

Co-operative Sustainability Performance Measurement: The Role of the Co-op Principles and UN Sustainability Development Goals in the Reporting Model

“Measure what is measurable and make measurable what is not so.” (Galileo Galilei)

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Abstract: This research begins with the question: can co-operative organizations make use of the Principles to develop a measurement and reporting model that addresses the identified shortcomings of current practice relating to sustainability reporting? To answer this question, the research objective is threefold: one, to help identify the causes of the shortcomings in current co-operative sustainability reporting practice; two, to assess how best to address those causes; and three, to propose a more effective model of sustainability measurement and reporting, which can be developed with a specific emphasis on making reference to the UN SDGs as a global benchmark for co-operatives.

The study identified shortcomings in the current reporting models employed and found support for the link between the Principles and sustainability efforts, including activities relating to the SDGs. We identified a framework of stratification of stakeholder interests, mission and organizational activity and impact; and determined a conceptual model of values alignment and impact measurement (based on using the Co-operative Principles to guide the reporting of organizational performance) for co-operative organizations. The model will guide the development of appropriate metrics related to social and environmental value, in addition to economic value, for an organization and thereby provide more meaningful information to stakeholders.

This study is important as it begins to address the lack of co-operative specific social, environmental and co-operative measures and reporting and provides assistance to co-operative organizations that are looking to report on how they are helping to meet the UN SDGs. The paper contributes to the literature by introducing a comprehensive model that can be further developed for implementation and evaluated for effectiveness in future research.

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Introduction

Increasingly over the last couple of decades businesses have come under pressure from stakeholders to participate in and provide greater information on their activities in areas outside the scope of traditional financial reporting; areas such as environmental impact and sustainability (Haleem et al., 2014; Forte, 2013). According to Deloitte's 2018 Global Human Capital Trends Survey (p. 2), "...organizations today are increasingly judged on the basis of their relationships with their workers, their customers, and their communities, as well as their impact on society at large."

And co-operative organizations are not immune from such pressure. In fact it can be argued that co-operative organizations face a much higher level of pressure due to the more diverse interests and stronger voice of empowered stakeholders in co-operative organizations. The International Co-operative Alliance (ICA)'s guidance notes for implementation of the Co-operative Principles note that "co-operatives' success is based on their ability to support those communities [relevant to them] to develop in a sustainable way" and that co-operatives "have a responsibility to strive to be ethical and socially responsible in all their activities" (ICA, 2015, p. 85). Guzman et al. (2019) and Lauermaun et al. (2018) also highlight the pressure on co-operatives specifically in this area.

The lack of a standard definition of sustainability however has led to a range of different approaches and tools for the measurement of sustainability activities and results by organizations, as discussed in the work of Retolaza et al. (2014); Mulgan (2010); Hysa et al. (2018); and Hadad and Gauca (2014). Even then, there is a noted lack of such measures that are specific to co-operative organizations (Anzilago et al., 2018; Lauermaun et al., 2018).

The lack of a standard definition of sustainability coupled with the myriad of tools to measure sustainability has failed to yield useful results in terms of satisfying stakeholder interest in the reporting of organizations' and more specifically, co-operatives' sustainability activities (Anzilago et al., 2018; Lauermaun et al., 2018; Hadad & Gauca, 2014; Laskar & Maji, 2017; and Hysa et al., 2018).

The UN Sustainability Development Goals (SDGs) provide a framework of sustainability activity against which organizations and stakeholders can compare and measure progress (United Nations, 2015). However, the SDGs are specific targets and goals at a macro, governmental level¹ and do not therefore directly correlate to organizational level activity and impact, and do not provide a measure of value added to the organization. Nonetheless, stakeholder demand for information on organizations' activities in relation to the SDGs is increasing, as evidenced in PwC's SDG Reporting Challenge survey (PwC, 2018). A reporting/measurement model specific to co-operatives that includes or facilitates reference to these goals would therefore be beneficial.

Co-operative organizations are guided by the Co-operative Principles as published by the ICA and these Principles include specific reference to sustainability, which is highlighted under Principle 7 (ICA, 2015). As such, can co-operative organizations make use of the Principles to develop a measurement and reporting model that addresses the identified shortcomings of current practice relating to sustainability reporting?

This research has three objectives: one, to help identify the causes of the shortcomings in current co-operative sustainability reporting practice; two, to assess how best to address those causes; and three, to propose a more effective model of sustainability measurement and reporting that can be developed with a specific emphasis on making reference to the UN SDGs as a global benchmark for co-operatives.

Methodology

The methodology was composed of four steps: reviewing SDGs and co-operative principles; developing the conceptual framework; conducting the literature review; and analyzing the data. This is distilled into Figure 1 below.

Figure 1: Steps in the methodological process

Steps	Actions	Outcomes
Step 1	Review relevant documents re SDGs and Co-op principles	Scope of research
Step 2	Define markers into word-map (conceptual framework)	Figure 2
Step 3	Conduct literature review using keywords and defined parameters	40 documents
Step 4	Analysis of identified literature using Figure 2 word-map	Figure 3

In terms of meeting our first objective – to identify the causes of the shortcomings in current co-operative sustainability reporting practice – we began with Step 1 by reviewing in detail the statements of co-operative identity, the co-operative principles and the supporting documentation, such as the Guidance Notes to the Co-operative Principles. We identified therein keywords and phrases that defined the concepts behind each of the Principles.

