasonably communicate negative information on what has happened or what has already been reported, or if they have an external audit for CSR or ethical issues. Fassin and Buelens (2011) suggest using a sincerity/hypocrisy index, which would position the firm on a continuum between idealism and hypocrisy as a function of the degree of congruence or dissonance between CSR reports and reality. As suggested by Hofman (2006), to avoid professional hypocrisy, actions must not contradict the organization's proclamations.

## Results - overview of developed ethics audit model in light of stakeholders interests

In accordance with the aim of the article, hereby the author gives overview of the improved ethics audit models for the assessment of CSR performance, to prevent ethical risks and hypocrisy, also to provide more transparent and objective information to stakeholders.

The literature review about ethics audit indicated that there are several models and processes for implementing an ethics audit, which identifies ethical risks but none of

these involved risk assessment. Figure 2 shows the author' an improved model and the process of the ethics audit.

As can be seen in the Fig. 2, there are four main data sources for collecting information: observing documents, a questionnaire with selected stakeholders, interviews with stakeholders and a walking tour in the company. All data is categorised, analysed and assessed through risk mapping. All detected risks are divided between the four quadrants according to level of significance and likelihood of occurrence. The risk map in the Fig. 3 prioritizes each ethical risk according to significance and likelihood and maps the risks into four quadrants:

I quadrant "Prevent at Source" risks, high priority. These risks are both significant in consequence and likely to occur.
II quadrant "Detect and Monitor" risks, second priority. Risks in this quadrant are significant, but they are less likely to occur.
III quadrant "Monitor" risks. Risks in this quadrant are less significant, but have a higher likelihood of occurring.
IV quadrant "Low Control" risks. Risks in this quadrant are both unlikely to occur and not significant.

Data presented in Fig. 3 are real risks according the results of the piloting project of ethics audit (Rihma 2014).

When piloting a new model of ethics audit the auditing committee found 20 potential risks and divided them using the risk. There are 10 risks in the first quadrant and entail threats to the reliability of the company. The author considers that risks in the IV quadrant (or nearby) could classified as hidden risks which can occur if control over thus risks is insufficient or even zero (*ibid*).

An ethics audit with a risk analysis gives the manager more useful information to the stakeholders. CSR principles and reports should follow what the companies' main

