

# **Researching Sustainability Reporting: An approach to comparing co-operative and investor owned corporations**

Leslie Brown  
Elizabeth Hicks  
Launa Gauthier

Mount Saint Vincent University

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# Today's Presentation

- **Purpose and significance of this study**
- **Investigating the “co-operative difference”**
- **Anticipated differences between co-operatives and investor-owned businesses**
- **Methodology**
- **Today: Comparison of TWO organizations regarding stated Reasons for Reporting**
- **Next steps**

# Purpose and Significance of the Research

- Learn **what non-financial sustainability information is included** in publicly available reports issued by co-operatives
- Identify the extent to which non-financial reporting by co-operatives reveals consistent **differences from comparable investor-owned corporations**
  - E.g. Do co-operatives and firms measure themselves against different performance indicators?
- Contribute to the **practice of reporting and to understandings of measuring** the co-operative difference

# Framing the Research

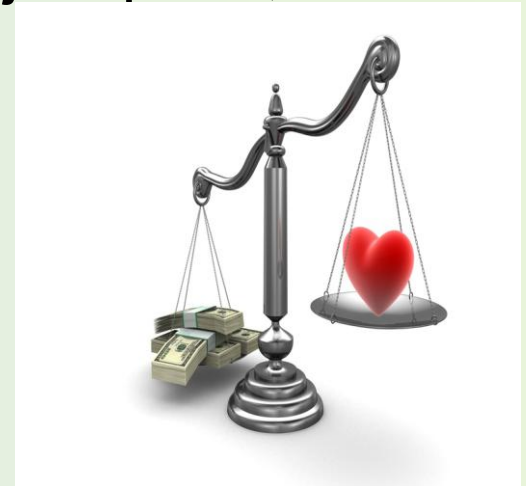
The starting point for this research are the claims from the co-operative sector that co-operatives offer an alternative - a different (even a better) way of organizing collectively and of doing business.

These claims were heavily promoted in 2012, the International Year of Co-operatives.

*“A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.” (ICA)*

# What do we mean by the “Co-op Difference”

- Difference in purpose
  - Social as well as economic (Michelsen, 1994)
- Grounded in ICA’s co-op principles and values
  - “ As businesses driven by values not just profit, co-operatives share internationally agreed principles and act together to build a better world through co-operation.” (ICA)



# Importance of this Study

## Co-ops Claim to be Different

*“.....a different way of doing business, one focused on human need not human greed, where the members (who own and govern the business) collectively enjoy the benefits instead of all profits going just to shareholders.”*



# Importance of this Study

## Co-ops Claim to be Different



**“Co-operatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.”  
Ban Ki-moon, UN Secretary General**

# What do we mean by the “Co-operative Difference”?

The ICA quotes above emphasize:

- Focus on *needs* (of members, other stakeholders)
- Collective *ownership* and *self-governance*
- Collective *benefits* not shareholder profit
- Social *responsibility* as a touchstone
- Economic *viability* as a second touchstone

# What do we mean by the “Co-operative Difference”?

- Canadian Co-operative Association (CCA) The Co-op Difference Orientation Program video
  - Ownership
  - Purpose
  - Values
  - Service to members and communities
  - Distribution of profits
  - Longevity

<http://thecoopdifference.coop/>



# Academics weigh in on the “Co-operative Difference” too

Dual purpose organizations

- social (including environment) and economic

Rooted in 4 pillars of difference:

- Principles (ICA's 7 principles)
- Values (self-help, self-responsibility, democracy, equality, equity and solidarity)
- Purpose (social & economic)
- Justice (economic, political, social)

[Drawing on academic discussions, including:

Novkovic, 2012; Webb, 2009; Vieta, 2012; Brown, 2009; Michelson, 1994]

# Research Design

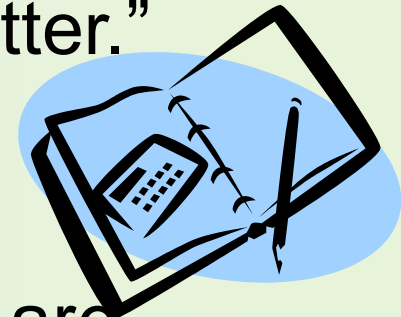
## Study Publicly Available Sustainability Reports

- ***Publicly available*** = accessible online (websites)
- ***Report*** = “systematic review of performance, based on evidence, over a specified time period”
- ***Sustainability report*** = a report that presents information relevant to multiple commitments - social, environmental, cultural areas, economic