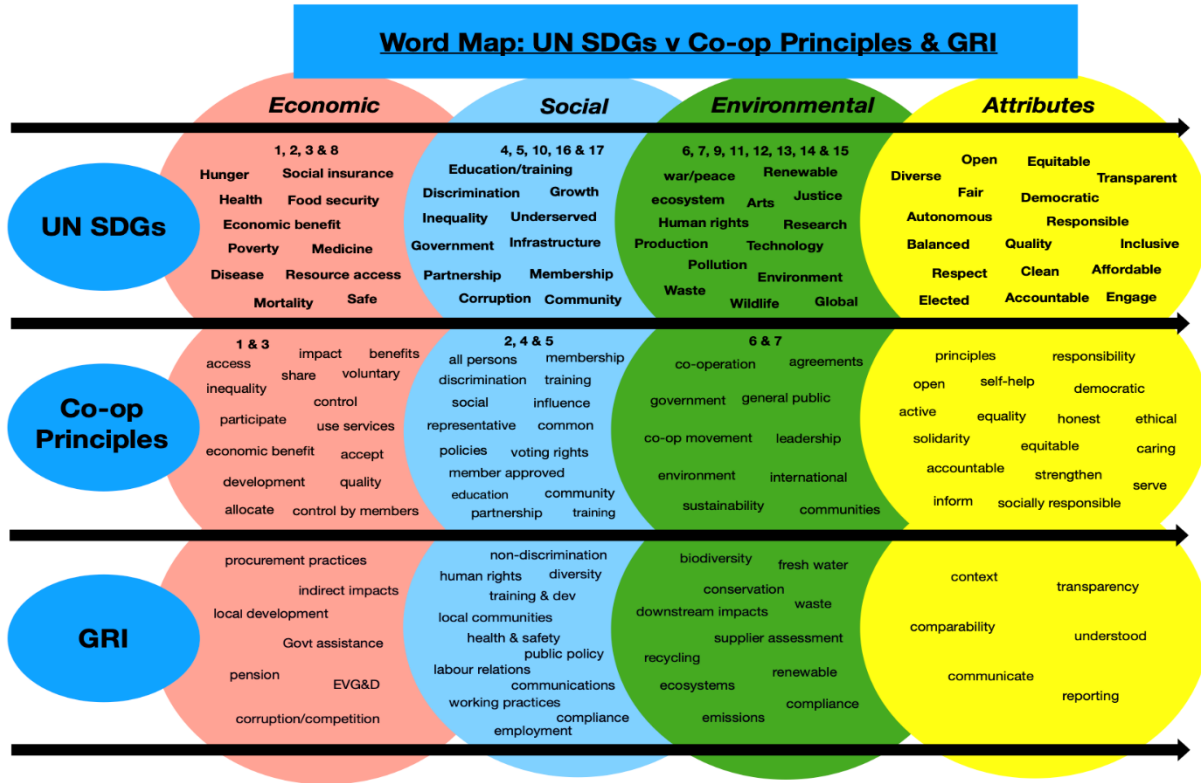
Following from the link between the Principles and the work done on environmental reporting and sustainable development by the UN in the 1990's², we reviewed in detail the UN Sustainability Development Goals and, given the purposefully short and simple nature of the goals themselves, related documentation such as progress reports and indicators. We identified therein keywords and phrases that defined the purpose and nature of each goal.

The SDGs and Co-op Principles are two different sets of documents with different approaches, foci and terminologies. Since both are also relatively brief, it is not practical to measure the occurrence of common words to see how these documents interact. Thus began Step 2, to develop a workable and robust conceptual framework. In order to assess the linkage between the SDGs and Co-op Principles we focused on the underlying purpose of each document, identifying that in each case the documents refer to distinct stakeholders (either parties receiving intended benefits, parties on which responsibilities are placed, or parties that are impacted by the goals/principles contained therein). These different stakeholders can be categorised on a spectrum ranging from individual interests, through group (organization, community, etc.) interests to societal/environmental interests. Since these categories of stakeholders are common to both documents, we used them to create linguistic domains within which we can specify markers (text within the documents, either specific words or phrases) that identify where and when each document is discussing such stakeholder interests. Markers existing in both documents for the same stakeholders give us the linkage between the content of each document in relation to the interests of those stakeholders.

The markers themselves can be split (generally) into two components - attributes and markers, where the attributes are generally descriptive words that correspond (usually) to values or subjective qualifiers; and the markers that are more context specific features of the goal/principle that align with the relevant stakeholder, e.g., poverty is a marker for individual stakeholders, as an individual is poor; whereas voting rights are a marker for group stakeholders, as the co-op ensures all members have voting rights. See Appendix A for a list of the markers and attributes for each set of documents.

By plotting the markers for each set of documents against the stakeholder categories, we developed a word-map (see Figure 2 below), to illustrate how the documents interact. The word-map provides the foundation for the conceptual framework.

Figure 2: Word-map of UN SDG, Co-operative Principles and Global Reporting Initiative



We utilised this word-map/conceptual framework for two purposes: one, to frame our research parameters for the subsequent literature review; and two, to see if the extant research on sustainability reporting in co-operative organizations supported the use of both the Principles and the UN SDGs.

With the initial SDG and Co-op Principles review completed and now with the word-map as a guide, we moved to Step 3 – reviewing the relevant literature. The review examined online resources and tools, industry reports, and journal articles for research relevant to the relationships between co-operatives, the Principles, sustainability and the SDGs. It was done between November 2017 and December 2019. We focused only on English language literature. We did not target any particular journals or publications except for specific items from the UN re the Sustainability Goals and from the ICA re Co-operative Principles. We searched for articles, papers, etc., that contained the following keywords relating to co-operatives and sustainability: combinations of corporate sustainability, social responsibility, co-operative measurement, corporate values, economic performance, personal values, social impact measurement, sustainability measures, social reporting, environmental reporting, profitability, co-operative principles, social value, stakeholders, co-operative advantage, and UN SDGs. Papers containing appropriate combinations of these terms, or synonyms of these terms in the title and with a focus on or substantial component related to co-operative organizations were chosen as relevant for detailed review. We then turned our attention to literature that related to the role of organizational values in co-operatives and in the implementation of sustainability.