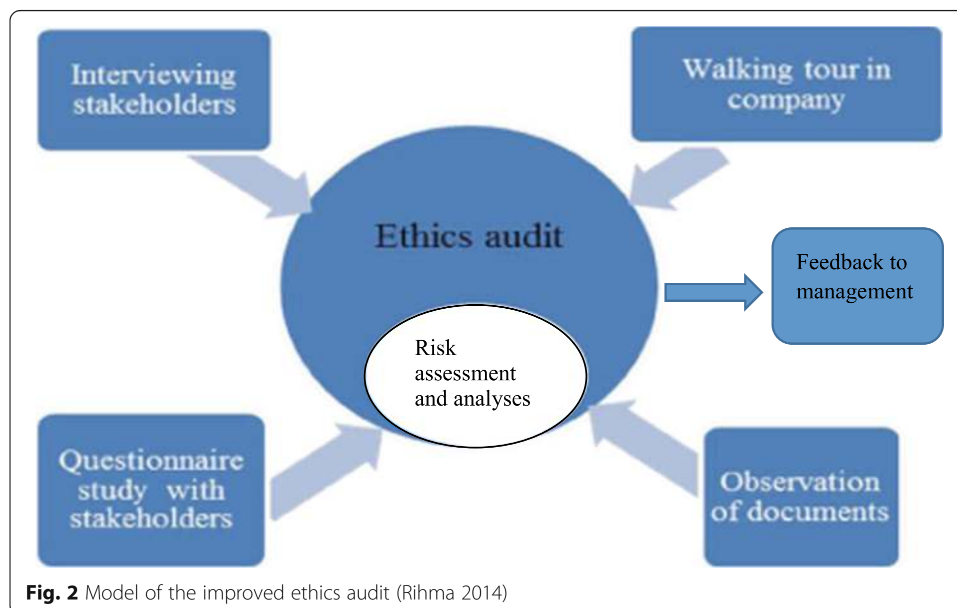


**Fig. 2** Model of the improved ethics audit (Rihma 2014)

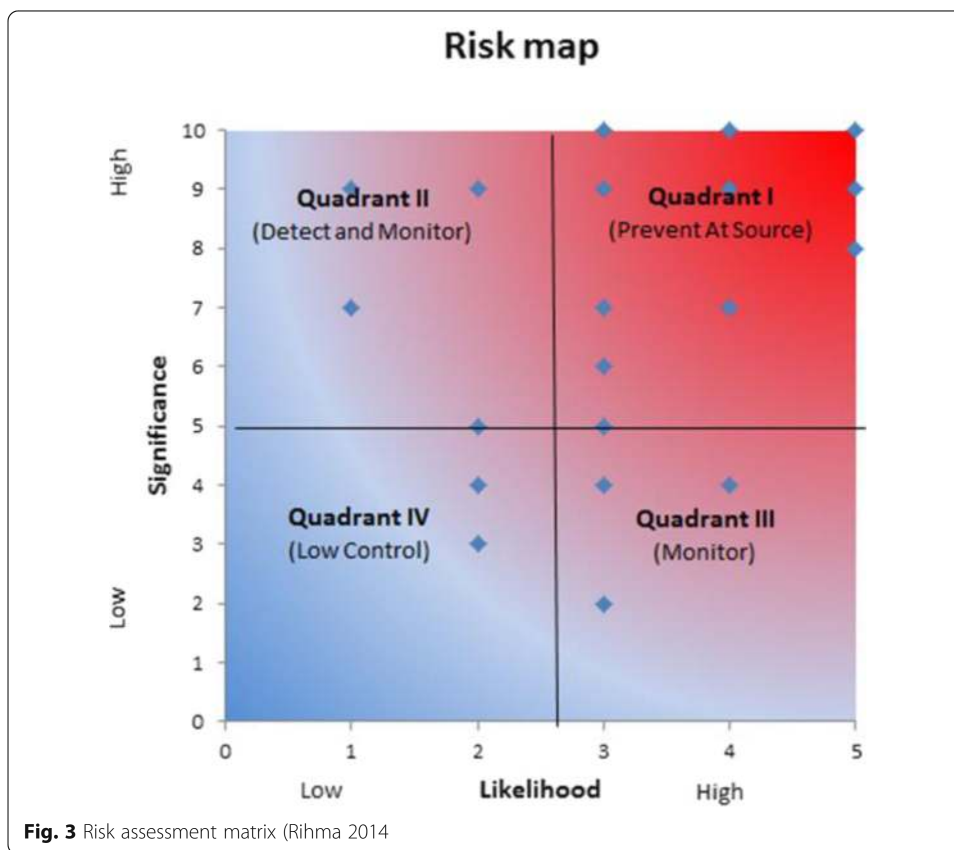


**Fig. 3** Risk assessment matrix (Rihma 2014

stakeholders are interested in. But on the other hand Kaptein (2008), James and Shapira (1987) profess that stakeholders risk readiness (incl. shareholders) can vary from risk-seeking to risk avoiding, or according to Jones et al. (2007), and Rayner (2003), stakeholders cultures are different, and therefore, their treatment and attitude towards risks varies. Ethics audit is flexible enough to suit each company's individual circumstances; for example, size, type, legal structure and industrial sector of operation, as well as the jurisdictional and other basic legal principles under which they operate. Selecting the stakeholder group or field (relationship with customers, society or partners) to investigate during auditing depends on the company's needs.

In Fig. 4 the author generalizes the CSR theory and benefits of ethics audit. The figure shows main linkages how CSR could earn stakeholders interest through ethics audit.

An ethics audit will serve the stakeholders' interests in a different way: it provides stakeholders the opportunity to clarify their expectations of the company's CSR behaviour; an ethics audit can identify hidden risks and vulnerabilities, which help to direct the company to be more transparent and open.

The ethics audit, on the one hand, has control over the veracity of reporting and risk assessment, and on the other hand, is a bridge to progress on CSR reporting and planning CSR activities.

The author stipulates that an ethics audit is a process for evaluating and diagnosing the external and internal consistency of an organization's values and their congruence with real behaviour. As can be seen in the Fig. 4, the ultimate benefit from an ethics audit is risk assessment module, by which can increase trust among stakeholders and

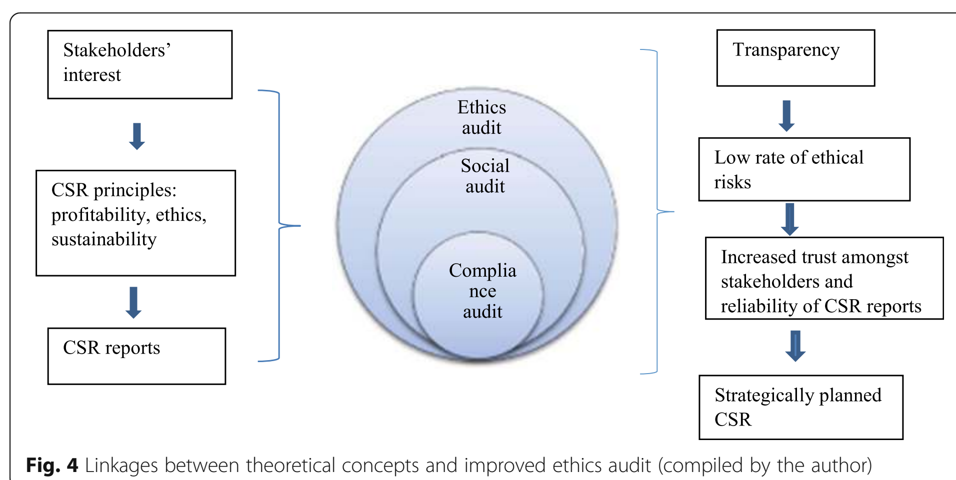


**Fig. 4** Linkages between theoretical concepts and improved ethics audit (compiled by the author)

compile more reliable CSR reports. An improved ethics audit model makes it possible to obtain an adequate picture of organizational health and sustainability, and the extent to which the business is driven by stakeholder interests and CSR principles.