# Importance of this Study

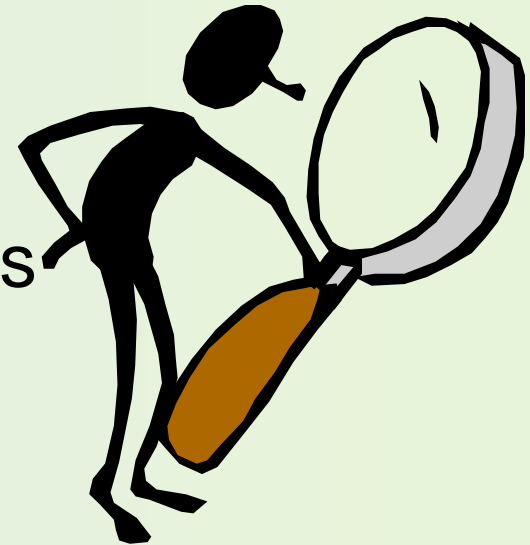
## The Significance of Written Reports

- “Written accounts...are carefully constructed with a particular focus and message in mind.... [and] powerful mechanisms for creating carefully constructed pictures of their subject matter.”  
(Bebbington and Gray, 2000, pg. 7)  
= presentation of self
- Non-financial reports are voluntary and are not standardized
- Substantial growth in production of sustainability reports (KPMG, 2011)



# Research Design: Locating Reports

- Used search engines, retailer indices, professional contacts, GRI lists and UN Global Compact list
- Employed a variety of search terms
- English language reports
- **Retail food industry only (or wholesalers with food retail component) for this stage of the research**



# Research Design, cont'd

## Which reports to use

- Initial plan was to begin with co-ops and then match with investor-owned companies of comparable size (proving to be a challenge)
- A cross-sectional study, looking at only the most recent reports
- Had to go beyond Canada in order to find reports

# Research Design, cont'd

## Content Analysis

- Allows coding of text according to pre-established and emerging themes and characteristics (Duriau et al 2007; Beck et al 2010; Hsiu-Fang and Shannon, 2005)
- Generates both quantitative and qualitative data, and can be analysed using a program such as Nvivo if the number of organizations warrants it (Finfgeld-Connett, 2013; Neuman, 2010)
- 2 coders working with a code book of 39 characteristics; Validity and reliability issues.

# Some Anticipated Differences Between Co-op and IOC Reports

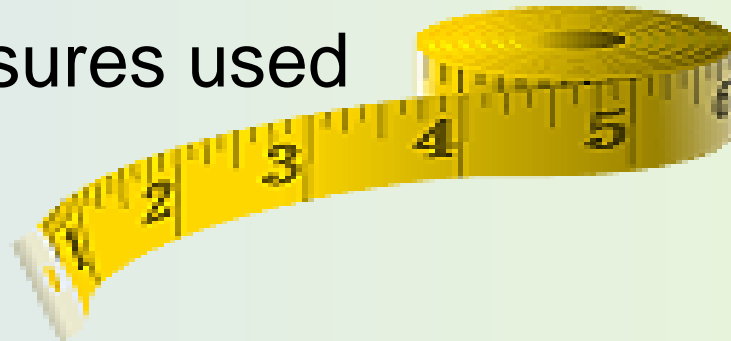
*(IOC = Investor-owned corporation)*

- Website position
- Relationship with stakeholders
- Reasons (self-reported) for reporting on non-financial performance (purpose of reports)
- Indicators and measures used, specifically regarding
  - Governance
  - Community



# Anticipated Differences Between Co-op and IOC Reports

- Website position
- Reasons for reporting on non-financial performance
- Governance
- Community
- Relationship with stakeholders
- Indicators and measures used



# Anticipated Differences in Reasons for Reporting Non-financial Performance

Returns on the investment in reporting by:

## **Enhancing the brand**

- Business Case (profitability, growth)
- Communication with Stakeholders (balancing SHs, managing relations; educating SHs ...)
- Legitimacy (accountability, transparency, responsiveness, quality, reputation ...)

## **Governance tool** for planning and moving forward

- Measuring performance against targets and benchmarks
- Articulating, communicating, and operationalizing an identity in relation to values

# Starting with a Comparison of TWO Organizations

## The Co-operative Group & J. Sainsbury

- Roughly comparable in size:
  - Over £10 billion net sales
  - Over 100,000 employees
  - Over £ 5 billion in assets
- Same Country (UK)
- Both are award winners:
  - Ranked among top 5 UK food retailers as leaders in social responsibility in 2011
  - Reporting since 1997

# An Example - J. Sainsbury's Reasons for Reporting

- Business reasons

*“Our **business strategy for growth recognizes that our values make us different** – they are part of our identity and integral to our success:”*