We completed a detailed review of over 55 documents deemed most relevant from those targeted searches, with 40 of those producing referenceable points for inclusion in the paper.

We eliminated from scope items in the search results relating to impact measurement in ‘social enterprises’ and non-profit organizations that did not have substantial content on co-operatives. We did this to avoid any confusion that the findings would only be applicable to co-operatives that were also ‘social enterprises’ and to ensure

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sustainability reporting as an output/product in and of itself would be distinguished, i.e., non-profit organizations whose mission is to deliver impacts that would be considered sustainable versus sustainability reporting as an indicator of the processes applied in general operation of the organization regardless of its nominal 'product'. We also wanted to avoid the false contaminating inference that sustainability reporting comes with a trade-off against profit generation.

Following the literature review, Step 4 began. We utilised the findings and the work done in linking the Principles to the SDGs to meet objectives two and three: to assess the causes for the shortcoming in sustainability reporting and to formulate a new conceptual model of reporting for sustainability for co-operatives. We started our analysis of the identified literature (N=40) by examining items relating to the current use of CSR/sustainability metrics and measures by co-operatives. This we discuss below in the analysis and discussion sections and represent in Figure 3.

In terms of methodological limitations, we recognize that there is literature related to sustainability and performance reporting for 'social enterprises' and non-profit organizations that may contain relevant information to further the discussion in this paper. We also recognize that our choice of search terms and selection criteria on the results of the searches may not have yielded a comprehensive and exhaustive list of research items. However, we believe that the exclusion of this body of literature from this paper does not detract from its validity or value since the literature that is in scope is sufficient to support our conclusions and to justify the introduction of the our proposed model. Further research into the model should include an expansion of the search terms and criteria to include relevant materials from the 'social enterprise' and non-profit organizations' sustainability reporting literature.

A second methodological limitation comes from working with only English language literature. There could be many other resources, especially given the global nature of the sustainability effort and the use of co-operative organizational structures in the developing world, that we have not included or assessed. We encourage further research employing the conceptual framework (Figure 2) to research written in other languages, thus expanding the scope and findings.

Analysis

The first objective of this research is to help identify the causes of the shortcomings in current co-operative sustainability reporting practices. We begin with the GRI framework as it is a tool used by many Fortune 500 companies to report on CSR/sustainability efforts.³ Adams (2004) noted in his examination of GRI reporting in multi-national organizations that it did not provide a complete picture and was not accountable to key stakeholders with respect to ethical, social and environmental performance. We therefore looked for research on its use by co-operative organizations to see if similar issues occurred. A study by Toit and Buys (2013) examined the applicability of GRI to an agricultural co-operative in South Africa. They found it performed well under economic indicators, but it was more difficult to report on environmental performance. They found social performance was addressed through training and education, human rights were reported on through number of incidents, and society performance was highlighted through the co-operative's contribution to the community. Additionally, Anzilago et al. (2018) looked at the use of GRI in agricultural co-ops in Brazil and found little consistency in application and a general lack of interest in using such a tool by the co-op managers. They ascribe this lack of interest to the inadequacy of the GRI to capture items relevant to the co-op nature of the organizations and therefore its inability to provide useful information to the managers for decision-making purposes.

Mayo further argues that the basis of CSR as developed by and for commercial enterprises does not provide a suitable framework for co-operative enterprises (2011). While there are many CSR tools and techniques, Mayo contends they focus on investor owned organizations and do not address other models of ownership such as co-operatives. Instead, he calls for co-operative enterprises to develop appropriate accounting frameworks to understand member value and business performance. Furthermore, Mayo posits that sustainable development is a core principle of being a co-operative and is part of the co-operative identity; a position supported by the inclusion of Principle 7 within the Principles, as noted above. Consequently, since co-operative performance is distinct from business performance, the metrics used need to reflect input and outputs that support co-operative values and

principles. Lauermaun et al. also note the dual nature of co-ops and highlight failures of current measures based on their limited implementation in the Brazilian co-ops studied (2018).

Similar to Toit and Buys' (2013) finding, Hadad and Găucă (2014) found, in their research into the reporting of social impact, that most metrics are monetary/economic based and also are internal to the companies and therefore not capturing the full ethos of the social mission of the organizations examined. Gilligan and Golden (2009) in their research in the charitable sector propose the re-branding of organizations from 'Non-Profit' to 'Social Profit' and utilizing financial style metrics such as Social Productivity Cost and Return On Social Investment (ROSI) as performance measures, illustrating that the current focus on economic style indicators is pervasive across the spectrum of organizational forms. Tolivar (2013) also found that the current models of CSR do not provide useful information to the organization. Schneider (2015) and Retolaza et al. (2014) also identify a focus on economic measures as an issue with current CSR/sustainability reporting.

Perversely, despite the focus of current measures on economic/monetary metrics, many authors have been unable to produce conclusive evidence of the effect of CSR/sustainability activities on organizational financial performance. For example, Welter (2011) was unable to substantiate a link between sustainability measures and financial performance in his study of public US corporations and ascribed the lack of support, in part, to the multi-variate factors influencing financial performance and to the difficulties in isolating any direct effect of the sustainability measures. Laskar & Maji (2017) also found little support for the correlation between company performance and CSR reporting in their review of over 100 Asian companies. The work of Johnson (2009) supports that of Welter in that she could not substantiate a direct link between organizational values and profitability, but was able to determine a link through organizational values' impact on the intermediate factors of organizational identity and employee behaviour, which in turn both impact profitability. Maletic, et al (2015) also note that any correlation between sustainability practices and economic performance is as a result of improved performance in other areas such as innovation driven by the sustainability practices.