## Discussion

The business world, especially international business is complex and needs a sophisticated approach to CSR and business ethics. A dichotomy of hypocrisy versus sincerity cannot be too black and white keeping in mind that each case is unique. The research problem set up in this article is that participating in several kinds of social reports or following different guidelines and codes do not guarantee responsible and ethical business behaviour. The findings of literature study indicate that there is a kind of dissonance between CSR reports and CSR principles – CSR reports do not chart all the basic principles of CSR and stakeholder do not get objective information about the company. We can assume that the CSR report measures corporate social performance not social responsibilities in its full diversity. For example, when short-term liabilities substantially exceed floating assets, impressive turnover does not refer to real profits. This means that the company may be insolvent and on the brink of bankruptcy, but in other areas of the valuation the report can indicate high levels of performance and the company can easily be reported as being socially responsible. Therefore, there is a need to investigate contradictions and hypocrisies between CSR reports or codes of conduct and real behaviour. The author believes that unlike these reports above described new ethics audit model can help increase transparency in organization and stop (or at least reduce) contradictions between declared values and real behavior. Identifying, assessing and analysing ethical risks will help managers to recognize potential adverse events in time, be more proactive to manage risks and minimize new ethical risks from occurring. New approach to the ethics audit contributes better way to the development of organizational trust and the reliability of CSR reports for the past and provides strategies for future sustainable management. An ethics audit allows the external auditor to map and analyse the company's compliance with international standards and CSR reports, evaluate the functioning of the responsible supply chain and identify ethical dilemmas ahead of potential risks in terms of their likelihood and significance.

The new approach to the process of the auditing model can be implemented in such a way that makes it possible to apply all elements of ethics auditing separately, and to systematize the gathered data more precisely and so analysing the data is not so time consuming. Comparing current model to the previous models, which are based mostly quantitative research methodology including multi methods in the auditing process and less attention is paid to interviews and observations. There are many questionnaires (inside qualities monitor, conduct detector, stakeholder decoder, and individual characteristic), all together more than 200 propositions. (Kaptein 1998). On the one hand, standardized questionnaires are efficient for the auditor and make it possible to compare organizations to one another, but on the other hand, qualitative research provides communication that is more direct and the opportunity to collect data in a different way (observations, interviews, and case studies).

The management of the company under investigation followed by an action plan to mitigate or prevent possible risks should discuss the auditor's opinion and evidence.

During empirical studies, the author realised that interviewing the shareholders of the company is inevitable and most important (Rihma et al. 2014). Many things, which appeared or were confirmed during the interviews and did not appear to be a problematic issue to the employees or managers, may definitely harm shareholders' interests (like hacking with the employer's tools, easy access to confidential files etc.). Shareholders' and investors' opinions are key elements to understanding the scope and activities of the organization.

In the risk analysis, a biased interpretation may occur or threats that seemed to the auditors to be important (according significances or likelihood) may be less important to the mangers or vice versa. Therefore, it would be beneficial to have healthy dialogue with the management during the risk assessment.

The benefits and advantages of a new approach to ethics auditing are as follows:

1. Ethical and CSR risk assessment;
2. Preventing contradiction between organization' values, codes of ethics, CSR reports;
3. Higher transparency;
4. Strategically planned CSR policy
5. Better PR

There are several direct benefits in terms of a company's sustainability in addition to creating trust. For example, through an ethics audit companies operating in controversial fields like gambling, fur, alcohol, mining and so on, have ways to provide more transparency about their business for their stakeholders and in that way earn a social licence to operate. This can result in less public protests and reactions against the company's activities. The ethics audit helped the company find out about hidden ethical risks, which could be harmful for stakeholders. The results of the ethics audit provide suggestions on how to manage these risks and prevent them from occurring in the future.

## Conclusion

The stakeholders approach foregrounds the interconnection between business and social issues, but according to CSR theories, the connection between CSR theories and the stakeholder approach is rather weak - therefore, it is complicated to report on

stakeholder engagement in CSR reports. The answer to the research question how to support stakeholders to get objective information, increase transparency in organization and stop hypocritical behavior will be solved by using new approach to the ethics audit. Ethics audit can provide to stakeholders more transparency, since highly evaluated social responsible performances oftentimes do not give society or stakeholders a proper picture about the companies' real operating values and behaviour. The ethics audit model provided in this paper can be used as a systematic survey instrument and theory-based process for correlating real organizational behaviour and CSR reports, whilst keeping in mind stakeholders interests.

The author argues that ethics audit is the best, and maybe even the only, way to address stakeholders' concrete interests more accurately and increase trust between the organization and their stakeholders.

**Competing interests**
The author declares that she has no competing interests.

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