# Reasons for Reporting

| REASON                | J. SAINSBURY | THE CO-OPERATIVE |
|-----------------------|--------------|------------------|
| Business Case         | 2            | 2                |
| Communication Tool    | 2            | 4                |
| Public Reputation     | 1            | 3                |
| Measuring Performance | 1            | 4                |
| Establishing Identity | 1            | 1                |
| TOTAL                 | 7 statements | 14 statements    |

# Business Reasons (examples)

## J Sainsbury

*“... we remain convinced that a **long-lasting business has to be a values-driven one**, and we have continued to adhere to this with another full year of activity ...” (p. 1)*

*“... by considering the wider social, environmental and economic impacts of our business we will **achieve long-term shareholder value**, by being better able to meet all parties’ expectations of our business” (p. 3)*

## The Co-operative Group

*“This report charts how we have managed to **achieve that growth** with a sustainability performance ... second to none.” (p.3)*

*“The process of accounting, auditing and reporting on our material social, ethical and environmental impacts helps us to **drive our performance** and provides crucial information to our stakeholders.” (p. 10)*

# Communication Tool (examples)

## J Sainsbury

*“We also **know that our customers are as interested as ever** in healthy eating, the environment, animal welfare, the sustainable use of natural materials and social inclusion.”* (p.2)

*“We will continue to develop the framework so investors, colleagues, customers and any other **interested parties all have measurable assurance** about Sainsbury's commitment to responsible business”* (p.7)

## The Co-operative Group

*“The process of accounting, auditing and reporting on our material social, ethical and environmental impacts ... provides crucial **information to our stakeholders.**”* (p.1)

*“... and this report continues to demonstrate our commitment to **openness and honesty.**”* (p.1)

# Public Reputation (examples)

## J Sainsbury

*“In this report you can find out how we monitor and manage the impact of our business to ensure we **remain a positive force** among UK retailers.”*

*(p.1)*

## The Co-operative Group

*“...this Report, **which shows that not only have we remained true to ...** [the social, ethical and environmental ] commitment but with our Ethical Plan, we have indeed **gone further in our ambition to be the UK’s most socially responsible business.**” p. 3*

# Measuring Performance (examples)

## J Sainsbury

*“The result is a more **concise, rounded and balanced picture of our overall performance**, which reflects our business strategy and the way we manage our business daily.” (p. 7)*

## The Co-operative Group

*“In line with our commitment to transparency, this Report includes over **40 performance benchmarks**, allowing the reader to make sense of our performance relative to others” (p. 1)*

*“Over that time we have reported on our performance, both good and bad, against more than **1,000 targets ...**” (p.1)*

# Establishing Identity (examples)

## J Sainsbury

*“These **values are at the heart of everything we do**, ensuring we run our business in an honest, ethical and sustainable way. ... Sainsbury’s values have been at the heart of our business since we were found in 1869”* (p. 1)

## The Co-operative Group

*“The title of this Report Inspiring through co-operation is intended to convey **how co-operation can play a vital role** in delivering societal benefits in a sustainable and long-term manner: This theme runs through the report.”* (p. 1)

# An Example - Sainsbury's Community Indicators & Measures



- 6 pages within sustainability report
- Social impact on communities – 12 measures
  - Supporting local communities (£ raised / donated; # of colleagues volunteering; # of charities supported.)
- Economic impact on communities- 5 measures
  - # new jobs created; # of new stores; # of products supplied by local companies and producers

# An Example - The Co-operative Group Community Indicators & Measures



- 17 pages within sustainability report
- UK Community Investment
  - Supporting UK communities – 5 measures
  - Employee community engagement – 3 measures
  - Youth (16 measures)
  - Funds and foundations – 3 measures
    - # fund requests; # of awards; £ disbursed; average £ awarded
- Economic impact (% of own-brand sourced locally; # of employees)

# An Example - The Co-operative Group

## Community Indicators & Measures

- **Overseas community – 3 measures**
  - £ donated to fair-trade producers in supply chain; £ donated for co-op development overseas; # of people who will benefit from carbon offset solutions
- **Social inclusion – 29 measures**
  - Services available to those in deprived areas and disadvantaged individuals.
  - Finance opportunities referred to Ethical Policy
- **Public policy engagement**
  - names and £ value of contributions to of trade & business associations and political parties

# Next Steps

- Complete the comparisons of Co-op Group and Sainsbury's, continuing to test coding for reliability
- Expand sample if possible by adding to our list of retail food co-ops that post sustainability reports on line.
- Choose comparable investor-owned corporations for comparison
- Code additional reports and analyse the data

# Thank you

## Questions?

[Leslie.Brown@msvu.ca](mailto:Leslie.Brown@msvu.ca)

[Elizabeth.Hicks@msvu.ca](mailto:Elizabeth.Hicks@msvu.ca)

[Coopproj@msvu.ca](mailto:Coopproj@msvu.ca)