From the review of the literature noted above, it is evident that socially responsible and sustainability activities do not drive value to the organization in a manner that is conducive to measurement via economic/monetary metrics. Attempts to report on such activity using such measures will not produce valuable information for organizational stakeholders; neither useful information on the impact to company financial performance, nor useful information on social mission progress. This is of particular concern to co-operative organizations due to the expectation inherent in the Principles to understand the organizational impact of their activities on both the financial and non-financial spectrums. Without useful information on the impact of socially responsible/sustainability activities that can be utilised in the decision-making process, there exists an increased risk of mission drift and a vision of such activities as costs only (tending to decrease the incentive to undertake them). Cornforth noted that commercial pressures were a key factor in mission drift in social enterprises and that reporting of social mission performance was a useful strategy in combatting such drift, as it redressed the balance of focus between economic management and mission of the organization (2014). We note that there are opportunities for additional empirical research in this area that we have not explored.

Given that the aforementioned analysis suggested that socially responsible behaviour and sustainability are not significantly correlated to economic performance, we also analysed the literature on non-economic value of organizations, aka 'Social Value' and its measurement. Hysa, et al, (2018) discuss more directly the issue of monetizing and quantifying an objective measure of 'social value', noting a number of problems with such a process, not least the theoretical dichotomy of trying to get an objective measure of a subjective concept. Several other authors propose that measurements of organizational performance should, in addition to economic value, be based on similar concepts of non-economic value, such as social value (Hadad & Gauca, 2014), shared-value (Porter & Kramer, 2019), social markets (Mulgan, 2010), socio-economic return (Retolaza, et al. 2014) and social added-value (Mannarini et al., 2018). Common to each of these concepts is a focus on inclusion of multiple stakeholder interests and a consideration of the general environment in which the organization operates and its impact thereon. In general, therefore, we can consider the total 'performance' of a co-operative organization to be a composite of measures covering three broad categories of outcome: Economic, Social and Environmental, each providing important information relevant to stakeholders whose interests are focused in those areas (as shown in Figure 2).

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New measures of value in the areas of Social and Environmental activity need to be developed in order to deliver useful reporting on total co-operative performance. This is the message we have consistently seen in the literature review, as noted above.

What are the key drivers of non-economic value? We can see this emerging in Figure 2. Malan and Ungerer (2017) discuss the requirement of purpose in an organization to create value related to that purpose. They review the different theoretical models of value in organizations' purpose, contrasting the economic value ideology as espoused by authors Porter & Kramer (2011) in their Creating Shared Value (CSV) concept, versus the normative ideology of Donaldson & Walsh (2015) in their Optimised Collective Value (OCV) model. The latter focuses on moral value, which can be equated to our terms social & environmental value. Whilst Malan and Ungerer's discussion does not pit one theory against the other, our research supports the adoption of the latter theory as being more appropriate for co-operative organizations. Research by Slintak and Dvorsky (2019) supports this conclusion in that they advocate for a more complete purpose specified by firms as opposed to the purpose of 'making profit'. Their more complete purpose is generalised as 'service to society', in which economic performance is a requirement, but sits alongside creating what we have referred to herein as social value.

In order for social and environmental value to be separated from and measured differently than economic value, it is necessary for there to be separate social and environmental goals that are derived from the organizational purpose aspects relevant to social mission and from a knowledge of the relevant stakeholder interests. In their review of Italian social enterprises' reporting of social impact, Costa and Pesci (2016) highlight the potential of organizations to pick and choose the metrics (and therefore the goals) used in order to produce the most flattering reporting and suggest that involvement of stakeholders and the use of independent standards would help alleviate this issue. We were therefore interested to see if co-operative organizations could or are utilizing the UN SDGs as the basis for separate social and environmental goals and metrics.

From our review of the documentation on the UN SDGs, we categorised the underlying elements of each one into groupings of Economic, Social and Environmental based on the need (stakeholder interest) addressed (see Figure 2). There was a lack of research that related to direct reporting of co-operatives on the SDGs themselves. There was a greater propensity for literature to focus on co-operatives use of the GRI as the reporting model in relation to non-economic activity. As such, we added GRI items, grouped into our three categories onto our word-map, to show how they could be used to measure and report on SDG goal progress. The literature review, however, highlighted issues with co-operatives' use of the GRI (Adams, 2004 and Toit & Buys, 2013). In particular, it was noted that current GRI reporting did not encompass the duality of co-operatives' missions stemming from the Co-op Principles (Anzilago et al, 2018).

The Co-op Principles do not map one-to-one with the UN's SDGs, and are not in themselves measures of organizational value. However, by reviewing for the keywords and synonyms within each of the Principles, we are able to find commonality with the SDGs and GRI and they can therefore be added into the same standard categories used for the SDGs and GRI as reflected in Figure 2.

The word-map (Figure 2) hence provides a link to tie the goals discussed in the SDGs and the performance related to those goals, to the values applied by co-operative organizations in undertaking activity relating to the goals (since Principles are effectively organizational values that co-operative management should be utilizing in their decision-making process). We therefore examined the literature on the role of the Principles (or more generally organizational values) in sustainability/CSR activity and social and environmental mission.

Several authors have investigated the relationships between organizational values, CSR/sustainability and performance. Sullivan et al. (2001) note the benefits to organizations of being values-led, particularly in the context of delivering change. Tolivar (2013) reviewed the prevalent models of CSR and identified the common values that underpin these models. Florea et al. (2013) argue that clearly defined organizational values are required for effective implementation of CSR programs. Given that the research highlighted problems with the measurement of non-economic performance, it was expected that organizational values would be a key element for success; and that

'success' would include benefits to the organization such as increased employee retention and improved innovation. And this is indeed confirmed in the work of Johnson (2009) and Maletic, et al (2015).

Any organization, of course, is driven by its stakeholders, in particular the employees. We therefore examined literature on the relationships between employees and CSR/sustainability and that of employee-organization values alignment.

The work of Plante et al. (2013) and Priesmeyer (2011) explore the role of personal values and motivations in the context of behaviour within the organization. Both indicate that alignment of employees' individual values with those of the organization produces positive results for both the organization and the employees. Similarly, Hackett (2010) finds that employee motivations toward certain behaviours (such as sustainability efforts) are stronger where anchored in employees' personal values.

From this research review we can conclude that organizations are more likely to succeed in implementing programs that are non-economic in nature (such as CSR or sustainability efforts) if they have a clearly defined set of values that are aligned with employees' individual values in this area. Indeed, Florea et al. (2013) confirm that sustainability practices need to be implemented through a shared values system between the organization and the employees in order to be effective. In addition, Martin (2002) identifies that there is a clear competitive advantage for co-operative organizations where co-operative principles are effectively communicated to the stakeholders. Similarly, Borzaga and Depedri (2012) suggest that co-operative enterprises have been more successful than other forms of social enterprise in Italy, in part due to their well identified co-operative principles.

Also, Ramus and Vaccaro (2017) in their work on mission drift in social enterprises, conclude that stakeholder engagement is a vital component of ensuring mission drift does not occur, along with the need for strong organizational social values and social performance reporting.

To summarize the findings from our literature review, there are three key elements for consideration regarding co-operatives, sustainability reporting and the SDGs. These illustrate the causes for the shortcomings in current co-operative sustainability reporting practices.

First, current methods of reporting on sustainability (and similar items such as CSR in general) are not necessarily producing useful information for stakeholders in relation to the value of such activities. This is due largely to the nature of most models used, which tend to focus on quantitative assessments and internal organizational (i.e. single stakeholder) and economic outcomes, and therefore do not capture value related to non-economic impacts or impacts to multiple stakeholders (which can be described as the 'social mission' of the organization). This issue is particularly relevant for co-operatives due to their broader stakeholder involvement and the inherent social mission derived from the Principles.

Second, new models are required to capture the value related to activities undertaken to further the social mission. Value produced by the organization, measured as 'performance' can generally be split into three groupings based on the organizational need addressed: Economic, Social and Environmental value/performance. Such stakeholder interest-based grouping is also evident in the documentation relating to both the SDGs and the Principles. This allows us to identify the relevant goals and the specific values used for managing activities to fulfill organizational mission in the Social and Environmental areas. The identified values in turn provide guidance as to the correct metrics to use in order to provide useful information to the organization's stakeholders.

And third, social mission activities (such as CSR and sustainability programs) are found to be more effective where the organization has clearly defined purpose and values relevant to such activities. Alignment of the organizational values with the personal values of relevant stakeholders (e.g. employees and members) will increase the benefit to the organization in relation to all three performance groups (economic, social and environmental).

Discussion

In addition to identifying the causes of the shortcomings in current co-operative sustainability reporting practices, we also proposed two other objectives—to assess how best to address those causes, and to create a more effective

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model of sustainability measurement and reporting for co-operatives using the UN SDGs as a global benchmark. The first objective has provided the springboard to the second and third objectives. Our research indicated that, in general, although co-operatives are more susceptible to the limitations of the widely used current models of reporting in relation to producing a holistic picture of the performance of the organization (i.e. GRI), they are also uniquely well placed to overcome those limitations for the very same reason – the co-operative identity and Guiding Principles.

The literature has told us a great deal about how to best assess the shortcomings in current co-operative sustainability reporting practices. As discussed by Aram (1997), and by Hysa et al (2018), although the roots of capitalism are founded on principles relating to group strength and co-operation, the free-market model of current capitalism will over time work to erode that principle by prioritising economic value only. Hysa et al (2018) argue that the focus on resolving market inefficiencies is at the expense of social values. The current free-market model results from the (incorrect) ideological assumption that progress equates to economic growth and that maximising it will additionally lead to optimal social development. The primacy of economic development devalues social development and thereby produces a model of capitalism that tends to undermine its own foundational concepts due to its liberalist individualistic mechanisms (notably, through personal affluence, use of technology and globalisation) (Aram, 1997). This in turn drives inequality within the sphere of influence of the organization. Where the relative sphere is small, this issue has less impact; however, the nature of business over the past several decades has become increasingly global in scope, with large multi-national organizations coming to dominate many markets. As such, the inequality driven by this form of capitalism is becoming an increasingly significant problem, in both the countries exploited by such organizations and the countries in which they are based.⁴ For example, the benefit is becoming increasingly focused on economic benefit for a limited set of stakeholders, while the impact is being felt at social and environmental levels, too, and affecting an increasing variety of stakeholders (Forte, 2013).

The focus on economic value creation in the ideology, as well as driving issues as noted above, also results in a focus on economic value in the associated current reporting models, even where such reporting is on activities whose primary objective is not economic – such as sustainability. Evaluating such activity in this manner is unlikely to produce information that is useful in promoting its benefits to the organization (or society) on a holistic level. This is supported by the findings of this research.

In contrast to the current favoured liberal free-market capitalist ideology, as far back as the 18th century, scholars viewed trade as an activity that drove both economic and social value, and was an integral component of civil society (Hysa, et al, 2018). The concept of trade as beneficial on a social level as well as economic, is something that eventually resurfaced in the early development of the co-operative movement and is best illustrated with the following quote, which is alongside the ICA Statement of Co-op Identity at the Rochdale Pioneers museum:

The co-operative ideal is as old as human society. It is the idea of conflict and competition as a principle of economic progress that is new. The development of the idea of co-operation in the 19th century can best be understood as an attempt to make explicit a principle that is inherent in the constitution of society, but which has been forgotten in the turmoil and disintegration of rapid economic progress.⁵

This founding ideology of the co-operative movement is something that was enshrined in the Co-operative identity and later encapsulated also in the Principles to be utilised to effect the identity. Co-operative organizations therefore are inherently driven to producing value in both a societal sense and an economic sense.

In the same way that issues associated with liberal capitalism increase with organizational scale, so too does the difficulty in realizing benefits of socially-focused business. Fortunately, co-operation amongst co-operatives is one of the Principles and co-operatives therefore have reduced pressure to cannibalise the market, preferring instead to work with and alongside peer organizations. In addition, the values associated with diversity, cultural sensitivity and respect for local community also work to ensure that a co-op looks to act locally even when thinking globally. Again, co-operative organizations have an inherent set of values that can be used to help offset issues of scale, provided an effective measurement and reporting system is in place relating to those values and stakeholder interests.

Co-operatives have the organizational ideology within their formulation to avoid some of the issues noted above re capitalist activity; however, this creates an increased need to ensure effective measurement and reporting of organizational performance in this area in order to give them the tools to be able to use their advantage. Reporting needs to be focused on Social Value as opposed to Economic Value, for which a new set of measures and processes is required. This viewpoint is also supported by the research.

Our research indicates therefore that the Co-operative Principles do support and drive the organization's efforts in Sustainability (and other Social Value creation activities); however, we believe this advantage is currently under-utilised due to deficiencies in the reporting and measurement processes used.

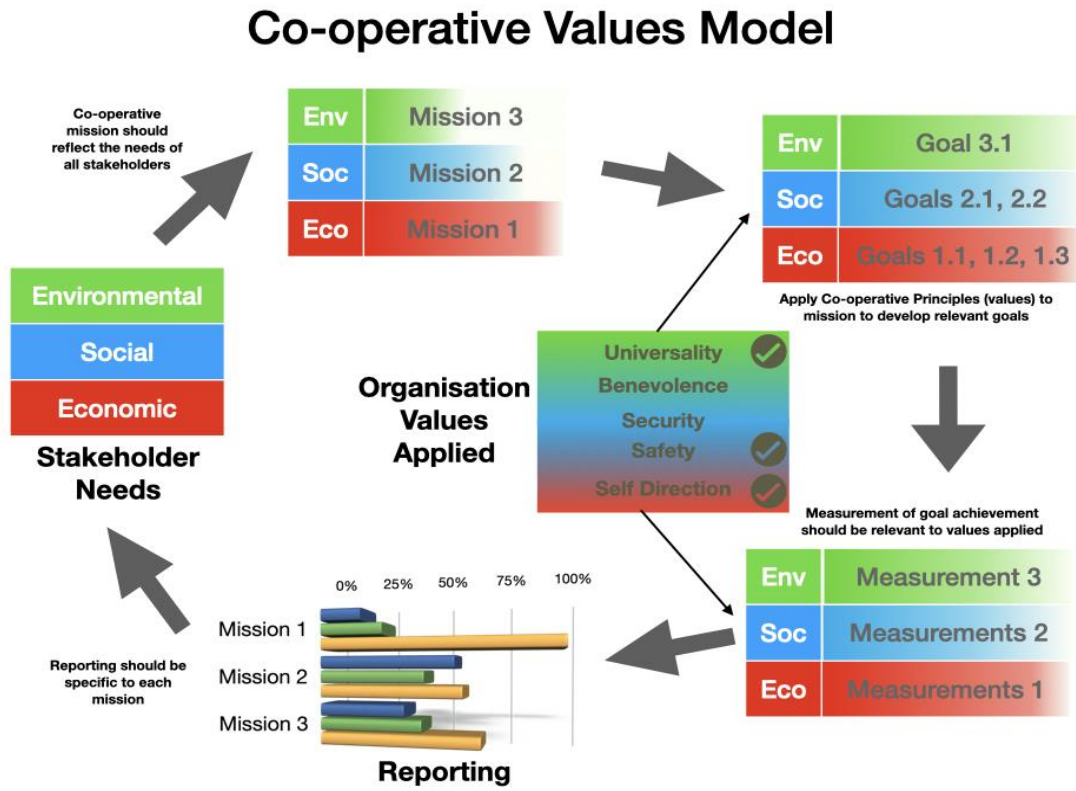
In addition to supporting organizational social mission activities, the existence of the Principles also supports the co-operative focus on its stakeholders and their requirements. From the ICA Guidance Notes: "...a co-operative is an association of persons united voluntarily to meet their common economic, social and cultural needs" (2015, p.1).

In terms of individual stakeholders, Lopez Davis and Ruiz de Maya (2017) discuss the concept of Personal Social Responsibility (PSR) and also refer to the economic, social and environmental aspects of individuals actions. They take the research done on socially responsible consumer behaviour and its links to corporate responsibility and extend it to the non-economic activity of the individual. They conclude that PSR can promote and amplify CSR for companies where strategies and goals are based on responsibility, transparency and mutual respect (in addition to economic growth). As we have illustrated, due to the co-operative identity and the Principles, co-operative organizations have an inherent and clearly elucidated expectation to set goals and perform in a responsible, transparent and respectful manner. They should therefore be well-positioned to benefit from the alignment of values between the stakeholders and the organization created by the promotion of the PSR concept.

The UN SDGs as written are macro, globalised and governmental targets and may not therefore be useful as goals relevant to any specific organization in terms of social and environmental value drivers. However, our analysis suggests that where organizations set social and environmental goals derived from the SDGs and in line with their overall strategy, they can use the values set out in the Principles to form the backbone linking individual stakeholder motivations with holistic organizational performance. This will result in contributions to societal objectives in the areas of social and environmental purpose as well as economic. Setting up such a model would assist in developing a business environment that works to address some of the most pressing societal issues we are facing today.

Our research identified a consensus that a new method of valuing social and environmental performance is required in order to fulfill this mission, but a lack of consensus on how activities in those areas should be measured is preventing significant progress. Our research and conclusions can be summarised into a model (see Figure 3) showing the relationship of the organization, its purpose, values and reporting processes to its stakeholders. This is the third objective of our research. It is our assertion that the model we propose herein for examining the values relevant to the goals, objectives and motivations associated with the social and environmental activities should be the starting point for future research and action; in particular examining how values can be used to determine appropriate metrics/measurements for each such activity.

Figure 3: Co-operative Values Model



The above figure illustrates the virtuous circle that results from aligning values at the stakeholder, organization and customer levels for co-operatives and assuming that a suitable measure can be determined for reporting. The circle can be said to be virtuous because the way the co-operative works toward the goals must be in line with the Co-operative Principles and reported effectively back to the relevant stakeholders.

Inherent in the organizational structure of a co-operative there is a non-economic mission in addition to the economic one, not least because the co-op members represent both economic (owners) and social (users) stakeholders. It is likely that co-op members represent a specific community that would also constitute them as environmental stakeholders (such as a local dairy co-op, although environmental in this respect is not limited to geographical environment). Different stakeholder needs are more likely to be represented by different individual stakeholders in non-co-op organizations. Provided that co-operatives have identified their non-economic missions and taken steps to convert these missions to specific goals (not just economic goals), management can utilise the Co-op Principles as the backbone of the measurement efforts for each goal to show how the range of impacts is driven across the different stakeholder needs.

Having inputs, goals and impacts identified across the spectrum of economic, social and environmental needs promotes a more holistic reporting and determination of organizational value. The model also can be used to more easily identify which UN SDGs are relevant for the specific co-operative and provide evidence of how the co-operative is working toward such SDGs.

Co-operative organizations have an advantage over other forms of organization due to the co-operative identity and Principles, which emphasize social and environmental considerations in addition to economic. Co-operatives should therefore be at the forefront of sustainability and social responsibility by ensuring that their reporting properly evidences the holistic value that they are producing. An effective way of measuring non-economic value is essential.

In this paper we argue that an assessment of the application of the specific Principles to each goal would be a potential method of determining such value.

Conclusions

We began this research with the question: can co-operative organizations make use of the Co-operative Principles to develop a measurement and reporting model that addresses the identified shortcomings of current practice relating to sustainability reporting? We had three objectives by way of answering this research question: one, to help identify the causes of the shortcomings in current co-operative sustainability reporting practice; two, to assess how best to address those causes; and three, to propose that a more effective model of sustainability measurement and reporting can be developed with a specific emphasis on the UN SDGs as a global benchmark for co-operatives.

Our review of the literature on topics related to co-operative organizations, sustainability and performance identified several weaknesses in the common approach to reporting and managing these items. Poorly defined concepts of Corporate Social Responsibility (of which sustainability is a subset) have tended to focus the attention of actors in this space to consider the organization as a closed system of management, forcing a myopic view of stakeholder interests and organizational performance, in which economic performance is paramount and other activities are required to evidence positive economic impact in order to be justified. We contend that organizations are open systems with multiple stakeholders bearing multiple impacts and outcomes from the activities of the organization and they therefore carry a responsibility for accounting for such impacts and outcomes to all stakeholders. In such a system, it is evident that economic performance is merely one factor of overall organizational performance and that it is derived from the needs of a single set of stakeholders – those with an economic interest in the organization. Attempting to justify one area of performance in terms of another is both unlikely to show the correlation required for such justification and unnecessary; each area of performance exists to provide information to a particular set of stakeholders. For example, it is not necessary to justify social performance in economic terms, because the social performance is required to satisfy the needs of stakeholders whose primary benefit is not economic; provided that social performance does not detract from the economic performance to such an extent as to create an existential threat to the organization. Similarly, economic performance cannot be used as a justification to avoid social performance; again, a certain threshold of existential social performance must be met regardless of economics.

Note, an organization may have stakeholders that have multiple interests in the organization and therefore form a part of different stakeholder sets discussed above. Indeed, members of co-operatives, for example, would form part of both the set of economic stakeholders in the organization and also the set of social stakeholders. As well as the multiple needs of the members of a co-operative, there will always be stakeholders beyond the formal members, since no organization is devoid of geography or locus of impact from its activities. All organizations therefore owe a duty and should be accountable to multiple formal and informal stakeholders and should be reporting performance relevant to all such stakeholder interests in relevant terms.

The concept of the organization as an open system accountable to multiple stakeholders helps rationalise the difficulty many researchers have had in developing an effective economic argument for CSR and/or sustainability. This was borne out by the literature we reviewed, in particular when examining the commonly noted criticisms of current reporting models, such as internal organizational focus, use of only economic type measures, etc. We note that there is no agreed definition of Social Responsibility for organizations and that there is opportunity for further work in this area. All research in this area would benefit from a more detailed specification of the concept, and its operation and boundaries.

Our work is focused on co-operative organizations and we reviewed documentation relating to the co-operative sector. This includes specific ethos and guidelines for co-operatives that form a set of guiding principles, which can be used to identify co-operatives' stakeholders and their needs. These principles support our assertion of the co-operative organization as an open system that impacts a broad range of stakeholders who are impacted in a broader set of ways than just economic outcomes and that the organization attains its legitimacy from its responsibility to the complete range of stakeholders.

Co-operative Sustainability Performance Measurement: The Role of the Co-op Principles and UN Sustainability Development Goals in the Reporting Model

Our review encouraged us to delineate organizational performance into three distinct categories; economic, social and environmental. It should be noted that this delineation is for academic purposes and that there is crossover at the boundaries such that whether an item is considered to be social or environmental, for example, is somewhat dependent on the opinion of the user. Such delineation is useful in that it enables us to identify how the activities of the organization work to address the needs of each set of stakeholders. We did this by producing the word-map, which groups common terms from the Co-op Principles, the GRI reporting tool and the UN SDGs within each of the general categories: economic, social and environmental. The word-map evidences how the organization can use the Principles as the operationalising tool to marry sustainability goals (such as the SDG) to relevant outcomes and the reporting thereof (e.g., GRI). Although we encountered some criticism of GRI reporting and its applicability to co-operative organizations, in the absence of a suitable alternative for co-operatives specifically, it worked well to illustrate the general linkage as discussed previously. Developing a more co-operative specific set of reporting tools in line with the results of this paper and the model developed herein is an area of future research that we intend to undertake.

As an operational mechanism, the Principles reflect a set of organizational values that affect outcomes of activity and therefore impact stakeholders. Where the organizational values are aligned with the values of different stakeholders of the organization, goals can be set relevant to each set of stakeholders and outcomes managed to produce impacts relevant to achieving those goals. The literature review evidenced that sustainability and social responsibility efforts were more successful when organizational values were aligned with key stakeholder values.

We therefore developed the model presented whereby co-operative organizations can utilise the Principles and the stratification of interests, mission, goals and activities into Economic, Social and Environmental categories to develop an aligned process of delivering impact in all areas and to each set of stakeholders. The development of the stratified mission, goals and activities determines the relevant outcomes and required reporting. Although the word-map showed sufficient support for the model using standardised goals (the UN SDGs) and standardised holistic reporting tools (GRI), the challenge for future research in this area is to develop a more co-operative specific reporting tool based on the Principles as the operational mechanism. This should reduce the criticisms of applying GRI reporting and measures to co-operatives and the difficulties in translating the UN SDGs into organizational level relevant goals.

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Notes

¹ See ‘Targets and Indicators’ pages for each goal at the UN SDG website.

² Principle 7 was created and formally adopted in 1995 in the context of the UN’s 1992 Earth Summit in Rio as a result of which the UN SDGs were eventually developed – see ICA Guidance Notes to the Co-operative Principles (2015, p 85) for more detailed discussion.

³ 93% of the world’s largest 250 corporations use GRI (KPMG, 2017).

⁴ See also UN Trade report 2017 for more detailed discussion on this issue.

⁵ From “Consumers’ Co-operation in Great Britain”, A M Carr-Saunders, P Sargant Florence and Robert Peers, G Allen and Unwin, London (1938).

Appendix A: Linguistic Domains and Markers for SDGs and Co-op Principles

Sustainability Development Goals

Stakeholder interest/Impact areas (linguistic domain)

1. Individual Physiological & Safety Impacts
2. Individual Security through group belonging/community impacts
3. Community Social/Institutional Development & Growth impacts
4. Societal and Environmental Impacts

Markers

- a) Poor, poverty, bad-health, economic-resources, economic-benefit, minimum-wage, social-insurance, hunger, food-security, markets, malnutrition, safe, mortality, deaths, disease, health-insurance, violence, sexual-health, mental-health, medicine, vaccine, supply
- b) Ownership, membership, community, employment, education, discrimination, participation, labour, gender-equality, training, energy, corruption, work, financial services, underserved

- c) GDP, growth, safety-net, agriculture, government, co-operation, partnership, institutions, regulation, infrastructure
- d) Justice, climate, arts, environment, pollution, sanitation, charity, research, technology, war, peace, human-rights, global, ecosystem, wildlife, renewable, recycle, production, waste

Attributes

Open, fair, equitable, democratic, autonomous, responsible, balanced, quality, diverse, inclusive, respect, clean, affordable, transparent, accountable, engage, independence, elected

Combinations of attributes and markers create marker phrases that identify the linguistic domains.

Co-operative Principles

Responsible stakeholder/focus area (linguistic domain)

- a) Individual focus/impacts
- b) Organizational focus/impacts
- c) Extra-organizational focus/impacts

Markers

- a) Voluntary, use-services, willing, accept, contribute, control-capital, allocate, benefit-members, autonomous, control-by-members, participate, economic
- b) Membership, all-persons, without-discrimination, common-property, representative, voting-rights, policies, member-approved, education, training
- c) Co-operation, working-together, general-public, government, international, agreements, sustainability, environment, communities, co-operative-movement

Attributes

Open, responsibility, self-help, democracy, equality, equity, solidarity, ethical, honest, social-responsibility, caring, accountable, active, inform, serve, strengthen